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FEB 28 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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*Hand
3/5/18*

February 28, 2018

HAND DELIVERY

Aida Camacho, Office of the Secretary
Board of Public Utilities
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P.O. Box 350
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RECEIVED
CASE MANAGEMENT

MAR -5 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

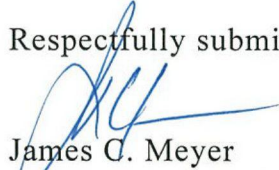
Re: I/M/O the Petition of Rockland Electric Company for Approval of Electric
Base Rate Adjustments Pursuant to the Storm Hardening Program
BPU Docket No. ER17101066

Dear Ms. Camacho:

Enclosed for filing please find an original and 11 copies of the Stipulation in the above-referenced matter executed by Rockland Electric Company, the Division of Rate Counsel, and Board Staff. It is intended that the matter be addressed at the March 26 Agenda meeting.

Kindly stamp the extra copy "filed" and return in the enclosed self-addressed postage paid envelope. If you have any questions or require further information, please do not hesitate to contact me.

Respectfully submitted,


James C. Meyer
Attorneys for Rockland
Electric Company

Enclosure

By: E-mail and U.S. Mail
Attached Service List ✓

4925581vl



SERVICE LIST

I/M/O Petition of Rockland Electric Company for Approval of Electric Base Rate Adjustments Pursuant to the Storm Hardening Program BPU Docket No. ER17101066

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**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF THE PETITION OF)
ROCKLAND ELECTRIC COMPANY)
FOR APPROVAL OF ELECTRIC)
BASE RATE ADJUSTMENTS)
PURSUANT TO THE STORM)
HARDENING PROGRAM)

BPU DOCKET NO. ER17101066

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FEB 28 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

STIPULATION

APPEARANCES:

James C. Meyer, Esq., Riker Danzig Scherer Hyland & Perretti, LLP and **John L. Carley, Esq.**, Assistant General Counsel, for Rockland Electric Company

Brian Lipman, Esq., Litigation Manager, **Ami Morita, Esq.**, Managing Attorney – Electric, **Diane Schulze, Esq.**, and **Kurt Lewandowski, Esq.**, Assistant Deputies Rate Counsel, for New Jersey Division of Rate Counsel (Stefanie A. Brand, Director)

Renee Greenberg and Alex Moreau, Deputy Attorneys General, for Staff of the Board of Public Utilities (**Gurbir S. Grewal**, Attorney General of New Jersey)

This Stipulation is made as of February 27, 2018 by and among Rockland Electric Company (“RECO” or “Company”), the Staff of the New Jersey Board of Public Utilities (“Board Staff”), and the New Jersey Division of Rate Counsel (“Rate Counsel”), the only parties to this proceeding (collectively, “Parties”).

On October 16, 2017, the Company filed a petition (“October 2017 Petition”) with the New Jersey Board of Public Utilities (“Board” or “BPU”) seeking BPU approval to recover the revenue requirements associated with capitalized electric investment costs incurred pursuant to RECO’s Storm Hardening Program through and including December 31, 2017. Upon review of

the October 2017 Petition, conducting and reviewing responses to discovery, and discussing the facts and issues in settlement conferences, the Parties stipulate and agree as follows:

1. RECO's October 2017 Petition in this matter sought Board approval for electric base rate changes to provide for cost recovery associated with the Company's Storm Hardening Program. The Board approved the Storm Hardening Program in its Order dated January 28, 2016 in BPU Docket Nos. AX13030197 and ER14030250 ("Storm Hardening Order"). In that Order, the Board adopted a stipulation ("Storm Hardening Program Stipulation") that explicitly authorizes the request for rate increases in the October 2017 Petition.

