

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

**I/M/O the Verified Petition of
Rockland Electric Company for Approval of Deferred
Accounting Treatment for Storm Preparation Costs Related to Tropical
Storm Henri; and for Other Relief**

VERIFIED PETITION

September 24, 2021

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

I/M/O THE VERIFIED PETITION OF)	
ROCKLAND ELECTRIC COMPANY FOR)	
APPROVAL OF DEFERRED ACCOUNTING)	VERIFIED PETITION
TREATMENT FOR STORM PREPARATION)	
COSTS RELATED TO TROPICAL STORM)	
HENRI; AND FOR OTHER RELIEF)	

Rockland Electric Company (“Petitioner”, “RECO”, or the “Company”), a public utility corporation of the State of New Jersey, having its principal offices at One Lethbridge Place, Suite 32 – Second Floor, Route 17 North, Mahwah, New Jersey 07430, respectfully petitions the New Jersey Board of Public Utilities (“Board”) pursuant to N.J.S.A. 48:2-16, N.J.S.A. 48:2-21.1, N.J.S.A. 48:3-23, and any other provision deemed applicable by the Board, for an Order authorizing RECO to defer on its books for accounting purposes the prudently incurred incremental preparation costs incurred by RECO (“costs” or “storm costs”), associated with Tropical Storm Henri (“Henri”), and to address rate recovery of such costs, including the time period, carrying charge and manner for recovery, in a phase two of the Company’s current base rate case (BPU Docket No. ER21050823).

BACKGROUND

1. Petitioner is a public utility engaged in the distribution of electricity and the provision of electric Basic Generation Service for residential, commercial and industrial purposes within the State of New Jersey. Petitioner provides electric service to approximately 73,000 electric customers in an area having a population in excess of

200,000 persons, which extends from eastern Bergen County at the Hudson River to western Passaic County and small communities in Sussex County, New Jersey.

Petitioner is a subsidiary of Orange and Rockland Utilities, Inc. (“O&R”).

2. Petitioner is subject to regulation by the Board for the purposes of setting its retail electric distribution rates and assuring safe, adequate and reliable electric distribution service pursuant to *N.J.S.A. 48:2-1 et seq.*

WEATHER FORECASTS

3. Storm preparation begins with weather forecasts. The meteorologists of the Company’s affiliate, Consolidated Edison Company of New York, Inc. (“Con Edison”) review both long-range and short-term weather systems to produce daily weather forecasts tailored to the O&R and RECO service territories. The forecasts rely on data from radar, satellite, and weather station sources; weather prediction models and the Company’s own internal impact model; the National Weather Service (“NWS”); and a paid weather service that provides forecast data to utilities and other companies.

4. Con Edison’s meteorologists began tracking the path of Henri on August 16, 2021 and followed its progress until after making landfall in southern New England. By Thursday, August 19, forecast models continued to show a westward trend with respect to the forecast track for Henri, closer to the O&R and RECO service territories. By Friday, August 20, this westward trend in the forecast models track continued. By Saturday August 21, the consensus of forecast models indicated that Henri was on a track to pass near or over the O&R and RECO service territories. Tropical Storm force winds were forecasted to likely begin at 0800 hours on Sunday, August 22. Winds were expected to be strongest between 0800 – 1400 hours, with sustained winds of 25 – 40

mph, and gusts of up to 40 – 55 mph. Total rainfall was projected to be between 2 and 5 inches.

5. By the early morning hours of Sunday, August 22, it was apparent that Henri was tracking farther east than what models had predicted earlier. Recognizing this, Con Edison’s meteorologists advised that tropical storm force winds were no longer expected across the O&R and RECO service territories. Henri later made landfall as a Tropical Storm across coastal Rhode Island. Henri weakened to a Tropical Depression as it tracked northwestward across southern New England during the afternoon of Sunday, August 22.

EVENT CLASSIFICATION

6. In accordance with Section 3 of the Company’s Emergency Response Plan (“ERP”) (which the Company has filed with the Board), the Company commences pre-event preparations at the first indication of a potential impact to the O&R and RECO service territories. The Company further evaluates event classification (*e.g.*, Upgraded, Serious) in accordance with Section 3 of the ERP and the Storm Classification and Staffing Matrix, Attachment 4 of the ERP. The Company uses this matrix for both pre-mobilization and recovery efforts. The matrix relates forecasted weather conditions with other parameters such as:

- Projected outage jobs;
- Number of customers projected out of service;
- Proposed restoration range; and
- Other variables such as wind, foliage condition, or ground saturation.

