



Agenda Date: 12/21/22  
Agenda Item: 2G

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
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Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF )  
ROCKLAND ELECTRIC COMPANY FOR )  
APPROVAL OF AN INFRASTRUCTURE )  
INVESTMENT PROGRAM, AND RELATED COST )  
RECOVERY MECHANISM )

DECISION AND ORDER  
APPROVING STIPULATION OF  
SETTLEMENT  
DOCKET NO. ER22030198

**Parties of Record:**

**James C. Meyer, Esq.**, Riker Danzig Scherer Hyland and Peretti LLP, on behalf of Rockland Electric Company  
**John L. Carley, Esq.**, Consolidated Edison Company of New York, Inc. on behalf of Rockland Electric Company  
**Brian O. Lipman, Esq.**, Director, New Jersey Division of Rate Counsel

BY THE BOARD:

By this Decision and Order, the New Jersey Board of Public Utilities (“Board” or “BPU”) considers a stipulation of settlement (“Stipulation”) executed by Rockland Electric Company (“RECO” or “Company”), Board Staff (“Staff”), and the New Jersey Division of Rate Counsel (“Rate Counsel”) (collectively, “Parties”), which resolves the Company’s requests related to the above docketed matter.

**BACKGROUND AND PROCEDURAL HISTORY**

On March 30, 2022, RECO filed a petition with the Board seeking approval of an Infrastructure Investment Program (“IIP” or “Program”) and the associated cost recovery mechanism for a five-year period, with a total investment level of \$209 million pursuant to N.J.S.A. 48:2-1 et seq. and N.J.A.C. 14:3-2A.1 et seq. (“Petition”).<sup>1</sup> In the Petition, RECO proposed accelerated Program investment in: 1) enhanced overhead storm hardening; 2) selective undergrounding; 3) underground rebuild and rehabilitation; and 4) Franklin Lakes substation replacement and related high voltage distribution line upgrades (collectively, “Franklin Lakes Projects”).

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<sup>1</sup> On December 19, 2017, the Board adopted new regulations for utility “Infrastructure Investment and Recovery” supporting the implementation of an IIP, which allows a utility to accelerate its investment in the construction, installation, and rehabilitation of certain non-revenue producing utility plant and facilities that enhance safety, reliability, and/or resiliency (“IIP Rules”). The rules are codified at N.J.A.C. 14:3-2A.1 et seq. and became effective on January 16, 2018.

On April 27, 2022, Public Service Electric and Gas Company (“PSE&G”) filed a motion to participate. By Order dated May 18, 2022, the Board retained the Petition for hearing and, pursuant to N.J.S.A. 48:2-32, designated Commissioner Robert M. Gordon as the Presiding Commissioner authorized to rule on all motions that arise during the pendency of the proceedings and modify any schedules.<sup>2</sup> The May 2022 Order also directed that any entities seeking to intervene or participate in this matter file the appropriate application with the Board by June 1, 2022. On May 24, 2022, South Jersey Gas Company (“SJG”) and Elizabethtown Gas Company (“ETG”) filed a joint motion to participate. RECO did not respond to PSE&G’s motion and did not object to the joint motion filed by SJG and ETG.

On July 14, 2022, Commissioner Gordon issued a Prehearing Order establishing the procedural schedule and granting SJG, ETG, and PSE&G participant status.<sup>3</sup> On August 9, 2022, RECO submitted a letter seeking to amend the Procedural Schedule, stating that it was inconsistent with a joint proposed procedural schedule submitted on June 16, 2022. On August 24, 2022, Commissioner Gordon issued an Order Amending the Procedural Schedule.<sup>4</sup>

On September 1, 2022, RECO submitted a letter requesting suspension of the procedural schedule to provide the Parties with additional time to engage in settlement discussions. By Order dated September 2, 2022, Commissioner Gordon granted RECO’s request to suspend the procedural schedule.<sup>5</sup>

Following proper notice, virtual public hearings were held on October 27, 2022.<sup>6</sup> No members of the public appeared or provided comments at the hearings. Additionally, no written comments were filed with the Board for this matter.

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<sup>2</sup> In re the Petition of Rockland Electric Company for Approval of an Infrastructure Investment Program, and Related Cost Recovery Mechanism, Order Designating Commissioner, Setting Manner of Service and Bar Date, BPU Docket No. ER22030198, Order dated May 18, 2022 (“May 2022 Order”).

<sup>3</sup> In re the Petition of Rockland Electric Company for Approval of an Infrastructure Investment Program, and Related Cost Recovery Mechanism, Prehearing Order Setting Procedural Schedule and Rulings on Motions to Participate, BPU Docket No. ER22030198, Order dated July 14, 2022 (“Prehearing Order”).

<sup>4</sup> In re the Petition of Rockland Electric Company for Approval of an Infrastructure Investment Program, and Related Cost Recovery Mechanism, Order Amending Procedural Schedule, BPU Docket No. ER22030198, Order dated August 24, 2022.

<sup>5</sup> In re the Petition of Rockland Electric Company for Approval of an Infrastructure Investment Program, and Related Cost Recovery Mechanism, Order Suspending Procedural Schedule, BPU Docket No. ER22030198, Order dated September 2, 2022.

<sup>6</sup> Due to the COVID-19 pandemic, public hearings were held virtually.

## **THE PETITION**

According to the Petition, the Company proposed investments in four (4) programs with additional related subprojects.

1. Enhanced Overhead Storm Hardening Subprogram consists of eight (8) accelerated projects totaling \$10 million in investments. These projects would focus on replacing existing open wire primary cable with Hendrix Spacer Cable construction. The Enhanced Overhead Storm Hardening Program and its subprojects within would replace approximately 10 miles of overhead distribution circuit with the Hendrix Spacer Cable system and improve reliability and resiliency for approximately 18,000 customers.
2. Selective Undergrounding Subprogram consists of 18 subprojects to underground portions of the Company's overhead distribution system, 16 of which involve the elimination of double circuit construction by relocating one (1) circuit underground. The remaining two (2) projects include establishing a new underground circuit in Ringwood and undergrounding an existing overhead segment in West Milford respectively. According to the Petition, the Selective Undergrounding Program would underground approximately 16 miles of distribution circuit and improve reliability and resiliency for approximately 32,000 customers at an investment level of \$48 million.
3. The Underground Rebuild and Rehabilitation Subprogram would replace or rejuvenate underground residential development subdivisions' cable and underground components to prevent customer interruptions and improve system reliability. Selected sub-program areas would be developed and reviewed on an annual basis to identify the worst-performing subdivisions because aging cables increasingly suffer unplanned outages. The Company proposes investing \$4 million per year and also anticipates an additional \$750,000 per year in spending on similar projects.
4. The Franklin Lakes Projects involve replacing a 69 kV substation and overhead 69 kV feeder lines with new 138 kV underground lines from alternate sources and a new 138 kV substation. The proposed Franklin Lakes Projects would begin service in 2027 and include substation upgrades, installation of underground exits, and high voltage distribution line upgrades. The existing Franklin Lakes Substation would be replaced with a new 138 kV substation to provide four (4) additional distribution circuit positions, include underground circuit exits, add transformer Load Tap changer voltage control, and allow increased hosting capacity for distributed energy resources at a cost of \$27 million. Underground exits would be required for all distribution circuits, which would be designed and installed to provide storm hardening benefits at a cost of \$12 million. Lastly, the high voltage distribution lines portion of the Franklin Lakes Projects includes: providing one (1) new underground feed from the Allendale Substation to the Franklin Lakes Substation at 138 kV, providing one (1) new underground feed from the Darlington Substation at 138 kV to the new Franklin Lakes Substation, upgrading the two (2) existing underground feeds between the Franklin Lakes and Oakland Substations to 138 kV, and upgrading the existing Oakland Substation to operate at 138 kV at a cost of \$92 million. The total Franklin Lakes Projects investment would be \$131 million.

