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JAN 28 2019

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JAN 28 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

STEFANIE A. BRAND
Director

January 28, 2019

Via Hand Delivery and Electronic Mail

Honorable Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
P.O. Box 350
Trenton, New Jersey 08625-0350

**Re: I/M/O Rockland Electric Company's Request for Deferred Accounting Authority for Cost and Lost Revenue Related to Veterans' Organizations Pursuant to N.J.S.A. 48:2-21.41 and Associated Tariff Changes
BPU Docket No. ER19010046**

Dear Secretary Camacho-Welch:

Please accept this letter (original and 10 copies) setting forth the position of the Division of the Rate Counsel ("Rate Counsel") in the above-referenced matter. Rockland Electric Company ("Rockland" or "the Company") seeks review and approval of its proposed tariff in accord with the requirements of N.J.S.A. 48:2-21.41 (also referred to as P.L. 2018, c.77), which requires public utilities to charge residential rates for service provided at property where veterans' organizations operate, as long as the residential rate is lower than the commercial rate which was applied to the property prior to enactment of the statute.

CMS
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New Jersey Board of Public Utilities
January 28, 2019
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The Governor and Legislature recognized the sacrifice and service of the members of the United States Armed Forces and tried to provide benefits to Veteran's Organizations by enacting this statute. However, the cost of any program that provides credits to one particular group of customers could ultimately be passed on to the remaining ratepayers of the affected utilities. Low and moderate income residential customers, other non-profits, and businesses that may be struggling economically will all have the additional burden of paying for the Veteran's Organizations' tariff. Utility ratepayers that are having difficulties paying their own bills will have to shoulder these additional burdens, although they may not directly serve them or their community. Therefore Rate Counsel believes that the economic impact of the Veteran's Organization credit should be kept at a minimum while still fulfilling the intent of the statute.

The statute requires electric and gas public utilities that provide services to facilities where Veteran's Organizations operate to charge the residential rate, if the residential rate is lower than the commercial rate that the veteran's groups are currently under. The Company's petition seeks approval for tariff changes that outline an application process and reflect the requirements of the statute. The Company, at this time, is not seeking administrative or IT costs. However, the Company is requesting: recovery of any loss of distribution revenues as a result of providing the residential rate on Veterans Organizations' accounts; and, recovery of the carrying charges on lost revenues costs at its current weighted cost of capital, as approved in the company's most recent distribution rate case. (Company Letter Petition, page 2). Rate Counsel does not have any objection to the Company's proposed tariff changes at this time. Our concerns regarding cost recovery are detailed below.

Direct Deferred Costs

The Company, in its petition “plans to implement the Veterans Program in-house with existing resources” and therefore is not seeking approval for recovery of any direct costs at this time. (Letter Petition, page 2).

Distribution “Lost” Revenues

Rate Counsel is opposed to the Company’s request for recovery of distribution “lost” revenues associated with complying with the statute since it is not certain at this time whether any of the utilities affected by the statute will in fact lose revenues.

The statute states that the utility will provide services at the residential rate without mention of the utility’s ability to recovery any assumed difference in revenue. See N.J.S.A. 48:2-21. First, since this is a new tariff, the utility cannot be certain how many participants will apply and qualify. Second, Rate Counsel characterizes the revenue difference as “assumed” since it is impossible to know if Veteran’s Organizations will use more or less energy as a result of approval for the veteran’s tariff. Those changes in behavior associated with energy use would make any mathematical calculation of the difference between residential and commercial bills inaccurate since the customers would now have the knowledge that they are in a new rate class. Therefore, just comparing the bills using the residential and commercial tariff is not enough information to capture a potential loss of revenue.

Additionally, the legislation does not contemplate lost revenue to the utilities. Therefore, although the utilities should not be permitted to defer direct costs and any perceived difference in revenue associated with the Veteran’s Organization tariff, the

Board can review any expenses and potential losses as part of the Company's next base rate case.

Carrying Charges

Rate Counsel opposes the Company's ability to recover carrying charges on lost revenues at its present weighted cost of capital. At this time, the costs and potential for lost revenue are unknown and speculative and determining that the Company is entitled to recovery of carrying charges would be inappropriate given that any lost revenues are still subject to a prudence review.

Conclusion

Rate Counsel is opposed to allowing the Company to defer any "lost" distribution revenue since customer behavior regarding energy use can be influenced as a result of approval for the Veteran's Organization tariff therefore making any perceived difference an unmeasurable variable, and the language of the statute does not include a mechanism for utility recovery of revenues.

Rate Counsel is also opposed to permitting the Company to recover any carrying costs associated with the incurred costs since a prudence review is necessary. If the incurred costs fall into the test year of the Company's next base rate case, we reserve the right to perform a prudence review of those costs in light of the number of participants in the Veteran's Organizations' tariff and other data provided in the Company's next base rate case.

Honorable Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
January 28, 2019
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Respectfully submitted,

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**I/M/O the Petition of Rockland
Electric Company Seeking review
and approval of the Veterans'
service Application and Tariff**

BPU Dkt. No.: ER19010046

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