7. The Company uses its weather and impact forecasts as an input in its decision making for a storm. Among other things, the Company uses them to initiate planning, assign a category to the storm, mobilize Company and external resources to a range of pre-determined minimum staffing levels and as a trigger to initiate certain communications with customers, government officials, the media, and emergency response personnel.

8. The Company makes its final staffing decisions based on the weather and impact forecasts and other factors. The most important factor is the Company's goal to restore customers expeditiously following storms in order to meet increasing customer expectations for shorter outage periods.

9. In preparing for Henri, the Company was guided by Board Staff's criticism that during Tropical Storm Isaias, the Company's "daily restoration progress and outage reduction was out of sync with New Jersey's other EDCs resulting in a noticeably slower pace of restoration."¹ In the Isaias Report (p. 12), Board Staff also concluded the following regarding the Company's performance:

Given the forecast from both the utilities and the NWS, it appears the pre-storm measures implemented by the EDCs were consistent with one another, with the exception of RECO, and appropriate for the type of forecast being predicted. RECO was not proactive in acquiring prestorm mutual assistance prior to the arrival of the storm on August 4, 2020. ORU, who operates RECO as a contiguous system serving approximately 300,000 customers combined, waited until August 4, 2020 to acquire tree trimming mutual assistance resources. **Given the likelihood that Isaias would cause significant tree-related damage to the ORU and RECO service territory, ORU should have been more proactive in obtaining mutual assistance earlier in the pre-storm preparation.** (emphasis added)

As Board Staff also noted in the Isaias Report (p. 3):

¹ *Review and Assessment of Electric Utility Performance August 4, 2020 Tropical Storm Isaias Weather Event*, Prepared by Board Staff Division of Reliability and Security, dated November 18, 2020 (p. 31) ("Isaias Report").

While all utility ratepayer costs are scrutinized routinely, the Board has made it clear that **legitimate expenditures for weather preparedness and response, including mutual assistance efforts, are acceptable expenditures. We need the EDCs to lean forward on acquisition of resources in response to these disasters...** (emphasis added)

10. Based upon the August 19 and 20, 2021 weather forecasts described above, the Company projected an upper end possible impact of 2000 outages jobs (*i.e.*, approximately 100,000 customers without electric service) in the O&R and RECO service territories. Based on this forecast, and the concern that available line resources would become unavailable if the Company delayed requesting mutual assistance (due to other utilities' securing them), at 1106 hours on August 19, the Company pre-classified Henri as a Storm Category 4C – Full Scale event effective Sunday August 22, 2021 at 0400 hours.

MOBILIZATION ACTIVITIES

11. In the days leading up to Henri, the Company began preparatory communication and mobilization measures for the storm in accordance with Section 3 of the ERP. As Henri approached the O&R and RECO service territories, the Company advised customers to brace for possible outages as the Company mobilized crews, contractors, and storm emergency staff.

12. On August 19, the Company initiated calls to begin planning for the arrival of Henri. On August 22, at 0700 hours, the Company mobilized its Incident Command System (“ICS”) Organization, along with key storm response and restoration teams. The ICS Organization remained mobilized through the end of the restoration period, *i.e.*, August 22 at 1900 hours. Once activated, the Company transitioned to storm

mode with non-essential operational day-to-day activities suspended in lieu of storm response activities.

13. The Regional Mutual Assistance Group covering the Northeast portion of the United States is referred to as the North Atlantic Mutual Assistance Group (“NAMAG”) to which Con Edison and O&R are a member. Once the Company determines that external resources are needed, it seeks assistance through the NAMAG mutual assistance process. With Henri approaching the O&R and RECO service territories, the Company began that process on August 18, 2021 and continued it through August 21. The Company also requested assistance from various contractors with which it has arrangements. These included “blue sky” contractors, *i.e.*, contractors who were on site prior to the arrival of Henri. In preparation for Henri, these contractors were reassigned to storm duty. The table below sets forth the resources that the Company requested and was able to secure in preparation for the arrival of Henri.

O&R Mutual Assistance Summary – Line, Tree, Service Restoration and Site Safety

<u>Date Requested</u>	<u>Requested Arrival Date</u>	<u>FTE Secured</u>	<u>Vendor</u>	<u>Type</u>	<u>Release</u>
8/18/2021	8/21/2021	105	Sparks	Line	8/22/2021
8/19/2021	8/21/2021	49	Center Phase	Line	8/22/2021
8/19/2021	8/21/2021	150	Center Phase	Line	8/22/2021
8/19/2021	8/21/2021	171	Greys	Line	8/22/2021
8/19/2021	8/21/2021	31	Compass Creek	Tree	8/22/2021
8/19/2021	8/22/2021	28	All Bright	Service	8/22/2021
8/19/2021	8/21/2021	28	E-J	Service	8/22/2021
8/19/2021	8/21/2021	13	Welsbach	Service	8/22/2021
8/19/2021	8/22/2021	50	Local 17	Site Safety	8/22/2021
8/19/2021	8/22/2021	30	Local 754	Site Safety	8/22/2021
8/19/2021	8/22/2021	90	Allbright	Site Safety	8/22/2021
8/20/2021	8/22/2021		Network Inf	Site Safety	8/22/2021