2. Paragraph 30 of the Storm Hardening Program Stipulation, provides as follows in part:

The Company shall proceed on the following schedule following public notice and public hearing, recognizing that the prudence of the investments will be determined in the Next Base Case, as addressed above. The schedule below anticipates semi-annual notice, public hearings, and rate adjustments to cover all rate charges for the SHP investments:

* * *

c. Revenue Requirements associated with program investments that are placed into service from July 1, 2017 through December 31, 2017 shall go into base rates effective April 1, 2018. RECO shall make its initial filing for such rates by October 15, 2017, and update such filing for actual data through December 31, 2017 by January 15, 2018.

3. The October 2017 Petition sought authority to establish rates to recover the annualized increase in electric revenue requirement of approximately \$795,035. The proposed revenue requirement increase is associated with Storm Hardening investment costs. The annualized increase in the revenue requirement was supported by Attachment 1, Schedule 1 attached to the October 2017 Petition, which was based on expenditures associated with Storm

Hardening Program electric plant placed in service through December 31, 2017, including (i) expenditures made but not placed in rates on or before September 30, 2017 pursuant to any prior rate filing, and (ii) expenditures from October 1, 2017 through December 31, 2017 that were forecasted in the October 2017 Petition.

4. Notice of the October 2017 Petition, including the date, time and place of public hearing, was placed in newspapers having a circulation within the Company's electric service territory, and was served on the Clerks of the municipalities, the Clerks of the Board of Chosen Freeholders, and the County Executives within the Company's electric service territories. In accordance with that notice, two public hearings were held on January 29, 2018. No members of the public provided comments addressing this matter.

5. On January 26, 2018, the Company provided updated schedules in this matter, which replaced the projected data in the original schedules with actual data through December 31, 2017, reflecting the updated annualized increase to electric revenue requirements associated with Storm Hardening investment costs. The updated annual increase in revenue requirements is lower than the increases in annual electric revenue requirements originally proposed in this matter. On February 16, 2018, the Company provided further modified schedules in response to informal discovery from Rate Counsel, that continue to reflect an increase in annual electric revenue requirements lower than originally proposed in this matter. The Company shall receive rates, as described below, designed to recover the revenue requirement increase of \$483,382 as provided in Attachment 1 (attached hereto as Exhibit A). The Company's original and updated electric revenue requirement reflects a cost of equity of 9.6% in its Allowance for Funds Used During Construction calculation for 2017 and the Company will reflect a cost of equity of 9.6% in its AFUDC calculation for 2018.

6. The Company shall implement the rates associated with the above stated, proposed annualized increase in the electric revenue requirement and the rate design in the Storm Hardening Order, as provided in Attachment 3 (attached hereto as Exhibit B), as such rates are modified pursuant to the proceeding in BPU Docket No. AX18010001, whereby the Board established a proceeding to ensure that utility ratepayers receive the appropriate benefits from the reduction in federal taxes resulting from the Tax Cuts and Jobs Act of 2017. The Company shall implement the electric rates discussed in this paragraph effective April 1, 2018 or on a date directed by the Board.

7. The annual impact of the proposed rates to the typical residential electric customer that uses 925 kWh per month is an increase of \$0.36 or approximately 0.2%.

8. The Parties agree that pursuant to the terms of the Storm Hardening Order, the Company may implement the rates in Attachment 3 (Exhibit B hereto) effective April 1, 2018, or on a date directed by the Board. The rate adjustments established herein shall be provisional and subject to refund solely based upon a Board finding that RECO imprudently incurred capital expenditures under the Storm Hardening Program. Such prudence review shall take place in the Company's next base case and its base rate case subsequent to the next base case to the extent there are any Storm Hardening Program investments up to \$15,724,100 not included within the test year of the next base case. Nothing herein will preclude any party from raising in the next base case any objection that could have been raised in the annual or semi-annual filings.

9. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety

by the Board, any party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event that this Stipulation is not adopted in its entirety by the Board in any applicable Order, then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation has not been signed.

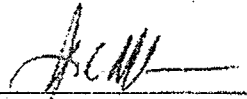
10. The Parties agree that they consider the Stipulation to be binding on them for all purposes herein.

11. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, the Company, Board Staff and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein, in total or by specific item. The Parties further agree that this Stipulation is in no way binding on them in any other proceeding, except to enforce the terms of this Stipulation. .

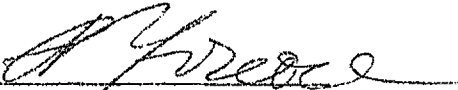
12. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

WHEREFORE, the Parties hereto respectively submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety in accordance with the terms hereof.

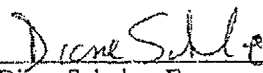
ROCKLAND ELECTRIC COMPANY

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Deputy Attorney General

NEW JERSEY DIVISION OF RATE COUNSEL

By: 
Diane Schulze, Esq.
Asst. Deputy Rate Counsel

Rockland Electric Company
Storm Hardening Program
Financial Summary
Through December 31, 2017

Capital Structure (See Schd. 2)

Equity Component	4.77%
Equity Return	9.60%
Before -Tax WACC	9.34%
After -Tax WACC	6.71%
Effective Tax Rate	28.11%
Interest Expense	2.70%

Expenditures

	2016	2017	Cumulative
Plant Additions (See Schd. 3)	\$1,012,604	\$3,036,980	\$4,049,584
Plant in Service	1,012,604	4,049,584	
Accumulated Depreciation	4,292	44,631	
Net Plant	1,008,312	4,004,953	\$5,013,265
Accumulated Deferred Tax (See Schd. 4)	(62,584)	(259,128)	
Rate Base	945,728	3,745,825	
Return Requirement (Rate Base x After-Tax WACC)	63,487	251,458	
Revenue Multiplier (See Schd. 6)	1.3931	1.3931	
Rate Base Revenue Requirement after Gross Up	88,444	350,307	
Depreciation Expense (See Schd. 5)	4,292	40,339	\$44,631
Total Revenue Requirement	\$92,736	\$390,646	\$483,382

Rockland Electric Company
Storm Hardening Program
Consolidated Capital Structure
Case ER16050428
Twelve Months Ended December 31, 2016

	Ratio	Cost Rate	Weighted Average Ratio	Pre-Tax Weighted Average Ratio	After-Tax Weighted Average Ratio
Long Term Debt	50.30%	5.37%	2.70%	2.70%	1.94%
Common Equity	49.70%	9.60%	4.77%	6.64%	4.77%
Total	100.00%		7.47%	9.34%	6.71%

Rockland Electric Company
Storm Hardening Program
Plant Additions
Through December 31, 2017
(Thousands of Dollars)

Program Type	Program Name	2016	2017	Total
Overhead System	Harrington Park - Harriot Ave (Schraalenburgh To Bogert Mill)	\$ -	\$ 781.9	\$ 781.9
Overhead System	Old Tappan - Old Tappan Rd Reconductor	-	102.5	102.5
Overhead System	Oakland - Chuckanut Drive tie - NJ	-	-	-
	Subtotal Storm Hardening Programs	-	884.5	884.5
Smart Grid Expansion	Distribution Automation / Smart Grid Expansion Program	1,012.6	2,152.5	3,165.1
	Subtotal Smart Grid Programs	1,012.6	2,152.5	3,165.1
		<u>\$ 1,012.6</u>	<u>\$ 3,037.0</u>	<u>\$ 4,049.6</u>

Rockland Electric Company
Storm Hardening Program
Accumulated Deferred Taxes
Through December 31, 2017
(Thousands of Dollars)

	<u>2016</u>	<u>2017</u>
Book Depreciation Expense	4.3	40.3
Tax Depreciation Expense	30.6	150.7
Tax Expense (Repair Allowance)	(81.0)	(243.0)
263 (A)	(115.3)	(345.8)
Calculation of Deferred Income Tax		
Book Income/(Loss) Before Taxes	(4.3)	(40.3)
<u>Schedule M Items</u>		
<u>Add:</u>		
Book Depreciation	4.3	40.3
<u>Deduct:</u>		
Tax Depreciation	(30.6)	(150.7)
Repair Allowance	(81.0)	(243.0)
263 Overheads	(115.3)	(345.8)
Total Timing Differences	(222.6)	(699.2)
Deferred Income Tax Expense @ 28.11%	<u>\$ 62.6</u>	<u>\$ 196.5</u>

