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November 2, 2020

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

RE: IN THE MATTER OF THE IMPLEMENTATION OF P.L. 2018, C. 17
REGARDING THE ESTABLISHMENT OF ENERGY EFFICIENCY AND
PEAK DEMAND REDUCTION PROGRAMS

IN THE MATTER OF THE PETITION OF ROCKLAND ELECTRIC
COMPANY FOR APPROVAL OF ITS ENERGY EFFICIENCY AND PEAK
DEMAND REDUCTION PROGRAMS

BPU DOCKET NOS. QO19010040 and EO20090623

Dear Secretary Camacho-Welch:

Attached for filing is the response of Rockland Electric Company (“the Company” or “RECO”) to the Deficiency Letter of Staff of the Board of Public Utilities (“BPU”) dated October 16, 2020.

Respectfully submitted,


Margaret Comes

Enc.
cc: service list

In the Matter of the Petition of
Rockland Electric Company for
Approval of Its Energy Efficiency and
Peak Demand Reduction Programs
BPU Docket No. EO20090623

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Rockland Electric Company (“the Company”) or (“RECO) Response to
BPU Staff Deficiency Letter of October 16, 2020
BPU DOCKET Nos. QO19010040 and EO20090623

Deficiency Number 1:

I. General Filing Requirements

a. States the following:

The utility shall provide with all filings information and data pertaining to the specific program proposed as set forth in applicable sections of N.J.A.C. 14:1-5.11 and N.J.A.C. 14:1-5.12.

The filing is missing information related to *N.J.A.C. 14:1-5.12 (11)*.

Response

The Company objects to this deficiency item. The Board has directed that *N.J.A.C. 14:1-5.12 (11)* requires the calculation of utility Consolidated Tax Adjustment (“CTA”) when a utility base rate case is filed.¹ The filings required by the Board’s June 10, 2020 in Docket Nos. QO19010040 *et seq.*² (“June 10 Order”) are not base rate cases.

Additionally, *N.J.A.C. 14:1-5.12(11)*, by its language, is limited to base rate cases. *N.J.A.C. 14:1-5.12(11)* states the CTA is calculated “using the rate base method,” and is calculated “for five consecutive tax years, including the complete tax year within the utility’s *proposed test year.*” (emphasis added) The June 10 Order does not reference or provide for utilities adopting “test years.”

Without waiving the above objection, the Company is providing a confidential CTA calculation to parties who have executed the Company’s Non-Disclosure Agreement.

¹ Order Modifying the Board’s Current consolidated Tax Adjustment Policy, *In the Matter of the Board’s Review of the Applicability and Calculation of A Consolidated Tax Adjustment*, Docket No. EO121210721 (December 12, 2014) (“In ongoing base rate base cases where the record remains open, affected utilities are HEREBY DIRECTED to file the calculation of the CTA as modified by this Order.... All other affected utilities are HEREBY DIRECTED to include a calculation of the CTA, as modified in this Order, as part of their next base rate case petitions.”)

² Order Directing the Utilities to Establish Energy Efficiency and Peak Demand Reduction Programs, *In the Matter of the Implementation of P.L. 2018, C.17 Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs, et al*, BPU Docket Nos. Docket Nos. QO19010040, QO19060748, QO17091004 (June 10, 2020).

Deficiency Number 2:

I. General Filing requirements

b. States the following:

All filings shall contain information and financial statements for the proposed program(s) in accordance with the applicable Uniform System of Accounts that is set forth in N.J.A.C. 14:1-5.12. The utility shall provide the Accounts and Account numbers that will be utilized in booking the revenues, costs, expenses, and assets pertaining to each proposed program so that they can be properly separated and allocated from other regulated and/or other programs.

This Minimum Filing Requirement (“MFR”) requires the petitioner to submit the accounts and account numbers that will be utilized in booking the revenues, costs, expenses and assets. The filing does not appear to delineate all accounts that will be used or provide proposed journal entries.

Response:

Please see the attached Supplemental Direct Testimony of Accounting Panel with Exhibit AP-6, Schedule 1, which contains the Company’s Journal Entries with accounts and account numbers that will be utilized in booking revenues, costs, expenses and assets.

Deficiency Number 3:

I. General Requirements

c. States the following:

The utility shall provide supporting explanations, assumptions, calculations, and work papers as necessary for each proposed program and cost recovery mechanism petition filed under N.J.S.A. 48:3-98.1. The utility shall provide electronic copies of such supporting information, with all inputs and formulae intact, where applicable.

The filing is missing work papers for the Cost-Benefit Model.

Response:

The the confidential workpapers for the Cost-Benefit model is Exhibit AWC-1 CONFIDENTIAL, and is being provided to parties who have executed the Company’s Non-Disclosure Agreement.

Deficiency Number 4:

IV. Cost Recovery Mechanism³

a. States the following:

The utility shall provide appropriate financial data for the proposed program(s), including estimated revenues, expenses, and capitalized investments for each of the first three years of operations and at the beginning and end of each year of the three-year period. The utility shall include pro forma income statements for the proposed program(s) for each of the first three years of operations and actual or estimated balance sheets at the beginning and end of each year of the three-year period.

The Company did not include pro forma income statements or estimated balance sheets for each of the first three year periods.

Response:

Please see the attached Supplemental Direct Testimony of Accounting Panel with Exhibit AP-6, Schedule 2, which contains the Company's pro forma income statements and estimated balance sheets for each of the first three year periods.