		40			
8/20/2021	8/22/2021	40	Elecor/Hawkeye	Site Safety	8/22/2021
8/20/2021	8/22/2021	6	Precision Pipeline	Site Safety	8/22/2021
8/20/2021	8/22/2021	50	J Sparks	Site Safety	8/22/2021
8/20/2021	8/22/2021	36	SEC	Line	8/22/2021
8/21/2021	8/21/2021	140	Center Phase	Line	8/22/2021
8/22/2021	8/22/2021	70	Pike	Line	8/22/2021
8/22/2021	8/22/2021	11	Chain Electric	Line	8/22/2021
8/19/2021	8/21/2021	5	JAFLO	Tree	8/22/2021
8/19/2021	8/21/2021	55	JAFLO	Tree	8/22/2021
8/20/2021	8/22/2021	11	Lewis Tree	Tree	8/22/2021
8/21/2021	8/22/2021	9	Lewis Tree	Tree	8/22/2021
8/21/2021	8/22/2021	30	Xylem	Tree	8/22/2021

O&R “Blue Sky” Contractor Summary		
<u>FTE</u>	<u>Vendor</u>	<u>Type</u>
2	Hydrovac	Line Support
8	Hawkeye	Line
24	Northline	Line
3	CNUC	Tree
60	Nelson	Tree
9	JAFLO	Tree

14. Prior to Sunday August 22, the Company informed the Board’s Division of Reliability and Security of the Company’s mobilization plans, the classification of Henri as a 4C Event, and that the Company had requested significant additional mutual assistance resources. On the morning of the event (August 22), the Company contacted and advised the Board’s Division of Reliability and Security regarding the Company’s storm preparation efforts.

TROPICAL STORM HENRI PREPARATION COSTS

15. As set forth in Exhibit A to this Petition, the Company incurred unreimbursed, uninsured and incremental storm preparation operation and maintenance (“O&M”) costs as a result of Henri. Exhibit A provides the total Company labor (both management and union), total accounts payable (*e.g.*, contractor and mutual aid expenses) and other expenses (*e.g.*, lodging, meals and incidental expenses) incurred for Henri. As the Company received and processed invoices, the Company reviewed the expenses incurred during Henri and when appropriate or identifiable, direct bills were charged to RECO. The Company’s review and approval process continues. The Company will update and revise the costs included in Exhibit A as appropriate.

16. Given the minimal number of customer outages associated with Henri, if the type of expense incurred during Henri benefited both the O&R and RECO service territories, allocation of the expenses was based on the E0 split used to split electric costs between O&R and RECO. The E0 split is 77.46% O&R, and 22.54% RECO.

COST RECOVERY FROM INSURANCE, GOVERNMENTAL PROGRAMS OR THIRD PARTIES

17. The Company does not have any insurance available that would offset the costs it incurred related to Henri as described above.

18. The Company’s corporate insurance program is managed by the corporate insurance department of RECO’s corporate affiliate, Con Edison. The corporate insurance program has historically covered all Company structural facilities, power plants, office buildings, substations, large transformers and warehouses. The corporate

insurance program does not cover the sort of preparation costs that the Company incurred in anticipation of Henri.

19. RECO is not eligible for reimbursement from the Federal Emergency Management Agency or other federal agency for any of the preparation costs that the Company incurred in anticipation of Henri.

STORM RESERVE/FUTURE DEFERRAL PROVISION

20. The Company's financial statements reflect the application of accounting policies which conform to generally accepted accounting principles ("GAAP"). The Company's critical accounting policies include industry-specific accounting applicable to regulated public utilities. By this Petition, the Company is seeking authority to defer on its books for accounting purposes the actual incremental, prudently incurred, unreimbursed preparation and restoration costs incurred by the Company relating to Henri within the guidelines established by GAAP.