Additionally, RECO proposed maintaining an average annual baseline spending level of \$20.5 million, established using five (5) years of actual capital spending (2017 to 2021) and five (5) years of projected capital spending (2022 to 2026) adjusted to remove non-recurring investment in Advanced Metering Infrastructure. Additionally, RECO proposed investing approximately \$25.9

million on projects similar to those proposed in the IIP in excess of the required \$20.9 million from 2023 through 2027.

The Company proposed recovering the revenue requirement associated with the Program by establishing a clause (“IIP Surcharge”) to its tariff. The IIP Surcharge would be kept separate in RECO’s tariff, but would be included with the Company’s base distribution rates for billing purposes. The proposed IIP Surcharge would be a non-bypassable cents-per-kilowatt-hour (“kWh”) charge applicable to all RECO distribution customers. Rates would be revised through annual filings with the Board based upon the Company’s forecasted revenue requirement for the Program, adjusted for any prior period over/under recoveries including interest, and a forecast of the Company’s kWh deliveries to customers for each annual period. The Company’s proposed annual filings would contain nine (9) months of actual data, three (3) months of forecasted data, and the forecasted revenue requirement for the subsequent annual period. The Company proposed updating the forecasted data with actual data (3) months later and making the rates effective two (2) months after the update.

**STIPULATION**

Following the review of the Petition, discovery, and settlement discussions, the Parties executed the Stipulation resolving this matter. The Stipulation provides, in pertinent part, as follows:<sup>7</sup>

1. RECO may implement the Program pursuant to the terms and conditions agreed to in the Stipulation. The Program will include investment in RECO’s electric distribution system; a cost recovery mechanism for IIP investments, including scheduled rate adjustments; an annual baseline capital expenditure to be made by the Company and recovered through base rates; and other provisions described in the Stipulation.

**RECO IIP Investment**

2. The RECO IIP shall consist of a capital investment up to \$47.8 million in the Company’s electric distribution system beginning on January 1, 2023 and continuing through December 31, 2027. The Company shall seek recovery of that capital investment through the stipulated cost recovery mechanism that includes a revenue adjustment calculation and a process for a series of rate adjustments described in paragraphs 10 through 18 below (“RECO IIP Rate Mechanism”).
3. The RECO IIP includes maximum subprogram investment levels for accelerated recovery up to the following:

<b>Subprogram</b>	<b>\$ million</b>
Enhanced Overhead Storm Hardening	\$7.8
Selective Undergrounding	\$40.0
<b>RECO IIP Total For Accelerated Recovery</b>	<b>\$47.8</b>

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<sup>7</sup> Although summarized in this Order, should there be any conflict between this summary and the Stipulation, the detailed terms of the Stipulation control, subject to the findings and conclusions of this Order. Paragraphs are numbered to coincide with the Stipulation.

The Parties agree that the capital investments in these two (2) subprograms are intended to enhance the safety, reliability, and resiliency of the Company's electric distribution system by providing storm hardening benefits. These two (2) subprograms and the work to be performed thereunder are described in paragraphs 4 and 5 of the Stipulation.

4. Enhanced Overhead Storm Hardening Subprogram

The Company will invest up to \$7.8 million in the Enhanced Overhead Storm Hardening Subprogram to enhance the reliability and resiliency of the Company's overhead distribution system. The component projects in the Enhanced Overhead Storm Hardening Subprogram primarily focus on replacing existing open wire primary cable with Hendrix Spacer Cable construction that is designed to be reliable; tree contact resistant; compact to reduce tree trimming clearances; and supported by high-strength messenger cable. As appropriate, these component projects will also include replacement of aging poles and additional switching devices to assist with isolating faults. The following seven (7) overhead component projects are included within the Enhanced Overhead Storm Hardening Subprogram:

- Oakland-36-2-13 High Mountain Road;
- Oakland-Long Hill Road;
- Franklin Lakes-Ewing Avenue;
- West Milford-Awosting Road (Part 1);
- Harings Corner 30-4-13- Old Tappan Road;
- West Milford-Awosting Road (Part 2); and
- Saddle River – East Allendale Avenue.

To the extent that the Company is able to complete any of the Enhanced Overhead Storm Hardening Subprogram component projects identified above for a dollar amount below its estimated cost, the Company may utilize that project's remaining accelerated rate recovery budget dollars to conduct additional similar Enhanced Overhead Storm Hardening project work and include those dollars for accelerated recovery through the RECO IIP Rate Mechanism, provided that the overall Enhanced Overhead Storm Hardening Subprogram investment level set forth in paragraph 3 above is not exceeded. To the extent the Company decides not to proceed with the work on the any of the Enhanced Overhead Storm Hardening Subprogram projects identified in this paragraph, due to new or unforeseen circumstances not present at the time of the Stipulation, any remaining amount of the allowed accelerated recovery investment level of \$7.8 million identified in paragraph 3 above may be shifted: (i) to the remaining Enhanced Overhead Storm Hardening Subprogram projects identified in the Petition that are not included in the Stipulation, and (ii) if such remaining projects are not viable due to new or unforeseen circumstances not present at the time of the Stipulation, then to other similar Enhanced Overhead Storm Hardening Subprogram projects; the Parties agree that in these circumstances, the Company would propose any such change to the Enhanced Overhead Storm Hardening Subprogram to Staff and Rate Counsel, and effectuation of the change would need to be made via Board Order in connection with one of the rate roll-in filings provided for in the Stipulation.

