



Rockland Electric Company  
4 Irving Place  
New York NY 10003-0987  
www.oru.com

September 1, 2015

Honorable Kim Asbury  
Secretary  
State of New Jersey  
Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
PO Box 350  
Trenton, New Jersey 08625-0350

Re: In the Matter of the Verified Petition of Rockland Electric Company for  
Approval of an Energy Efficiency Stimulus Program and Associated Rate  
Recovery - 2015 Annual True-Up  
BPU Docket No. \_\_\_\_\_

Dear Secretary Asbury:

Rockland Electric Company ("RECO" or "the Company") hereby submits for filing an original and ten copies of Leaf No. 58 to its Schedule for Electric Service B.P.U. No. 3 – Electricity (the "Electric Tariff") in draft format. This filing is submitted in accordance with General Information Section No. 34 of the Company's Electric Tariff, which requires the submission of an annual filing to reconcile any over- or under-recovered balances collected through the Energy Efficiency Stimulus Program ("EES Program") component of the Regional Greenhouse Gas Initiative ("RGGI") Surcharge and to establish the RGGI Surcharge in effect for the following January 1.

The Company is proposing a RGGI Surcharge that is a charge of 0.0267 cents per kWh, including Sales and Use Tax ("SUT") effective January 1, 2016. The proposed RGGI Surcharge includes two components: (1) a revised EES Program surcharge of 0.0184 cents per kWh, including SUT; and (2) a Low Income Audit II Program surcharge of 0.0083 cents per kWh, including SUT, which is unchanged.

#### EES Program

The EES Program called for a \$1.0 million increase in energy efficiency spending in 2010 through three new programs: On-Line Audit Program, Residential Enhanced Rebate Program, and Low Income Audit and Install Program. On November 19, 2009, a Stipulation of Settlement ("EES 2009 Program Stipulation") was entered into by the Company, the Staff of the New Jersey Board of Public Utilities ("Staff"), and the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") detailing the proposed programs and cost recovery mechanisms. The

Board, in its Order dated November 23, 2009 in Docket Nos. EO09010056<sup>1</sup> and EO09010061<sup>2</sup> ("November 2009 Order"), approved the EES Program Stipulation.

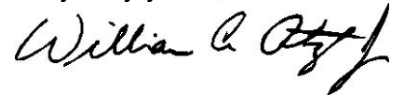
The EES 2009 Program Stipulation calls for an annual filing to be made by September 1st of each year containing the EES Program component of the RGGI Surcharge to be in effect for the twelve month period commencing the following January 1.<sup>3</sup> The EES Program component of the RGGI Surcharge is set to recover any prior period under- or over-recovered balances, including interest, and to provide current recovery of the forecasted EES Program revenue requirement over the twelve-month period commencing the following January 1. The calculation of the under/over-collection as well as the associated interest is set forth on Appendix A, Page 3. Included in this calculation of the under/over-collection for the review period are actual revenue requirements and recoveries for January through July 2015 and estimated revenue requirements and recoveries for August through December 2015. The revenue requirement calculation includes a Weighted Average Cost of Capital ("WACC") of 7.83%<sup>4</sup>. The calculations supporting the determination of these WACCs can be found on Page 7 of Appendix A.

As shown in Appendix A, Page 3, the total under-collection related to the EES Program equals \$180,895 including interest. As shown in Appendix A, Page 9, the estimated revenue requirement related to the EES Program for calendar year 2016 equals \$100,112.

Please date and time-stamp the enclosed extra copy of this letter and return it in the envelope provided.

Questions regarding this filing can be directed to Cheryl Ruggiero at (212) 460-3189.

Very truly yours,



William A. Atzl, Jr.  
Director – Rate Engineering

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<sup>1</sup> *I/M/O The Energy Efficiency Programs and Associated Cost Recovery Mechanisms Proceedings*

<sup>2</sup> *I/M/O The Verified Petition of Rockland Electric Company for Approval of an Energy Efficiency Stimulus Program and Associated Rate Recovery*

<sup>3</sup> On September 1, 2014, the Company filed its annual reconciliation of the EES Program component of the RGGI Surcharge. This filing is pending in BPU Docket No. EO14090972.

<sup>4</sup> This was the WACC used to set rates in BPU Docket No. ER13111135.

**GENERAL INFORMATION**

**No. 34 REGIONAL GREENHOUSE GAS INITIATIVE (“RGGI”) SURCHARGE**

The RGGI Surcharge shall be applied to the kWh usage on the bills of all customers served under this Schedule. The RGGI Surcharge shall include the costs related to the Company’s:

- (a) Energy Efficiency Stimulus Program (“EES Program”); and
- (b) Low Income Audit and Direct Install Energy Efficiency Program (“Low Income Audit II Program”).