21. The Board's Decision and Order Adopting Initial Decision and Stipulation of Settlement dated January 22, 2020 ("2020 Rate Order"), in the Company's last electric base rate case (*i.e.*, Docket No. ER19050552), provides that the Company's storm costs for an individual storm shall qualify for deferred accounting if RECO incurs incremental costs of \$300,000 and the storm caused 10% or more of the customers located in either (i) RECO's Bergen County service territory or (ii) RECO's combined Passaic County and Sussex County service territories to be without electric service. The 2020 Rate Order also expressly authorizes RECO to petition the Board for approval of deferred accounting treatment for storm costs related to individual storms that are not subject to deferred

accounting under the foregoing sentence. (2020 Rate Order, p. 5, approving Stipulation paragraph 15).

22. Although as set forth in Exhibit A, in preparing for Henri, the Company incurred incremental costs in excess of \$300,000, Henri did not cause 10% or more of the customers located in either (i) RECO's Bergen County service territory or (ii) RECO's combined Passaic County and Sussex County service territories to be without electric service. Therefore, the costs of the storm incurred by the Company are not subject to automatic deferral under the 2020 Rate Order, but rather must be the subject of a separate petition to the Board for approval of deferral accounting as authorized in the 2020 Rate Order.

23. Deferral accounting treatment is appropriate because the costs: reflect actual costs, were incurred for an out of the ordinary occurrence, were incurred consistent with Board Staff's guidance on storm preparation and have a significant financial impact on the Company. Indeed, the \$3.7 million in costs represent 23% of the Company's requested \$16.1 revenue requirement (9+3) in the pending base rate case. Although the costs were prudently incurred as set forth in this Petition, the purpose of this Petition is to request deferred accounting treatment, with rate recovery to be addressed in a subsequent proceeding.

ACCOUNTING/RATEMAKING TREATMENT

24. The Company now seeks authority to defer on its books all of the storm costs described in this Petition and attachments, and through the auspices of a phase two base rate proceeding, to seek recovery of them through prospective adjustments to rates charged to ratepayers. The Company currently is operating under electric distribution

base rates approved by the Board in the 2020 Rate Order. As discussed above, the Company's storm preparation costs associated with Henri do not qualify for automatic deferred accounting treatment. By this Petition, the Company seeks the Board's authorization to defer the Company's storm preparation costs associated with Henri. As noted in Exhibit A, the Company's current estimate of total deferred incremental O&M storm related costs incurred during Henri is approximately \$3.7 million. The Company will update this estimate as invoices are received and verified.

25. The Company seeks authority to address recovery in rates of the total deferred incremental O&M storm related costs incurred during Henri, and the time period, carrying charges and manner of recovery, in a phase two of the Company's current base rate case (BPU Docket No. ER21050823).

TAX TREATMENT

26. For state and Federal income tax purposes, storm related costs are deducted as incurred. To the extent any regulatory asset is created by the deferral of these costs, a corresponding deferred tax liability is established in accordance with Financial Accounting Standards Board, Accounting Standards Codification, Topic 740 – *Income Taxes* (ASC 740).

ATTACHMENTS

27. Attached hereto and made a part of this Verified Petition is the following attachment:

Exhibit A – Summary of O&M and Capital Costs Incurred During the Major Storm Events

Public Notice and Service

28. In addition to filing this Verified Petition with the Board, copies of this Verified Petition will be duly served in accordance with Board requirements upon the Director, Division of Rate Counsel, 140 East Front Street, 4th Floor, Trenton, New Jersey 08625 and upon the Department of Law and Public Safety, Division of Law, 124 Halsey Street, 5th Floor, P.O. Box 45029, Newark, New Jersey 07101. A copy of this Verified Petition also will be posted on the Company's website.

29. Inasmuch as the Company is not seeking any rate increase at this time in connection with this Petition, RECO does not believe that any Public Notices need be published or served pursuant to N.J.A.C. 14:1-5.12(b)1 and 3, (c) and (d), nor is there any requirement for public hearings in the Company's service area. Should the Attorney General's office advise otherwise, the Company will endeavor to make arrangements for the required notice and public hearing(s).

30. Communications and correspondence related to this Verified Petition should be sent as follows:

James C. Meyer, Esq.
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Headquarters Plaza
One Speedwell Avenue
P.O. Box 1981
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and

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Consolidated Edison Company of New York, Inc.
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(212) 460-2097
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CONCLUSION AND REQUESTS FOR APPROVAL

31. For all the foregoing reasons, RECO respectfully requests that the Board retain jurisdiction of this matter and review and expeditiously issue an Order approving this Verified Petition, including but not limited to specifically finding that:

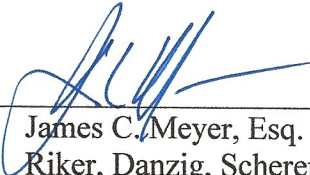
1. RECO is authorized to defer on its books, for accounting purposes, the actual prudently incurred, unreimbursed incremental preparation costs incurred by RECO associated with Tropical Storm Henri, described and quantified in this Petition and attachments hereto, and address rate recovery of them from the Company's customers in rates, including the time period, carrying charges and manner of recovery, in a phase two of the Company's current base rate case (BPU Docket No. ER21050823); and