5. Selective Undergrounding Subprogram

The Company will invest up to \$40.0 million in the Selective Undergrounding Subprogram to underground portions of the Company's overhead distribution system and thereby enhance reliability and resiliency, including addressing the performance and resiliency of overhead segments vulnerable to damage from severe weather and related tree impacts. The following 13 component projects are included within the Selective Undergrounding Subprogram:

- Allendale 39-8-13 Martis Avenue;
- West Milford-79-6-13-Warwick Turnpike;
- Darlington -43-6-13-Darlington Avenue;
- Closter-28-2-13-Livingston Street;
- Franklin Lakes-36-5-13 Franklin Lakes Road;
- West Milford-79-1-13/79-2-13 Greenwood Lake Turnpike and Awosting;
- Ringwood-78-2-13 – Sloatsburg Road to Kendall;
- Creskill-37-7-13 Anderson Avenue;
- Closter 28-9-13 Herbert Avenue and Homans Avenue;
- Oakland-36-2-13 Yawpo Drive;
- South Mahwah-58-9-13- West Airmont Road;
- Ringwood-78-2-13-Cupsaw Avenue to Voorhis Place; and
- Upper Saddle River 49-4-13 Pleasant Avenue.

The Selective Undergrounding projects involve elimination of double circuit construction by relocating one circuit underground to address the risk of a single contingency (e.g., tree contact) causing loss of both circuits. However, two (2) component projects that do not eliminate existing double circuit construction are the Ringwood 78-2-13 Sloatsburg Road to Kendall project, which establishes a single new underground circuit and the West Milford-79-6-13-Warwick Turnpike project, which undergrounds an existing segment in areas that have had reliability issues associated with small and large-scale storms, motor vehicle accidents, and equipment failure.

To the extent that the Company is able to complete any of the Selective Undergrounding Subprogram component projects identified above for a dollar amount below its estimated cost, the Company may utilize the project's remaining accelerated rate recovery budget dollars to conduct additional similar project Selective Undergrounding work and include those dollars for accelerated recovery through the RECO IIP Rate Mechanism, provided that the overall Selective Undergrounding Subprogram investment level set forth in paragraph 3 of the Stipulation is not exceeded. To the extent the Company decides not to proceed with the work on any of the Selective Undergrounding Subprogram component projects identified in this paragraph, due to new or unforeseen circumstances not present at the time of the Stipulation, any remaining amount of the allowed accelerated recovery investment level of \$40.0 million identified in paragraph 3 of the Stipulation may be shifted: (i) to the remaining Selective Undergrounding component projects identified in the Petition that are not included in the Stipulation, and (ii) if such remaining projects are not viable due to new or unforeseen circumstances not present at the time of the Stipulation, then to other similar Selective Undergrounding Subprogram projects. The Parties agree that in these circumstances, the Company would propose any such change to

the Selective Undergrounding Subprogram to Staff and Rate Counsel, and effectuation of the change would need to be made via Board Order in connection with one of the rate roll-in filings provided for in the Stipulation.

6. The following chart summarizes the estimated capital investment (*i.e.*, budget) per subprogram per year and in total (in \$ millions):

<b>IIP Investment Summary</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Total</b>
Enhanced Overhead Storm Hardening	\$2.0	\$1.3	\$1.4	\$1.6	\$1.5	\$ 7.8
Selective Undergrounding	\$5.0	\$8.0	\$9.0	\$9.4	\$8.6	\$40.0
<b>IIP Investment Total</b>	<b>\$7.0</b>	<b>\$9.3</b>	<b>\$10.4</b>	<b>\$11.0</b>	<b>\$10.1</b>	<b>\$47.8</b>

The Parties recognize that the initiatives included in the RECO IIP are significant in scale and scope; there are many variables associated with this type of work that make it difficult to budget each subprogram component project precisely, and that some flexibility in budgeting each subprogram and the component projects themselves is appropriate. Accordingly, the Parties agree that the Company shall be permitted to make adjustments from the annual capital investment budgets set forth in this paragraph for each subprogram (and for the included component projects), provided that the variations in a Program calendar year do not exceed ten (10) percent of the total annual Program budget and provided that the total approved RECO IIP budget of \$47.8 million is not exceeded. The Company will seek Board approval for any year-to-year variances in its overall total annual RECO IIP budget that are anticipated to exceed ten (10) percent.

7. Attachment A to the Stipulation consists of schedules detailing the component projects of the two (2) subprograms, including their estimated costs and projected year of the plant addition (*i.e.*, the “in-service” year), as well as a summary of projected plant additions by year.

**Baseline Capital Expenditure**

8. During the term of the five (5)-year RECO IIP, the Company agrees to maintain a minimum annual baseline capital expenditure level of at least \$15.0 million which is based upon the Company’s historical baseline spending. The Company further agrees to achieve an average annual baseline capital expenditure level of at least \$20.5 million on electric investments, based upon normalized historic and planned investment and plant additions. The baseline capital investments are solely within the discretion of the Company and may include investments in additional enhanced overhead storm hardening and selective undergrounding projects in excess of the maximum spending levels approved for accelerated recovery via the RECO IIP Rate Mechanism. Investments made by the Company to extend service to new customers, or extend additional service to existing customers, or investments made pursuant to spending requirements in other Board-approved IIP and energy efficiency programs that provide accelerated rate recovery, will not be included as part of the annual baseline capital expenditures required pursuant to this Paragraph.

**Term**

9. The project work under the RECO IIP will commence on January 1, 2023 and conclude no later than December 31, 2027. The Company may undertake Program nonconstruction expenditures, such as planning and engineering, upon Board approval of the Program.

**Cost Recovery**

10. The Parties agree that up to \$47.8 million of RECO IIP investments, plus associated Allowance for Funds used During Construction (“AFUDC”), shall be eligible for recovery on an accelerated basis through the RECO IIP Rate Mechanism, as described in paragraphs 10 through 18 of the Stipulation, and Attachment B to the Stipulation (which provides an illustrative revenue requirement calculation). The RECO IIP Rate Mechanism will recover IIP costs, including the return on net plant in-service and depreciation expense for plant in-service as described in more detail in paragraph 14 of the Stipulation. The Company may seek recovery of any costs that have not been recovered via the RECO IIP Rate Mechanism in a base rate case.
11. RECO may file up to five (5) rate adjustment requests for the RECO IIP. To effectuate the cost recovery process for the RECO IIP Rate Mechanism investments, the Company is authorized to make rate adjustment petition filings on the following targeted schedule:

Filing	Initial Filing Date	Revenue Requirement to be Recovered	Update Filing	Rates Effective As Early As
1	11/1/23	CY 2023	2/1/24	4/1/24
2	11/1/24	CY 2024	2/1/25	4/1/25
3	11/1/25	CY 2025	2/1/26	4/1/26
4	11/1/26	CY 2026	2/1/27	4/1/27
5	11/1/27	CY 2027	2/1/28	4/1/28

The foregoing is a targeted schedule based on forecasted investments and in-service dates; the Company may deviate from this schedule provided that the Company provides advance notice (with explanation) to Staff and Rate Counsel, otherwise complies with the IIP Rules, files not more than five (5) rate adjustments under the RECO IIP Rate Mechanism and makes not more than two (2) filings in any twelve-month period.