The RGGI Surcharge to be effective on and after the date indicated below shall be set at 0.0267 cents per kWh, including sales and use tax (“SUT”). The RGGI Surcharge includes the following rate components:

	RGGI Surcharge Rate Components (Cents per kWh)	
	Excluding SUT	Including SUT
EES Program	0.0172	0.0184
Low Income Audit II Program	0.0078	0.0083
Total RGGI Surcharge	0.0250	0.0267

**(a) EES Program**

The EES Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the EES Program component of the following year’s RGGI Surcharge. The difference between the actual monthly revenue requirement associated with the EES Program and actual recoveries through the EES Program component of the RGGI Surcharge will be deferred, with interest, for future recovery.

On September 1 of each year, the Company shall file with the Board the EES Program component of the RGGI Surcharge to be effective for the twelve-month period commencing the following January 1. The EES Program component of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted EES Program revenue requirement over the twelve-month period commencing the following January 1.

(Continued)

ISSUED:

EFFECTIVE:

ISSUED BY: Timothy Cawley, President  
Mahwah, New Jersey 07430

GENERAL INFORMATION

**No. 34 REGIONAL GREENHOUSE GAS INITIATIVE (“RGGI”) SURCHARGE**

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- (a) Energy Efficiency Stimulus Program (“EES Program”); and
- (b) Low Income Audit and Direct Install Energy Efficiency Program (“Low Income Audit II Program”).

The RGGI Surcharge to be effective on and after the date indicated below shall be set at ~~0.03900~~ 0.0267 cents per kWh, including sales and use tax (“SUT”). The RGGI Surcharge includes the following rate components:

	RGGI Surcharge Rate Components (Cents per kWh)	
	Excluding SUT	Including SUT
EES Program	<del>0.02870</del> <u>0.0172</u>	<del>0.03070</del> <u>0.0184</u>
Low Income Audit II Program	0.0078	0.0083
Total RGGI Surcharge	<del>0.03650</del> <u>0.0250</u>	<del>0.03900</del> <u>0.0267</u>

**(a) EES Program**

The EES Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the EES Program component of the following year’s RGGI Surcharge. The difference between the actual monthly revenue requirement associated with the EES Program and actual recoveries through the EES Program component of the RGGI Surcharge will be deferred, with interest, for future recovery.

On September 1 of each year, the Company shall file with the Board the EES Program component of the RGGI Surcharge to be effective for the twelve-month period commencing the following January 1. The EES Program component of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted EES Program revenue requirement over the twelve-month period commencing the following January 1.

(Continued)

ISSUED:

EFFECTIVE:

ISSUED BY: Timothy Cawley, President  
Mahwah, New Jersey 07430

**ROCKLAND ELECTRIC COMPANY**

**Determination of Regional Greenhouse Gas Initiative ("RGGI") Surcharge**

**Determination of EES Program Reconciliation Adjustment Component of RGGI Surcharge**

EES Program Recoveries (January 1, 2015 - December 31, 2015)	\$468,483
EES Program Revenue Requirement	161,722
Prior Period Reconciliation (Over)/Under Recovery - See Page 2	<u>485,216</u>
EES Program (Over)/Under Recovery Balance	178,456
Interest (Over)/Under Recovery Balance	<u>2,439</u>
Total EES Program (Over)/Under Recovery Balance for 12 ME 12/31/2015	180,895
Projected Sales (kWh) 12 months ending December 31, 2016	1,628,431,000
\$ per kWh Reconciliation to be (Refunded)/Surcharged	\$0.000111
Sales and Use Tax ("SUT")	1.07
EES Program Reconciliation Adjustment	\$0.000119

**Determination of Forecast EES Program Component of RGGI Surcharge**

Revenue Requirement for 12 Months Ending December 31, 2016	\$100,112
Projected Sales (kWh) 12 months ending December 31, 2016	1,628,431,000
\$ per kWh Projected Spending to be (Refunded)/Surcharged	\$0.000061
Sales and Use Tax ("SUT")	1.07
EES Program Charge	\$0.000065

**RGGI Surcharge**

Proposed EES Program Component of RGGI Surcharge Excluding SUT (\$ per kWh)	\$0.000172
Proposed EES Program Component of RGGI Surcharge Including SUT (\$ per kWh)	\$0.000184

**ROCKLAND ELECTRIC COMPANY**

**Determination of RGGI Surcharge to be Effective with  
Service Rendered on or after January 1, 2016**

<b><u>RGGI Rate Components</u></b>	<b><u>Excl. SUT (¢/kWh)</u></b>	<b><u>Incl. SUT (¢/kWh)</u></b>
EES Program	0.0172	0.0184
Low Income Audit II Program	<u>0.0078</u>	<u>0.0083</u>
Total	0.0250	0.0267