2. Authorizing such other or further relief as may be necessary and proper.

Respectfully submitted,

ROCKLAND ELECTRIC COMPANY

By


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and

John L. Carley, Esq.
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New York, Inc.
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4 Irving Place
New York, NY 10003

Attorneys for Rockland Electric
Company

Dated: September 24, 2021

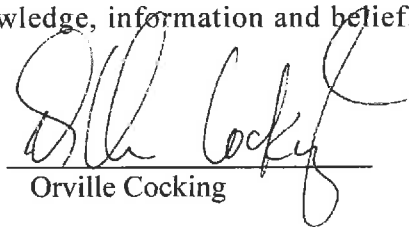
VERIFICATION

STATE OF NEW YORK)
) ss.:
COUNTY OF ROCKLAND)

ORVILLE COCKING, being duly sworn, according to law, upon his oath deposes and says:

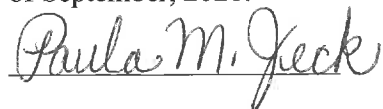
1. I am the Vice President-Operations of Rockland Electric Company, the petitioner in the annexed Petition, and in that capacity I make the within Verification.

2. I have read the attached Petition, and the matters and things contained herein are true to the best of my knowledge, information and belief.



Orville Cocking

Sworn to and subscribed
before me this 24th day
of September, 2021.



Notary Public

PAULA M. JECK
Notary Public, State of New York
No. 01JE6366925
Qualified in Westchester County
My Commission Expires November 6, 2025

EXHIBIT A

**ROCKLAND ELECTRIC COMPANY
SUMMARY OF HURRICANE HENRI MOBILIZATION
AUGUST 2021**

Line Contractors

Centerphase Line Contractor	\$ 1,568,296.49
Chain Electric Line Contractors	\$ 7,642.59
Compass Creek Line Contractor	\$ 69,874.00
Greys Line Contractor	\$ 562,520.61
Pike Line Contractors	\$ 86,553.60
SEC Line Contractors	\$ 155,796.48
Sparks Line Contractor	\$ 478,577.03
Blue Sky Contractor - Hydrovac	\$ 2,254.00
Blue Sky Contractor - Hawkeye	\$ 18,933.60
Blue Sky Contractor - Northline	\$ 56,800.80

Total Line Contractors

\$ 3,007,249.20

Tree Contractors

Lewis Tree Contractor	\$ 16,003.40
Nelson Tree Contractor	\$ 18,032.00
JAFLO Tree Contractor	\$ 73,255.00
Xylem Tree Contractor	\$ 173,726.15
Blue Sky Contractor - CNUC Tree CCI	\$ 625.62

Total Tree Contractors

\$ 281,642.17

Other Contractors

E-J Electric (Bird Dogs)	\$ 3,606.40
Service Restoration Contractor - All Bright	\$ 22,711.75
Service Restoration Contractor - E-J Electric Installation Co.	\$ 22,540.00
Service Restoration Contractor - Welsbach	\$ 11,684.79
Site Safety Contractors - Industrial Staffing Local 17	\$ 5,827.50
Site Safety Contractors - Industrial Staffing Local 754	\$ 5,827.50
Site Safety Contractors - All Bright	\$ 5,827.50
Site Safety Contractors - Elecor / Hawkeye	\$ 5,827.50
Site Safety Contractors - Precision Pipeline	\$ 1,231.94
Site Safety Contractors - J Sparks	\$ 5,827.50
Site Safety Contractors - Network Infrastructure	\$ 29,000.00

Damage Assessment Contractors - Osmose	\$ 3,855.16
Damage Assessment Contractors - One Source	\$ 86,335.72
Environmental Spill Contractors	\$ 22,500.00
Total Other Contractors	\$ 232,603.26
<u>Labor</u>	
Direct Weekly Overtime	\$ 97,342.75
Management Overtime	\$ 24,880.77
Total Overtime	\$ 122,223.52
<u>Other</u>	
Meals for Company Locations	\$ 5,598.69
Hotel Costs for Mutual Assistance	\$ 53,266.57
Equipment Rental to set up a material laydown area at Campgaw in Mahwah NJ.	\$ 5,442.08
Mileage/Tolls	\$ 515.70
Employee Meals	\$ 2,763.86
Total Other	\$ 67,586.90
Total	\$ 3,711,305.05