12. Consistent with the IIP Rules, each rate adjustment made by the Company must include a minimum investment level of 10% (or \$4.78 million) of the total amount authorized to be recovered via the IIP Rate Mechanism. The Company must also meet the earnings test as specified in the IIP Rules in order to be permitted a rate



adjustment under the RECO IIP Rate Mechanism. Should the Company's calculated return on equity ("ROE") exceed the allowed ROE from its last base rate filing by 50 basis points or more, accelerated recovery shall not be allowed for the applicable filing period, pursuant to N.J.A.C. 14:3-2A.6(i).

13. The review of the prudence of all project work undertaken in the RECO IIP will not take place prior to or in connection with the rate adjustments under the RECO IIP Rate Mechanism established in the Stipulation. The rate adjustments established in the rate filing proceedings shall be provisional and subject to refund based upon a Board finding that RECO imprudently incurred capital expenditures under the RECO IIP. Such prudence review shall take place in a future base rate case. Nothing in the Stipulation will preclude any party from raising in the base rate case prudence review any objection that could have been raised in a prior IIP rate filing.
14. In the above rate adjustment proceedings, the revenue requirement for the IIP investments recovered through the RECO IIP Rate Mechanism shall be calculated as summarized below:

IIP Rate Mechanism Costs - All capital expenditures recoverable through the RECO IIP Rate Mechanism, including actual costs of engineering, design and construction, and property acquisition, including actual labor, materials, overhead, and capitalized AFUDC associated with the project work, will be recovered through rate adjustments for each of the time periods described above. The RECO IIP Rate Mechanism capital expenditures will be recorded, during construction, in an associated Construction Work In Progress ("CWIP") account or in a Plant in Service account upon the respective project work being deemed used and useful. The Company will follow its current policies and practices with regard to capitalizing costs, including overheads.

Net Investment - Is equal to the IIP investment costs that have been placed into service less the associated accumulated depreciation less accumulated deferred income taxes.

WACC – RECO shall earn a return on its net investment in the IIP based upon the authorized Weighted Average Cost of Capital ("WACC") [including income tax effects] decided by the Board in the Company's most recently approved base rate case prior to the IIP rate adjustment filing. The current WACC based on the approved 2021 base rate case is 7.08% on an after tax basis.<sup>8</sup>

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<sup>8</sup> In re the Verified Petition of Rockland Electric Company for Approval of Changes In Electric Rates, its Tariff for Electric Service, And Its Depreciation Rates, And For Other Relief, ("2021 RECO BRC Order"), Decision And Order Adopting Initial Decision and Stipulation of Settlement, BPU Docket No. ER21050823, Order dated December 15, 2021 (See Stipulation of Settlement, Schedule A, page 2 of 2).

The rate adjustments will be calculated using the following formula:

$$\text{Revenue Requirement} = [(\text{IIP Rate Mechanism Rate Base} * \text{Pre-Tax WACC}) + \text{Depreciation Expense}] * \text{Revenue Factor}$$

- i. IIP Rate Mechanism Rate Base – The IIP Rate Mechanism Rate Base will be calculated as Plant in Service, including CWIP transferred into service and associated AFUDC, less accumulated depreciation and less associated accumulated deferred income taxes. AFUDC will be calculated using the same methodology used for current distribution assets consistent with the Company’s AFUDC policy, and as permitted by FERC Order 561, which includes compounding AFUDC on a semi-annual basis.
- ii. Depreciation Expense – Depreciation expense will be calculated as the RECO IIP Rate Mechanism investment costs by asset class multiplied by the associated depreciation rate applied to the same asset in current base rates and then calculated net of tax. Depreciation rates are as decided by the Board in the Company’s most recently approved base rate case prior to the IIP rate adjustment filing. The current depreciation rates are set forth in Schedule D to the stipulation approved in the 2021 base rate proceeding.<sup>9</sup>
- iii. Revenue Factor – The Revenue Factor includes the gross up of the Revenue Requirement for revenue-related taxes but not federal and state income taxes.

Attached as Attachment B to the Stipulation is a sample revenue requirement calculation based on the estimated revenue requirement for the first rate adjustment.

15. Tariff. The Company will recover its RECO IIP revenue requirements as described in paragraph 18. The Company will include language in its tariff describing how the revenue requirement is collected.
16. Cost of Removal. The Company may seek recovery of any removal costs associated with the RECO IIP by inclusion as negative net salvage costs in the base rate setting process in future base rate proceedings.
17. Estimated Bill Impact. Following completion of the five (5)-year IIP and the related rate adjustments under the RECO IIP Rate Mechanism, the estimated cumulative annual bill impact from the Program investments on a typical residential electric customer using 808 kilowatt hours (“kWh”) per summer month, and 7,800 kWh annually is expected to increase by approximately \$63.36, or 4.0% higher.
18. Rate Design. Under the assumption that the Company meets its eligibility requirements as referenced in paragraph 12 of the Stipulation, the Company will, consistent with the provisions of Paragraph 11 of the Stipulation, make annual rate adjustment filings to recover the costs associated with the Program and will reflect the

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<sup>9</sup> See 2021 RECO BRC Order, Stipulation of Settlement, Schedule D.

actual revenue requirement for the prior period. The Company will recover such revenue requirement associated with the Program through a uniform percentage increase to base distribution charges of Service Classification Nos. 1, 2, 3, 4, 6, and 7. The uniform percentage increases will not be applied to any of the customer charges in these service classifications. The IIP rate adjustments resulting from the annual rate filings will be calculated using the billing determinants underlying the distribution rates established in the 2021 RECO BRC Order, except if the billing determinants are revised in subsequent base rate case(s), the revised billing determinants will be used thereafter. The resulting IIP rate adjustments will be included within the Company's base distribution rates. The draft tariff leaves describing the Program, which will be added as a Rider to the Company's tariff upon Board approval of the Program, are attached as Attachment D to the Stipulation.

### **Base Rate Case Filing Requirement**

19. Consistent with the IIP Rules and with paragraph 14 of the Stipulation of Settlement in the Company's electric vehicles program filing in Docket No. EO20110730, approved by the Board by Order dated October 12, 2022 the Company will file a base rate case no later than May 1, 2027.<sup>10</sup> The prudence of any IIP investment not reviewed and determined by the Board in the base rate case shall be reviewed and determined in a subsequent base rate case, which shall be filed no later than five (5) years after the approval of the Company's May 1, 2027 base rate case.

### **IIP Minimum Filing and Reporting Requirements**

20. Minimum Filing Requirements ("MFRs"). Each IIP rate filing to adjust rates recovering IIP costs on an accelerated basis will be accompanied by the MFRs that are set forth in Attachment C to the Stipulation.
21. The Company will provide semi-annual status reports to Staff and Rate Counsel. The Company will file the status report for the period of January 1 - June 30 by July 31, and for the period of July 1 – December 31 by January 31. The semi-annual reports will include at a minimum the following:
  - i. The estimated total quantity of work and the quantity completed to date or, if the project work cannot be quantified with numbers, the major tasks completed, e.g., design phase, material procurement, permit gathering, phases of construction;
  - ii. The forecasted and actual Program costs-to-date for the reporting period and for the Program-to-date; where project work is identified by major category (with the actual variances from forecasted amounts expressed in dollar and percentage terms);
  - iii. The estimated Program completion date, and estimated completion dates for each IIP subprogram and each component project;

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<sup>10</sup> In re the Petition of Rockland Electric Company For Approval Of An Electric Vehicle Program, Establishment Of An Electric Vehicle Surcharge, And For Other Relief (RECO EV), Decision And Order Approving Stipulation, BPU Docket No. EO20110730, Order dated October 12, 2022.

