

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

**I/M/O the Verified Petition of
Rockland Electric Company for
Approval of Changes in Electric Rates,
Its Tariff for Electric Service,
And Its Depreciation Rates; Termination of the Smart Grid Surcharge;
Establishment of a Storm Hardening Surcharge;
And for Other Relief**

VERIFIED PETITION

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

I/M/O THE VERIFIED PETITION OF)
ROCKLAND ELECTRIC COMPANY FOR)
APPROVAL OF CHANGES IN ELECTRIC)
RATES, ITS TARIFF FOR ELECTRIC SERVICE,)
AND ITS DEPRECIATION RATES;)
TERMINATION OF THE SMART GRID)
SURCHARGE; ESTABLISHMENT OF A)
STORM HARDENING SURCHARGE; AND)
FOR OTHER RELIEF)

PETITION

Rockland Electric Company (“RECO”, the “Company”, or “Petitioner”) a corporation of the State of New Jersey, which is subject to the jurisdiction of the Board of Public Utilities (“Board”) and which has its principal offices at One Lethbridge Plaza, Mahwah, New Jersey 07430, respectfully petitions the Board as follows:

1. Petitioner is engaged in the retail distribution and sale of electric energy for residential, commercial and industrial purposes within the State of New Jersey. For these purposes, Petitioner is subject to the jurisdiction of the Board pursuant to N.J.S.A 48:2-2-1 et. seq.

2. The rates and charges for electric service furnished by Petitioner, and the conditions upon which the same are furnished, are set forth in Petitioner’s tariff designated B.P.U. No. 3 - Electricity.

3. In Petitioner’s last electric base rate case (*i.e.*, Docket No. ER09080668), as decided by the Board’s Decision and Order Approving Stipulation and Adopting Initial Decision dated May 12, 2010 (“May 12, 2010 Rate Order”), the Board increased Petitioner’s electric base rates by \$9.8 million, or 3.8 percent. Over the past four years, Petitioner has continued to invest in its electric distribution plant system so as to provide

for safe, adequate and proper electric service to the Company's approximately 72,000 electric customers. As a result of this ongoing investment, the Company faces increased carrying costs for investments made since the Company's base rates were last adjusted coupled with new infrastructure investments. Increases in the cost of labor and materials, and increases in the costs to provide health care and retiree pensions and other post employment benefits also have negatively affected the Company's financial performance. The Company also is seeking recovery for incurred and deferred significant costs relating to Hurricane Irene, the October 2011 snow storm and Superstorm Sandy. Petitioner's current electric rates do not produce an adequate, reasonable return on the Company's invested capital that is dedicated to the service of the Company's electric customers.

4. Petitioner proposes changes to its distribution rates and charges pursuant to N.J.S.A. 48:2-21 to be effective January 1, 2014. The proposed rates for electric service are necessary to provide sufficient operating revenues to meet operating expenses (including depreciation), taxes and fixed charges, and provide a reasonable rate of return on Petitioner's investment in electric property. The proposed rates should be approved to enable RECO to maintain its creditworthiness at a level sufficient to raise capital necessary to properly perform its obligations to provide safe, adequate and proper service to its electric customers.

5. As part of this Petition, the Company requests approval to change its electric and general plant depreciation rates pursuant to N.J.S.A. 48:2-18. The Company also requests approval for an additional allowance for negative salvage costs (*i.e.*, plant removal costs) based on actual expenditures incurred by the Company over the last three years, as well as a true-up of the existing net salvage allowance currently in rates. The

proposed depreciation rates and negative salvage allowance are proper, adequate, and sufficient consistent with industry standards. Petitioner requests that the Board approve its proposed electric depreciation rates simultaneously with the effective date of the new electric rates resulting from this proceeding. The proposed base rates requested herein are designed to recover the depreciation expense resulting from approval of the Company's proposed electric depreciation rates as applied to its test year-end plant balances (*i.e.*, as of March 31, 2014).

6. In connection with the foregoing applications, Petitioner requests the approval of the test year ending March 31, 2014 as adjusted for known and measurable changes.

7. In the May 12, 2010 Rate Order (p. 5) and the April 5, 2010 Order Adopting Stipulation in Docket No. ER09060459 ("April 5, 2010 Smart Grid Order") (p. 9), the Board authorized the Company to assess and adjust Smart Grid Surcharge rates that recover Board-approved Smart Grid Pilot Program costs on an interim basis subject to refund pending review of those costs in the Company's next base rate case to be filed on or before December 1, 2013. Accordingly, the direct testimony by the Smart Grid Panel (described below) demonstrates the prudence of the Company's Smart Grid Pilot Program costs and provides the basis for rolling the unamortized balance of such costs into the Company's base rates. As part of this rate filing, RECO is proposing to terminate the Smart Grid Surcharge effective with the commencement of new rates taking effect in this proceeding.