Deficiency Number 5:

IV. Cost Recovery Mechanism

b. States the following:

The utility shall provide detailed spreadsheets of the accounting treatment of the proposed cost recovery, including describing how costs will be amortized, which accounts will be debited or credited each month, and how the costs will flow through the proposed method of recovery of program costs

This MFR requires the petitioner to describe how costs will be amortized and which accounts will be debited and credited each month, as well as how the costs will flow. The filing does not include proposed journal entries that would show how the costs will flow and which accounts would be debited and credited.

Response:

The Company's September 25, 2020 Filing included a description of how costs will be amortized. Please see Accounting Panel Direct Testimony page 4, lines 1-20, page 5, lines 1-15, and Exhibits AP-3 and AP-4.

³ Note that the Deficiency Letter denotes this section "II" but "Cost Recovery Mechanism" is section "IV" of the MFRs.

With regard to proposed journal entries showing how costs will flow and the accounts debited and credited, see response to Deficiency Number 2 above and Accounting Panel Exhibit AP-6.

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THE ESTABLISHMENT OF ENERGY EFFICIENCY AND PEAK DEMAND
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PROGRAMS

BPU DOCKET NOS. QO19010040 and EO20090623

CTA Exhibit

THIS EXHIBIT IS CONFIDENTIAL AND WILL BE PROVIDED TO PARTIES
WHO EXECUTED THE NON-DISCLOSURE AGREEMENT

IN THE MATTER OF THE IMPLEMENTATION OF P.L. 2018, C. 17 REGARDING
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Exhibit AWC-1 CONFIDENTIAL

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**ROCKLAND ELECTRIC COMPANY
SUPPLEMENTAL DIRECT TESTIMONY OF
ACCOUNTING PANEL
BPU DOCKET NOS. QO19010040 and EO20090623**

1 Q. Would the members of the Accounting Panel (“Panel”) please state their names
2 and business addresses?

3 A. Wenqi Wang, 4 Irving Place, New York, NY 10003 and Kevin Lyons, One
4 Blue Hill Plaza, Pearl River, NY 10965.

5 Q. Have you testified in the proceeding before?

6 A. Yes. We submitted "Direct Testimony of Accounting Panel" in support of the
7 Verified Petition of Rockland Electric Company (“the Company” or “RECO”)
8 in this proceeding.

9 Q. What is the purpose of this Supplemental Direct Testimony of the Accounting
10 Panel?

11 A. The purpose of this testimony is to add Exhibit AP-6 as an additional exhibit to
12 the Direct Testimony of the Accounting Panel.

13 Q. Was Exhibit AP-6 prepared under the Accounting Panel’s supervision and
14 direction?

15 A. Yes.

16 Q. Does this conclude your direct testimony?

17 A. Yes, it does.

Rockland Electric Company
Index of Schedules

<u>Schedule</u>	<u>Title of Schedules</u>
1	Journal Entries
2	Pro Forma Income Statement and Balance Sheet

Rockland Electric Company
EE and PDR Programs
Journal Entries

<u>No.</u>	<u>FERC Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
1	182.3 131	Other Regulatory Asset Cash	XXX	XXX
To record the deferral of program expenditures associated with the EE and PDR programs.				
2	142 400	Customer Receivables Operating Revenues	XXX	XXX
To recover through revenues via a surcharge.				
3	908 182.3	Customer Assistance Expenses Other Regulatory Asset	XXX	XXX
To record the amortization of the program costs.				
4	182 456 908 254	Other Regulatory Asset Other Operating Revenues Customer Assistance Expenses Other Regulatory Liabilities	XXX XXX	XXX XXX
To record the over/ under recovery.				
5	182.3 419 254 431	Other Regulatory Asset Other Income Other Regulatory Liabilities Interest Expenses	XXX XXX	XXX XXX
To record interest on over/under recovery.				

Rockland Electric Company
EE and PDR Programs

PRO FORMA INCOME STATEMENT

	<u>Year 1</u>		<u>Year 2</u>		<u>Year 3</u>
Operating Revenues w SUT	\$ 429,600	\$	1,344,629	\$	2,408,084
less SUT	26,693		83,547		149,623
Net Operating Revenues	402,907		1,261,082		2,258,461
Operating Expenses					
Amortization Expense*	250,817		795,001		1,447,441
Total Operating Expenses	250,817		795,001		1,447,441
Operating Income	152,090		466,081		811,020
Interest Expense	43,028		131,861		229,449
Income before income taxes	109,062		334,220		581,571
Income Taxes	30,657		93,949		163,480
Net Income	\$ 78,405	\$	240,271	\$	418,091

* Including gross up factor for uncollectible.

PRO FORMA BALANCE SHEET

	<u>Year 1</u>		<u>Year 2</u>		<u>Year 3</u>
<u>Assets</u>					
Regulatory Assets	\$ 5,000,252	\$	10,849,428	\$	18,009,216
less Accumulated Amortization	250,013		1,042,497		2,485,429
Net Regulatory Assets	4,750,239		9,806,932		15,523,787
Total Assets	\$ 4,750,239	\$	9,806,932	\$	15,523,787
<u>Liabilities & Capitalization</u>					
Deferred Income Taxes	\$ 1,335,292	\$	2,756,728	\$	4,363,736
Capitalization	3,414,947		7,050,203		11,160,050
Total Liabilities & Capitalization	\$ 4,750,239	\$	9,806,932	\$	15,523,787