- iv. Anticipated changes to component projects, if any;
- v. Actual capital expenditures made by the Company in the normal course of business on similar project work, identified by major category; and
- vi. Any other performance metric concerning the RECO IIP required by the Board.
- vii. For circuits improved within the Program, RECO will provide System Average Interruption Duration Index (“SAIDI”) results for Major Event<sup>11</sup> performance at the circuit level (redacted and confidential unredacted) for circuits affected by a Major Event during the reporting period and at the operating area level and system wide. The SAIDI results will be reported and measured against a baseline that reflects performance for each circuit under Major Event conditions for the prior five (5) years from the Program start date. The report will include the SAIDI results at the circuit level for the reporting period.
- viii. For circuits improved upon within the Program, RECO will include non-Major Event performance (where a non-Major Event excludes all “Major Events” as defined at N.J.A.C. 14:5-1.2) including circuit designation (information to be provided redacted and confidential unredacted), that reflects non-Major Event conditions for the reporting period. In addition to SAIDI, the Company will report non-Major Event data for Customer Average Interruption Duration Index (“CAIDI”) and System Average Interruption Frequency Index (“SAIFI”). The SAIDI results will be reported and measured against a baseline that reflects performance for each circuit under non-Major Event conditions for the prior five (5) years from the Program start date.

### **Federal Infrastructure Investment and Jobs Act of 2021**

- 22. To the extent federal funding is made available for any subprogram component project type described in the Stipulation through the implementation of the federal Infrastructure Investment and Jobs Act of 2021 (“Federal Infrastructure Funding”), the Company will employ its reasonable best efforts to identify and secure Federal Infrastructure Funding as described under Section 40101 or other applicable sections identified by the Parties for the projects within the RECO IIP. The Parties understand that federal funds are by definition limited and subject to open application processes, such that the Company may not be awarded federal funding despite its best efforts and funding being available for subprogram component project types. To enhance the Company’s opportunity for federal funding, Staff and Rate Counsel will, where appropriate, reasonably assist the Company in its best efforts to obtain Federal Infrastructure Funding and, when appropriate, express support for the Company to receive Federal Infrastructure Funding.

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<sup>11</sup> The definition of “Major Event” set forth in N.J.A.C. 14:5-1.2 shall apply for purposes of this reporting obligation.

23. If funding or credits from the Bipartisan Infrastructure Law, or any subsequent federal or state action, become available to the Company for project reimbursement, applicable to work related to the RECO IIP, the Company agrees that any such funds will be credited to customers in a manner agreed to by the Parties to the extent permitted by Federal Infrastructure Funding requirements and applicable law.

### **DISCUSSION AND FINDINGS**

In evaluating a proposed settlement, the Board must review the record; balance the ratepayers' and shareholders' interests; and determine whether the settlement represents a reasonable disposition of the issues that will enable the Company to provide its customers with safe, adequate, and proper service at just and reasonable rates.<sup>12</sup> The IIP Rules were enacted to provide a rate recovery mechanism that encourages and supports all necessary accelerated construction, installation, and rehabilitation of certain utility plants and equipment. The Board believes IIPs are important for continued system safety, reliability, resiliency, and sustained economic growth.

With respect to the proposed cost recovery mechanism, the Stipulation provides that the Company may recover all expenditures related to the utility plant placed in service, but on a provisional basis subject to refund, and subject to review in RECO's next base rate case, which the Company will file no later than May 1, 2027 unless the Board, in its discretion, requests that it be filed earlier. Based upon the Board's review of the Petition, Stipulation, and the complete record in this proceeding, no rates will be charged to customers until the facilities are in service, and the cost recovery mechanism will balance the Company's rate of return with the customers' need for rates that go no higher than reasonably necessary. The Stipulation also mandates the Company to maintain certain reporting requirements, which provides additional protection to ratepayers.

As such, the Board **HEREBY FINDS** the Stipulation to be reasonable and in accordance with the law, striking an appropriate balance between the needs of customers and of the Company.

Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein, subject to any terms and conditions set forth in this Order.

The Board **HEREBY RATIFIES** the decisions made by Commissioner Gordon during the pendency of this proceeding for the reasons stated in his decisions and Orders.

The Company's costs, including those related to the Program, will remain subject to audit by the Board. This Decision and Order shall not preclude, nor prohibit, the Board from taking any actions determined to be appropriate as a result of any such audit.

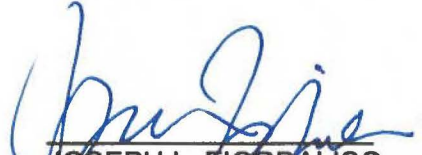
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<sup>12</sup> In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247, 258, 273-74 (App. Div.), cert. denied, 152 N.J. 12 (1997).

This Order shall be effective on December 28, 2022.

DATED: December 21, 2022

BOARD OF PUBLIC UTILITIES  
BY:

  
JOSEPH L. FIORDALISO  
PRESIDENT

  
MARY-ANNA HOLDEN  
COMMISSIONER

  
DIANNE SOLOMON  
COMMISSIONER

  
ROBERT M. GORDON  
COMMISSIONER

  
DR. ZENON CHRISTODOULOU  
COMMISSIONER

ATTEST:   
CARMEN D. DIAZ  
ACTING SECRETARY

I HEREBY CERTIFY that the within  
document is a true copy of the original  
in the files of the Board of Public Utilities.

IN THE MATTER OF THE PETITION OF ROCKLAND ELECTRIC COMPANY FOR APPROVAL OF AN  
INFRASTRUCTURE INVESTMENT PROGRAM, AND RELATED COST RECOVERY MECHANISM

DOCKET NO. ER22030198

SERVICE LIST

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

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I/M/O THE VERIFIED PETITION OF	:	
ROCKLAND ELECTRIC COMPANY FOR	:	BPU Docket No. ER22030198
APPROVAL OF AN INFRASTRUCTURE	:	
INVESTMENT PROGRAM, AND	:	
RELATED COST RECOVERY	:	
MECHANISM	:	

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**STIPULATION OF SETTLEMENT**

APPEARANCES:

**James C. Meyer, Esq.**, Riker Danzig Scherer Hyland & Perretti, LLP, and **John L. Carley, Esq.**, Associate General Counsel, for the Petitioner, Rockland Electric Company

**T. David Wand, Esq.**, Managing Attorney, **Brian Weeks, Esq.**, Deputy Rate Counsel, **Robert Glover, Esq.**, and **Bethany Rocque-Romaine, Esq.**, Assistant Deputies Rate Counsel, for the Division of Rate Counsel (**Brian O. Lipman, Esq.**, Director)

**Steven Chaplar, Esq.** Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**Matthew J. Platkin, Esq.**, Attorney General of New Jersey)

**TO THE HONORABLE BOARD OF PUBLIC UTILITIES:**

THIS STIPULATION OF SETTLEMENT (“Stipulation” or “Settlement”) is made as of December 2, 2022 by and among Rockland Electric Company (“RECO” or “Company”), the New Jersey Division of Rate Counsel (“Rate Counsel”), and Staff of the New Jersey Board of Public Utilities (“Staff”) (referred to collectively as the “Parties”) to fully resolve the above-captioned matter, and to recommend that the New Jersey Board of Public Utilities (“Board”) issue a Final Decision and Order approving this Stipulation.