8. The Company is also making various incremental hardening and resiliency proposals in response to the heightened storm activity over the last few years. The

proposals are addressed in the direct testimony of the Storm Hardening Panel and System Enhancement Panel (described below) and in the direct testimony of James L. Burke. In order to recover the costs related to these enhancements, the Company is proposing, and requests the Board's approval of, a Storm Hardening Surcharge ("SHS") which would become effective with the commencement of new rates taking effect in this proceeding. The initial level of the SHS is \$0.00 ¢/kWh. The Company will be making a follow-up SHS filing, currently anticipated to be submitted by no later than July 1, 2014. This filing will set forth additional details regarding the costs of the Company's specific storm hardening and resiliency investments and programs, as well as provide for cost recovery through a revised SHS anticipated to become effective on January 1, 2015.

9. The Company is presenting the direct testimony of 11 witnesses/witness panels in support of this Petition. Richard Kane, Department Manager of Regulatory Filings, will present the lead-lag study results and information regarding the Company's income statement, rate base, revenue, and employee benefits. Robert Hevert will discuss the Company's cost of equity capital. Yukari Saegusa, Director, Corporate Finance, will discuss the Company's capital structure. Wayne Banker, Chief Engineer – Orange and Rockland Utilities, Inc. ("O&R"),¹ will present the Company's plant additions and capital budget. Kenneth Kosior, Director-Financial Services, will discuss the Company's wages, the storm reserve and extension unit charges. Charles Hutcheson, Manager, Property Tax and Depreciation, will present the Company's depreciation study. The Electric Rate Panel, comprised of Lucy Villeta, Section Manager of the Cost Analysis Section of the Rate Engineering Department, Cheryl Ruggiero, Department Manager of the O&R Rate Section, and William Atzl, Director – Rate Engineering, is responsible for the electric

¹ Orange and Rockland Utilities, Inc. is the parent company of Rockland Electric Company.

cost of service study and rate design. The Smart Grid Panel, comprised of Charles Scirbona, Department Manager, John Coffey, Chief Engineer, Jacqueline Frosco, Project Manager – Project Management Department, and Michael Durling, Systems Manager – Information Resources, will discuss RECO’s Smart Grid programs. The Storm Hardening Panel, comprised of Glen Meyers, General Manager of Electric Operations, and Wayne Banker, Chief Engineer – O&R, will present and support the Company’s proposed incremental storm hardening initiatives. The System Enhancement Panel, comprised of Allisyn Glasser, Project Manager, and Stephen Prall, Section Manager of the Transmission and Distribution Maintenance Section, will address various proposed enhancements to the Company’s electric distribution system in order to maintain safe and reliable utility infrastructure, and particularly to mitigate the impacts of major storms. James L. Burke, Director – Customer Meter Operations, will address the Company’s Advanced Metering Infrastructure (“AMI”) proposal.

10. Petitioner files with this Petition proposed revised tariff leaves, to be effective January 1, 2014, which will increase the Petitioner’s rates and charges for sales of electricity to residential customers (S.C. Nos. 1 and 3 and 5), general service customers (S.C. Nos. 2 and 7), street lighting customers (S.C. No. 4) and private area lighting customers (S.C. No. 6).

The proposed revised tariff leaves are attached as Exhibit “A”, a red-lined/strikeout version of the revised tariff leaves containing text changes is attached as Exhibit “B”. Exhibit “C” is the Company’s present and proposed rates in brief. Exhibit “D” is a statement of revenue derived for the test year ending March 31, 2014, from the customers whose rates will be affected by the proposed increase.

11. The increased rates and charges in the tariff are designed to produce additional revenues of \$19.259 million, which amounts to a 7.6% increase on a total revenue basis, based on the twelve months ending March 31, 2014, subject to increase or decrease upon the Company's filing of updated information. This additional revenue is necessary to allow Petitioner to pay the costs incurred in providing electric service to its customers, to enable Petitioner to earn a reasonable rate of return on the value of its facilities used and useful in supplying such service, and to permit Petitioner to continue to provide safe and adequate service to present and future customers.

12. Pursuant to N.J.A.C. 14:1-5.12(d), Petitioner will combine the notices of the Petition and of the public hearings and will give them in accordance with the Board's regulations governing notice of the public hearings.