Rockland Electric Company
Storm Hardening Program
Depreciation Expense
Through December 31, 2017
(Thousands of Dollars)

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Total
Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.2	\$ 0.4	\$ 0.9	\$ 0.9	\$ 0.6	\$ 1.3	\$ 4.3
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.2	\$ 0.4	\$ 0.9	\$ 0.9	\$ 0.6	\$ 1.3	\$ 4.3

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Total
Distribution	\$ 1.5	\$ 1.8	\$ 1.9	\$ 2.0	\$ 2.2	\$ 2.4	\$ 3.7	\$ 3.8	\$ 3.8	\$ 4.9	\$ 6.1	\$ 6.1	\$ 40.3
Total	\$ 1.5	\$ 1.8	\$ 1.9	\$ 2.0	\$ 2.2	\$ 2.4	\$ 3.7	\$ 3.8	\$ 3.8	\$ 4.9	\$ 6.1	\$ 6.1	\$ 40.3

Cumulative Total	Total
Distribution	44.6
Total	\$ 44.6

Rockland Electric Company
Storm Hardening Program
Revenue Multiplier
Case ER16050428
Twelve Months Ending December 31, 2016

1. Revenue		100.00%	
Less:			
2. Uncollectibles		<u>0.15%</u>	(A)
3. Taxable Income		99.85%	
4. State Income Taxes @	9.00%	<u>8.99%</u>	(B)
5. Federal Taxable Income		90.86%	
6. Income Taxes @	21.00%	<u>19.08%</u>	(B)
7. Operating Income		71.78%	
8. Revenue Multiplier		<u>1.3931</u>	(C)

Sources:

(A) Company Filing, 12+0 Update, Exhibit P-2, Summary, Page 3.

(B) Reflects statutory tax rates.

(C) Line 1 / Line 7.

ROCKLAND ELECTRIC COMPANY

Storm Hardening Base Rate Reset

Rates Including Sales and Use Tax - January 2018 Update

ROCKLAND ELECTRIC COMPANY
Calculation of Proposed Distribution Rates
Including Sales and Use Tax @ 6.625%

	Proposed Distribution <u>Excl SUT</u> (a)	Proposed Distribution <u>SUT</u> (b = a * 6.625%) 6.625%	Proposed Distribution <u>Incl SUT</u> (c = a + b)
Service Classification No. 1			
Customer Charge (\$/mo)	4.25	0.28	4.53
Rates Including Sales and Use Tax	0.04748	0.00315	0.05063
First 600 kWh -W (\$/kWh)	0.04748	0.00315	0.05063
Over 600 kWh -S (\$/kWh)	0.05981	0.00396	0.06377
Over 600 kWh -W (\$/kWh)	0.04748	0.00315	0.05063
Water Heat -S (\$/kWh)	0.05981	0.00396	0.06377
Water Heat -W (\$/kWh)	0.04748	0.00315	0.05063
Space Heat -W (\$/kWh)	0.04748	0.00315	0.05063
Service Classification No. 2 Unmetered			
Customer Charge (\$/mo)	9.91	0.66	10.57
Usage:			
All kWh -S (\$/kWh)	0.04286	0.00284	0.04570
All kWh -W (\$/kWh)	0.03884	0.00257	0.04141
Service Classification No. 2 Non-demand Metered			
Customer Charge (\$/mo)	11.50	0.76	12.26
Usage:			
All kWh -S (\$/kWh)	0.04286	0.00284	0.04570
All kWh -W (\$/kWh)	0.03884	0.00257	0.04141
Service Classification No. 2 Secondary			
Customer Charge (\$/mo)	15.35	1.02	16.37
Demand:			
First 5 kW -S (\$/kW)	1.90	0.13	2.03
First 5 kW -W (\$/kW)	1.59	0.11	1.70
Over 5 kW -S (\$/kW)	3.80	0.25	4.05
Over 5 kW -W (\$/kW)	3.21	0.21	3.42
Usage:			
First 4,920 kWh -S (\$/kWh)	0.03689	0.00244	0.03933
First 4,920 kWh -W (\$/kWh)	0.03457	0.00229	0.03686
Over 4,920 kWh -S (\$/kWh)	0.03093	0.00205	0.03298
Over 4,920 kWh -W (\$/kWh)	0.03037	0.00201	0.03238
Service Classification No. 2 Space Heating			
Space Heat -S (\$/kWh)	0.04779	0.00317	0.05096
Space Heat -W (\$/kWh)	0.02869	0.00190	0.03059