**ROCKLAND ELECTRIC COMPANY**

**Calculation of Over/Under Recovery Associated with EES Program Component of RGGI Surcharge**

	<u>Jan-15</u> Actual	<u>Feb-15</u> Actual	<u>Mar-15</u> Actual	<u>Apr-15</u> Actual	<u>May-15</u> Actual	<u>Jun-15</u> Actual	<u>Jul-15</u> Actual	<u>Aug-15</u> Estimate	<u>Sep-15</u> Estimate	<u>Oct-15</u> Estimate	<u>Nov-15</u> Estimate	<u>Dec-15</u> Estimate	<u>Total</u>
<b>1. Determination of (Over)/Under Recovered Balance</b>													
Revenue Requirement @ WACC =7.83%	\$14,272	\$14,202	\$14,125	\$14,043	\$13,965	\$13,869	\$13,788	\$13,531	\$13,341	\$13,226	\$12,313	\$11,047	\$161,722
Prior Period Reconciliation Adj. <sup>1</sup>	485,216												\$485,216
Monthly Recoveries	40,869	38,641	37,153	32,500	33,016	41,046	47,233	48,201	42,862	36,376	32,650	37,936	\$468,483
(Over)/Under Recovery	<u>\$458,619</u>	<u>(\$24,439)</u>	<u>(\$23,028)</u>	<u>(\$18,457)</u>	<u>(\$19,051)</u>	<u>(\$27,177)</u>	<u>(\$33,445)</u>	<u>(\$34,669)</u>	<u>(\$29,521)</u>	<u>(\$23,150)</u>	<u>(\$20,337)</u>	<u>(\$26,889)</u>	<u>\$178,456</u>
<b>2. Determination of Interest</b>													
(Over)/Under Recovery	<u>\$458,619</u>	<u>(\$24,439)</u>	<u>(\$23,028)</u>	<u>(\$18,457)</u>	<u>(\$19,051)</u>	<u>(\$27,177)</u>	<u>(\$33,445)</u>	<u>(\$34,669)</u>	<u>(\$29,521)</u>	<u>(\$23,150)</u>	<u>(\$20,337)</u>	<u>(\$26,889)</u>	<u>\$178,456</u>
Beginning Balance - (Over)/Under Recovery	\$485,216	\$458,619	\$434,179	\$411,152	\$392,695	\$373,643	\$346,467	\$313,022	\$278,353	\$248,832	\$225,681	\$205,344	
Ending Balance (Over)/Under Recovery	<u>\$458,619</u>	<u>\$434,179</u>	<u>\$411,152</u>	<u>\$392,695</u>	<u>\$373,643</u>	<u>\$346,467</u>	<u>\$313,022</u>	<u>\$278,353</u>	<u>\$248,832</u>	<u>\$225,681</u>	<u>\$205,344</u>	<u>\$178,456</u>	
Average Balance (Over)/Under	\$471,917	\$446,399	\$422,665	\$401,923	\$383,169	\$360,055	\$329,744	\$295,687	\$263,592	\$237,256	\$215,513	\$191,900	
Average Balance (Over)/Under - Net of Tax	\$279,139	\$264,045	\$250,007	\$237,737	\$226,644	\$212,973	\$195,044	\$174,899	\$155,915	\$140,337	\$127,476	\$113,509	
Interest Rate (Annual) <sup>2</sup>	1.26%	1.09%	1.26%	1.15%	1.20%	1.24%	1.29%	1.28%	1.28%	1.28%	1.28%	1.28%	
Interest Rate (Monthly)	0.11%	0.09%	0.11%	0.10%	0.10%	0.10%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	
Interest (To Customer) /To Company	\$293	\$240	\$263	\$228	\$227	\$220	\$210	\$187	\$166	\$150	\$136	\$121	<u>\$2,439</u>
													Total (Over)/Under Collection Including Interest
													<u>\$180,895</u>

Notes: <sup>1</sup> Under recovery for the period January 1, 2014 through December 31, 2014.

<sup>2</sup> Federal Reserve Board US Treasury Securities at two year constant maturity plus 60 basis points.  
Interest calculated on a net-of-tax basis.





**ROCKLAND ELECTRIC COMPANY**

**EES Program Component of RGGI Surcharge  
Basic Assumptions**

Effective August 1, 2014

Amortization Period	60 Months
Equity Ratio	50.35%
Return on Equity	9.75%
Equity Component	4.91%
After-Tax WACC	7.83%
Effective Tax Rate	40.85%
Interest Expense	2.92%



**Case ER13111135**  
**Rockland Electric Company**  
**Electric Service**  
**Settlement Agreement**  
**Consolidated Capital Structure**  
**For Twelve Months Ending March 31, 2014**  
**(000's)**

	Amount (\$000's)	Ratio	Cost Rate	Weighted Average Ratio	Weighted Average Ratio
Long Term Debt	\$ 603.6	49.65%	5.89%	2.92%	2.92%
Common Equity	612	50.35%	9.75%	4.91%	8.31%
Total	<u>\$ 1,215.8</u>	<u>100%</u>		<u>7.83%</u>	<u>11.24%</u>