## **BACKGROUND**

On March 30, 2022, the Company filed a petition with the Board seeking approval of an Infrastructure Investment Program (“RECO IIP” or “Program”) and an associated cost recovery mechanism for a five (5)-year period with a total investment level of approximately \$209 million (“Petition”). The Petition provided that the Program will comply with the Board’s Infrastructure Investment Program rules codified at N.J.A.C. 14:3-2A.1 *et seq* (“IIP Rules”).

The Company proposed accelerated Program investments to enhance safety, reliability, and/or resiliency through four (4) project categories: (1) enhanced overhead storm hardening; (2) selective undergrounding; (3) underground rebuild and rehabilitation; and (4) Franklin Lakes substation replacement and related high voltage distribution line upgrades. The Company also proposed to recover the costs of the Program via a non-bypassable IIP surcharge.

On May 18, 2022, the Board issued an Order retaining the matter for hearing and designating Commissioner Robert M. Gordon as the Presiding Commissioner with authority to rule on all motions arising during the pendency of these proceedings and modify any schedules as necessary to secure a just and expeditious resolution.<sup>1</sup> By way of Order dated July 14, 2022, Commissioner Gordon issued a procedural schedule and ruled on Motions to Participate in the proceeding.<sup>2</sup> Commissioner Gordon granted Public Service Electric and Gas Company, South

<sup>1</sup> I/M/O the Petition of Rockland Electric Company for Approval of an Infrastructure Investment Program, and Related Cost Recovery Mechanism, Order Designating Commissioner, Setting Manner of Service and Bar Date, BPU Docket No. ER22030198, Order dated May 18, 2022.

<sup>2</sup> I/M/O the Petition of Rockland Electric Company for Approval of an Infrastructure Investment Program, and Related Cost Recovery Mechanism, Prehearing Order Setting Procedural Schedule and Rulings on Motions to Participate, BPU Docket No. ER22030198, Prehearing Order dated July 14, 2022.

Jersey Gas Company and Elizabethtown Gas Company participant status. By way of Order dated August 24, 2022, Commissioner Gordon amended the procedural schedule.<sup>3</sup>

Following timely publication of appropriate notices in newspapers of general circulation throughout the Company's service territory, and in accordance with N.J.A.C. 14:3-2A.5(d), virtual public hearings occurred at 4:30 p.m. and 5:30 p.m. on October 27, 2022. No members of the public appeared and offered comments at the hearings and the Board also received no written public comments.

Throughout the proceeding the Parties engaged in substantial discovery, and held a discovery conference on July 28, 2022, and settlement conferences on August 25, 29 and 31, 2022.

### **STIPULATED MATTERS**

The Parties after reviewing the Petition, discovery, pre-filed testimony, and information exchanged during the discovery and settlement conferences reached an agreement, as set forth in this Stipulation, resolving all issues in the above-captioned matter. In consideration of the recitals, mutual promises, and covenants set forth herein, the Parties HEREBY STIPULATE AND AGREE to the following:

1. RECO may implement the Program pursuant to the terms and conditions agreed to herein. The Program will include investment in RECO's electric distribution system; a cost recovery mechanism for IIP investments, including scheduled rate adjustments; an annual baseline capital expenditure to be made by the Company and recovered through base rates; and other provisions described herein.

### **RECO IIP Investment**

<sup>3</sup> I/M/O the Petition of Rockland Electric Company for Approval of an Infrastructure Investment Program, and Related Cost Recovery Mechanism, Order Amending Procedural Schedule, BPU Docket No. ER22030198, Amended Prehearing Order dated August 24, 2022.

2. The RECO IIP shall consist of a capital investment up to \$47.8 million in the Company’s electric distribution system beginning on January 1, 2023 and continuing through December 31, 2027. The Company shall seek recovery of that capital investment through the stipulated cost recovery mechanism that includes a revenue adjustment calculation and a process for a series of rate adjustments described in paragraphs 10 through 18 below (“RECO IIP Rate Mechanism”).

3. The RECO IIP includes maximum subprogram investment levels for accelerated recovery up to the following:

<b>Subprogram</b>	<b>\$ million</b>
Enhanced Overhead Storm Hardening	\$7.8
Selective Undergrounding	\$40.0
RECO IIP Total For Accelerated Recovery	\$47.8

The Parties agree that the capital investments in these two (2) subprograms are intended to enhance the safety, reliability, and resiliency of the Company’s electric distribution system by providing storm hardening benefits. These two (2) subprograms and the work to be performed thereunder are described in paragraphs 4 and 5 below.

4. Enhanced Overhead Storm Hardening Subprogram

The Company will invest up to \$7.8 million in the Enhanced Overhead Storm Hardening Subprogram to enhance the reliability and resiliency of the Company's overhead distribution system. The component projects in the Enhanced Overhead Storm Hardening Subprogram primarily focus on replacing existing open wire primary cable with Hendrix Spacer Cable construction that is designed to be reliable; tree contact resistant; compact to reduce tree trimming clearances; and supported by high-strength messenger cable. As appropriate, these component projects will also include replacement of aging poles and additional switching devices to assist with isolating faults. The following seven (7) overhead component projects are included within the Enhanced Overhead Storm Hardening Subprogram:

- Oakland-36-2-13 High Mountain Road;
- Oakland-Long Hill Road;
- Franklin Lakes-Ewing Avenue;
- West Milford-Awosting Road (Part 1);
- Harings Corner 30-4-13- Old Tappan Road;
- West Milford-Awosting Road (Part 2); and
- Saddle River – East Allendale Avenue.