13. In addition to filing this Petition with the Board, copies of this Petition will be duly served by mail 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. The Company will provide copies of this Petition to municipalities and counties pursuant to the requirements of N.J.A.C. 14:1-5.12(b). A copy of this Petition also will be posted on the Company's website.

14. Information required by the Rules and Practice of the Board, N.J.A.C. 14:1-5.12 is attached hereto, made part hereof and designated as follows:

Table of Schedules

- P-1 Historical Financial Statements
- P-2 Electric Cost of Service
- P-3 Electric Rate Base
- P-4 Capitalization and Cost of Capital
- P-5 Rate Designs (one based on Company-sponsored ECOS study; the other based on Staff-endorsed ECOS study)
- P-6 Depreciation Study
- P-7 Embedded Cost of Service Study (one based on Company-sponsored methodology; the other based on Staff-endorsed methodology)

15. Communications and correspondence related to this petition should be sent as follows:

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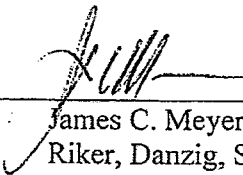
WHEREFORE, Petitioner respectfully requests that the Board consider this matter and issue a decision and order pursuant to N.J.S.A. 48:2-21, N.J.S.A. 48:2-18, and/or any other applicable statutes or regulations:

1. approving the proposed rates and charges for electric service set forth in this Petition and supporting testimony as just and reasonable, to be effective January 1, 2014;
2. approving the proposed revised tariff leaves for inclusion in RECO's Tariff B.P.U. No. 3 - Electricity effective for service on January 1, 2014;
3. approving the termination of the Smart Grid Surcharge effective on the date new rates take effect;
4. approving the SHS, effective (at an initial level of 0.00 ¢/kWh) to become effective on the date new rates take effect;
5. approving the proposed depreciation rates for electric and general plant and the resulting change in electric distribution rates as just and reasonable; and

6. providing such other relief as is just and proper.

Respectfully submitted,

ROCKLAND ELECTRIC COMPANY

By 
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And

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Attorneys for Rockland Electric
Company

Dated: November 27, 2013

STATE OF NEW YORK)
 : ss
COUNTY OF ROCKLAND)

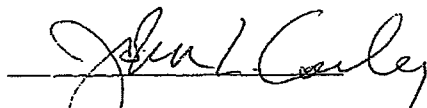
KENNETH A. KOSIOR, of full age, being duly sworn according to law, on his oath deposes and says

1. I am the Treasurer of Rockland Electric Company, the petitioner in the foregoing Petition.

2. I have read the annexed petition, and the matters and things contained therein are true to the best of my knowledge and belief.


Kenneth A. Kosior

Sworn to and subscribed to
Before me this 27th day
Of November, 2013


JOHN L. CAPLEY
Notary Public, State of New York
No. 356281
Qualified in Rockland County
Commission Expires August 31, 2017

GENERAL INFORMATION

No. 36 Storm Hardening Surcharge ("SHS")

The SHS shall be applied to the kWh usage on the bills of all customers served under this Schedule.

The Company will implement storm hardening and system resiliency programs that will provide customers with an enhanced level of service reliability during major weather-related events. The costs for these programs will be recovered through the SHS.

SHS Costs include: (1) the carrying costs (depreciation and return on net investment, including tax effects) on capital investments; and (2) the incremental operation and maintenance expenses associated with the programs. In addition, the SHS will include any prior period over or under-recoveries. The SHS will be subject to deferred accounting, with interest, and reconciled annually by comparing actual SHS Costs to actual SHS revenues. Any difference will be included in the following year's SHS.

The difference between the actual monthly SHS Costs and SHS revenues will be deferred, with interest, for future recovery. Interest, calculated as determined by the Board in its Order dated October 21, 2008 in Docket Number ER08060455, will be included in the deferred balance for both an over-collection and for an under-collection.

Beginning September 1, 2015, and September 1 of each year thereafter, the Company shall file with the Board the SHS to be effective for the twelve-month period commencing the following January 1. The annual filings will provide for: (1) current recovery of the forecasted SHS revenue requirement for the period in which the SHS will be in effect; (2) recovery of any over- or under-recovered balances, including interest; and (3) recovery of uncollectibles at 0.16%.

The SHS shall be set at 0.000 cents per kWh including sales and use tax ("SUT").

ISSUED: November 27, 2013

EFFECTIVE: January 1, 2014

ISSUED BY: John McAvoy, President
Mahwah, New Jersey 07430