ROCKLAND ELECTRIC COMPANY
Calculation of Proposed Distribution Rates
Including Sales and Use Tax @ 6.625%

	Proposed Distribution <u>Excl SUT</u> (a)	Proposed Distribution <u>SUT</u> (b = a * 6.625%) 6.625%	Proposed Distribution <u>Incl SUT</u> (c = a + b)
Service Classification No. 2 Primary			
Customer Charge (\$/mo)	80.00	5.30	85.30
Demand:			
All kW -S (\$/kW)	7.40	0.49	7.89
All kW -W (\$/kW)	6.33	0.42	6.75
Usage:			
All kWh -S (\$/kWh)	0.01592	0.00105	0.01697
All kWh -W (\$/kWh)	0.01592	0.00105	0.01697
Service Classification No. 3			
Customer Charge (\$/mo)	6.10	0.40	6.50
Peak -S (\$/kWh)	0.06522	0.00432	0.06954
Peak -W (\$/kWh)	0.05851	0.00388	0.06239
Off Peak - S (\$/kWh)	0.02349	0.00156	0.02505
Off Peak - W (\$/kWh)	0.02349	0.00156	0.02505
Service Classification No. 5			
Customer Charge (\$/mo)	4.25	0.28	4.53
First 600 kWh - S (\$/kWh)	0.04838	0.00321	0.05159
Over 600 kWh - S (\$/kWh)	0.05878	0.00389	0.06267
All kWh - W (\$/kWh)	0.04838	0.00321	0.05159
Service Classification No. 7			
Customer Charge (\$/mo)	199.16	13.19	212.35
Demand			
Period I (\$/kW)	3.14	0.21	3.35
Period II (\$/kW)	0.78	0.05	0.83
Period III (\$/kW)	2.88	0.19	3.07
Period IV (\$/kW)	0.78	0.05	0.83
Usage:			
Period I (\$/kWh)	0.01892	0.00125	0.02017
Period II (\$/kWh)	0.01417	0.00094	0.01511
Period III (\$/kWh)	0.01892	0.00125	0.02017
Period IV (\$/kWh)	0.01417	0.00094	0.01511

ROCKLAND ELECTRIC COMPANY
Calculation of Proposed Distribution Rates
Including Sales and Use Tax @ 6.625%