To the extent that the Company is able to complete any of the Enhanced Overhead Storm Hardening Subprogram component projects identified above for a dollar amount below its estimated cost, the Company may utilize that project's remaining accelerated rate recovery budget dollars to conduct additional similar Enhanced Overhead Storm Hardening project work and include those dollars for accelerated recovery through the RECO IIP Rate Mechanism, provided that the overall Enhanced Overhead Storm Hardening Subprogram investment level set forth in paragraph 3 above is not exceeded. To the extent the Company decides not to proceed with the work on the any of the Enhanced Overhead Storm Hardening Subprogram projects identified in this paragraph, due to new or unforeseen circumstances not present at the time of this Stipulation,

any remaining amount of the allowed accelerated recovery investment level of \$7.8 million identified in paragraph 3 above may be shifted: (i) to the remaining Enhanced Overhead Storm Hardening Subprogram projects identified in the Petition that are not included in this Stipulation, and (ii) if such remaining projects are not viable due to new or unforeseen circumstances not present at the time of this Stipulation, then to other similar Enhanced Overhead Storm Hardening Subprogram projects; the Parties agree that in these circumstances, the Company would propose any such change to the Enhanced Overhead Storm Hardening Subprogram to Staff and Rate Counsel, and effectuation of the change would need to be made via Board Order in connection with one of the rate roll-in filings provided for in this Stipulation.

5. Selective Undergrounding Subprogram

The Company will invest up to \$40.0 million in the Selective Undergrounding Subprogram to underground portions of the Company's overhead distribution system and thereby enhance reliability and resiliency, including addressing the performance and resiliency of overhead segments vulnerable to damage from severe weather and related tree impacts. The following 13 component projects are included within the Selective Undergrounding Subprogram:

- Allendale 39-8-13 Martis Avenue;
- West Milford-79-6-13-Warwick Turnpike;
- Darlington -43-6-13-Darlington Avenue;
- Closter-28-2-13-Livingston Street;
- Franklin Lakes-36-5-13 Franklin Lakes Road;
- West Milford-79-1-13/79-2-13 Greenwood Lake Turnpike and Awosting;
- Ringwood-78-2-13 – Sloatsburg Road to Kendall;
- Creskill-37-7-13 Anderson Avenue;
- Closter 28-9-13 Herbert Avenue and Homans Avenue;
- Oakland-36-2-13 Yawpo Drive;
- South Mahwah-58-9-13- West Airmont Road;
- Ringwood-78-2-13-Cupsaw Avenue to Voorhis Place; and
- Upper Saddle River 49-4-13 Pleasant Avenue.

The Selective Undergrounding projects involve elimination of double circuit construction by relocating one circuit underground to address the risk of a single contingency (*e.g.*, tree contact) causing loss of both circuits. However, two (2) component projects that do not eliminate existing double circuit construction are the Ringwood 78-2-13 Sloatsburg Road to Kendall project, which establishes a single new underground circuit) and the West Milford-79-6-13-Warwick Turnpike project, which undergrounds an existing segment in areas that have had reliability issues associated with small and large-scale storms, motor vehicle accidents, and equipment failure.

To the extent that the Company is able to complete any of the Selective Undergrounding Subprogram component projects identified above for a dollar amount below its estimated cost, the Company may utilize the project's remaining accelerated rate recovery budget dollars to conduct additional similar project Selective Undergrounding work and include those dollars for accelerated recovery through the RECO IIP Rate Mechanism, provided that the overall Selective Undergrounding Subprogram investment level set forth in paragraph 3 above is not exceeded. To the extent the Company decides not to proceed with the work on any of the Selective Undergrounding Subprogram component projects identified in this paragraph, due to new or unforeseen circumstances not present at the time of this Stipulation, any remaining amount of the allowed accelerated recovery investment level of \$40.0 million identified in paragraph 3 of this Stipulation may be shifted: (i) to the remaining Selective Undergrounding component projects identified in the Petition that are not included in this Stipulation, and (ii) if such remaining projects are not viable due to new or unforeseen circumstances not present at the time of this Stipulation, then to other similar Selective Undergrounding Subprogram projects. The Parties agree that in these circumstances, the Company would propose any such change to the Selective Undergrounding Subprogram to Staff and Rate Counsel, and effectuation of the change would

need to be made via Board Order in connection with one of the rate roll-in filings provided for in this Stipulation.

6. The following chart summarizes the estimated capital investment (*i.e.*, budget) per subprogram per year and in total (in \$ millions):

<b>IIP Investment Summary</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Total</b>
Enhanced Overhead Storm Hardening	\$2.0	\$1.3	\$1.4	\$1.6	\$1.5	\$ 7.8
Selective Undergrounding	\$5.0	\$8.0	\$9.0	\$9.4	\$8.6	\$40.0
<b>IIP Investment Total</b>	<b>\$7.0</b>	<b>\$9.3</b>	<b>\$10.4</b>	<b>\$11.0</b>	<b>\$10.1</b>	<b>\$47.8</b>

The Parties recognize that the initiatives included in the RECO IIP are significant in scale and scope; there are many variables associated with this type of work that make it difficult to budget each subprogram component project precisely, and that some flexibility in budgeting each subprogram and the component projects themselves is appropriate. Accordingly, the Parties agree that the Company shall be permitted to make adjustments from the annual capital investment budgets set forth in this paragraph for each subprogram (and for the included component projects), provided that the variations in a Program calendar year do not exceed ten (10) percent of the total annual Program budget and provided that the total approved RECO IIP budget of \$47.8 million is not exceeded. The Company will seek Board approval for any year-to-year variances in its overall total annual RECO IIP budget that are anticipated to exceed ten (10) percent.

7. Attachment A to this Stipulation consists of schedules detailing the component projects of the two (2) subprograms, including their estimated costs and projected year of the plant addition (*i.e.*, the “in-service” year), as well as a summary of projected plant additions by year.



### **Baseline Capital Expenditure**

8. During the term of the five (5)-year RECO IIP, the Company agrees to maintain a minimum annual baseline capital expenditure level of at least \$15.0 million which is based upon the Company's historical baseline spending. The Company further agrees to achieve an average annual baseline capital expenditure level of at least \$20.5 million on electric investments, based upon normalized historic and planned investment and plant additions. The baseline capital investments are solely within the discretion of the Company and may include investments in additional enhanced overhead storm hardening and selective undergrounding projects in excess of the maximum spending levels approved for accelerated recovery via the RECO IIP Rate Mechanism. Investments made by the Company to extend service to new customers, or extend additional service to existing customers, or investments made pursuant to spending requirements in other Board-approved IIP and energy efficiency programs that provide accelerated rate recovery, will not be included as part of the annual baseline capital expenditures required pursuant to this Paragraph.

### **Term**

9. The project work under the RECO IIP will commence on January 1, 2023 and conclude no later than December 31, 2027. The Company may undertake Program non-construction expenditures, such as planning and engineering, upon Board approval of the Program.

### **Cost Recovery**

10. The Parties agree that up to \$47.8 million of RECO IIP investments, plus associated Allowance for Funds used During Construction ("AFUDC"), shall be eligible for recovery on an accelerated basis through the RECO IIP Rate Mechanism, as described in paragraphs 10 through 18 of this Stipulation, and Attachment B (which provides an illustrative revenue requirement

calculation). The RECO IIP Rate Mechanism will recover IIP costs, including the return on net plant in-service and depreciation expense for plant in-service as described in more detail in paragraph 14 below. The Company may seek recovery of any costs that have not been recovered via the RECO IIP Rate Mechanism in a base rate case.