	Proposed Distribution <u>Excl SUT</u> (a)	Proposed Distribution <u>SUT</u> (b = a * 6.625%) 6.625%	Proposed Distribution <u>Incl SUT</u> (c = a + b)
Service Classification No. 7 High Voltage Distribution			
Customer Charge (\$/mo)	2,145.95	142.17	2,288.12
Demand			
Period I (\$/kW)	0.99	0.07	1.06
Period II (\$/kW)	0.23	0.02	0.25
Period III (\$/kW)	0.91	0.06	0.97
Period IV (\$/kW)	0.23	0.02	0.25
Usage			
Period I (\$/kWh)	0.00222	0.00015	0.00237
Period II (\$/kWh)	0.00166	0.00011	0.00177
Period III (\$/kWh)	0.00222	0.00015	0.00237
Period IV (\$/kWh)	0.00166	0.00011	0.00177
Service Classification No. 7 Space Heating			
Space Heat -S (\$/kWh)	0.05007	0.00332	0.05339
Space Heat -W (\$/kWh)	0.03097	0.00205	0.03302
Service Classification No. 4			
5800 SV (\$/luminaire/mo.)	8.11	0.54	8.65
9500 SV	8.81	0.58	9.39
16000 SV	10.72	0.71	11.43
27500 SV	13.68	0.91	14.59
46000 SV	22.18	1.47	23.65
16000 SV Offset	21.66	1.43	23.09
27500 SV	18.08	1.20	19.28
46000 SV	25.43	1.68	27.11
1000 OBI	5.37	0.36	5.73
2500 OBI	7.18	0.48	7.66
6000 CB	11.03	0.73	11.76
4000 MV	7.28	0.48	7.76
7900 MV	8.57	0.57	9.14
12000 MV	11.15	0.74	11.89
22500 MV	14.14	0.94	15.08
40000 MV	21.51	1.43	22.94
59000 MV	27.19	1.80	28.99
4000 MV	11.06	0.73	11.79
7900 MV	13.55	0.90	14.45
7900 MV Offset	15.92	1.05	16.97
3400 IN	8.48	0.56	9.04
5950 IN	8.65	0.57	9.22
8500 IN	9.75	0.65	10.40
12750 IN	12.20	0.81	13.01
21250 IN	15.85	1.05	16.90
5890 LED	9.29	0.62	9.91
9365 LED	11.41	0.76	12.17
15 Foot Brackets	0.50	0.03	0.53
Undrg - Co. Owned	18.51	1.23	19.74
Undrg - Cust. Owned	4.50	0.30	4.80

ROCKLAND ELECTRIC COMPANY
Calculation of Proposed Distribution Rates
Including Sales and Use Tax @ 6.625%

	Proposed Distribution <u>Excl SUT</u> (a)	Proposed Distribution <u>SUT</u> (b = a * 6.625%) 6.625%	Proposed Distribution <u>Incl SUT</u> (c = a + b)
Service Classification No. 6			
5800 SV (\$/luminaire/mo.)	5.70	0.38	6.08
9500 SV	6.85	0.45	7.30
16000 SV	7.35	0.49	7.84
5800 SV	7.93	0.53	8.46
9500 SV	8.70	0.58	9.28
16000 SV	10.70	0.71	11.41
27500 SV	13.72	0.91	14.63
46000 SV	22.64	1.50	24.14
27500 SV	13.72	0.91	14.63
46000 SV	22.64	1.50	24.14
16000 SV Offset	21.06	1.40	22.46
4000 MV	8.86	0.59	9.45
7900 MV	10.23	0.68	10.91
22500 MV	16.31	1.08	17.39
4000 MV	9.72	0.64	10.36
7900 MV	11.13	0.74	11.87
22500 MV	17.27	1.14	18.41
1000 In	7.90	0.52	8.42
2500 In	10.20	0.68	10.88
12000 MV	13.99	0.93	14.92
40000 MV	25.32	1.68	27.00
59000 MV	31.53	2.09	33.62
3400 IN	8.53	0.57	9.10
5950 IN	8.71	0.58	9.29
8500 IN	9.81	0.65	10.46
12750 IN	12.28	0.81	13.09
21250 IN	15.97	1.06	17.03
5890 LED	9.35	0.62	9.97
9365 LED	11.49	0.76	12.25
15 Foot Brackets	0.56	0.04	0.60
Service Classification No. 6			
Customer Charge - Metered	10.81	0.72	11.53
Customer Charge - Unmetered	2.25	0.15	2.40
Energy (kWh) - Summer	0.05402	0.00358	0.05760
Energy (kWh) - Winter	0.05402	0.00358	0.05760