11. RECO may file up to five (5) rate adjustment requests for the RECO IIP.

To effectuate the cost recovery process for the RECO IIP Rate Mechanism investments, the Company is authorized to make rate adjustment petition filings on the following targeted schedule:

Filing	Initial Filing Date	Revenue Requirement to be Recovered	Update Filing	Rates Effective As Early As
1	11/1/23	CY 2023	2/1/24	4/1/24
2	11/1/24	CY 2024	2/1/25	4/1/25
3	11/1/25	CY 2025	2/1/26	4/1/26
4	11/1/26	CY 2026	2/1/27	4/1/27
5	11/1/27	CY 2027	2/1/28	4/1/28

The foregoing is a targeted schedule based on forecasted investments and in-service dates; the Company may deviate from this schedule provided that the Company provides advance notice (with explanation) to Staff and Rate Counsel, otherwise complies with the IIP Rules, files not more than five (5) rate adjustments under the RECO IIP Rate Mechanism and makes not more than two (2) filings in any twelve-month period.

12. Consistent with the IIP Rules, each rate adjustment made by the Company must include a minimum investment level of 10% (or \$4.78 million) of the total amount authorized to

be recovered via the IIP Rate Mechanism. The Company must also meet the earnings test as specified in the IIP Rules in order to be permitted a rate adjustment under the RECO IIP Rate Mechanism. Should the Company's calculated return on equity ("ROE") exceed the allowed ROE from its last base rate filing by 50 basis points or more, accelerated recovery shall not be allowed for the applicable filing period, pursuant to N.J.A.C. 14:3-2A.6(i).

13. The review of the prudence of all project work undertaken in the RECO IIP will not take place prior to or in connection with the rate adjustments under the RECO IIP Rate Mechanism established herein. The rate adjustments established in the rate filing proceedings shall be provisional and subject to refund based upon a Board finding that RECO imprudently incurred capital expenditures under the RECO IIP. Such prudence review shall take place in a future base rate case. Nothing herein will preclude any party from raising in the base rate case prudence review any objection that could have been raised in a prior IIP rate filing.

14. In the above rate adjustment proceedings, the revenue requirement for the IIP investments recovered through the RECO IIP Rate Mechanism shall be calculated as summarized below:

IIP Rate Mechanism Costs - All capital expenditures recoverable through the RECO IIP Rate Mechanism, including actual costs of engineering, design and construction, and property acquisition, including actual labor, materials, overhead, and capitalized AFUDC associated with the project work, will be recovered through rate adjustments for each of the time periods described above. The RECO IIP Rate Mechanism capital expenditures will be recorded, during construction, in an associated Construction Work In Progress ("CWIP") account or in a Plant in Service account upon the respective project work being deemed used and useful. The Company will follow its current policies and practices with regard to capitalizing costs, including overheads.

Net Investment - Is equal to the IIP investment costs that have been placed into service less the associated accumulated depreciation less accumulated deferred income taxes.

WACC - RECO shall earn a return on its net investment in the IIP based upon the authorized Weighted Average Cost of Capital ("WACC") [including income tax effects] decided by the Board in the Company's most recently approved base rate case prior to the

IIP rate adjustment filing. The current WACC based on the approved 2021 base rate case is 7.08% on an after tax basis.<sup>4</sup>

The rate adjustments will be calculated using the following formula:

$$\text{Revenue Requirement} = [(\text{IIP Rate Mechanism Rate Base} * \text{Pre-Tax WACC}) + \text{Depreciation Expense}] * \text{Revenue Factor}$$

- i. IIP Rate Mechanism Rate Base – The IIP Rate Mechanism Rate Base will be calculated as Plant in Service, including CWIP transferred into service and associated AFUDC, less accumulated depreciation and less associated accumulated deferred income taxes. AFUDC will be calculated using the same methodology used for current distribution assets consistent with the Company’s AFUDC policy, and as permitted by FERC Order 561, which includes compounding AFUDC on a semi-annual basis.
- ii. Depreciation Expense – Depreciation expense will be calculated as the RECO IIP Rate Mechanism investment costs by asset class multiplied by the associated depreciation rate applied to the same asset in current base rates and then calculated net of tax. Depreciation rates are as decided by the Board in the Company’s most recently approved base rate case prior to the IIP rate adjustment filing. The current depreciation rates are set forth in Schedule D to the stipulation approved in the 2021 base rate proceeding.<sup>5</sup>
- iii. Revenue Factor – The Revenue Factor includes the gross up of the Revenue Requirement for revenue-related taxes but not federal and state income taxes.

Attached as Attachment B is a sample revenue requirement calculation based on the estimated revenue requirement for the first rate adjustment.

15. Tariff. The Company will recover its RECO IIP revenue requirements as described in paragraph 18. The Company will include language in its tariff describing how the revenue requirement is collected.

<sup>4</sup> 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, And For Other Relief, (“2021 RECO BRC Order”), Decision And Order Adopting Initial Decision and Stipulation of Settlement, BPU Docket No. ER21050823, Order dated December 15, 2021 (See Stipulation of Settlement, Schedule A, page 2 of 2).

<sup>5</sup> See 2021 RECO BRC Order, Stipulation of Settlement, Schedule D.

16. Cost of Removal. The Company may seek recovery of any removal costs associated with the RECO IIP by inclusion as negative net salvage costs in the base rate setting process in future base rate proceedings.

17. Estimated Bill Impact. Following completion of the five (5)-year IIP and the related rate adjustments under the RECO IIP Rate Mechanism, the estimated cumulative annual bill impact from the Program investments on a typical residential electric customer using 808 kilowatt hours (“kWh”) per summer month, and 7,800 kWh annually is expected to increase by approximately \$63.36, or 4.0% higher.

18. Rate Design. Under the assumption that the Company meets its eligibility requirements as referenced in paragraph 12, the Company will, consistent with the provisions of Paragraph 11, make annual rate adjustment filings to recover the costs associated with the Program and will reflect the actual revenue requirement for the prior period. The Company will recover such revenue requirement associated with the Program through a uniform percentage increase to base distribution charges of Service Classification Nos. 1, 2, 3, 4, 6, and 7. The uniform percentage increases will not be applied to any of the customer charges in these service classifications. The IIP rate adjustments resulting from the annual rate filings will be calculated using the billing determinants underlying the distribution rates established in the 2021 RECO BRC Order, except if the billing determinants are revised in subsequent base rate case(s), the revised billing determinants will be used thereafter. The resulting IIP rate adjustments will be included within the Company’s base distribution rates. The draft tariff leaves describing the Program, which will be added as a Rider to the Company’s tariff upon Board approval of the Program, are attached as Attachment D.

**Base Rate Case Filing Requirement**

19. Consistent with the IIP Rules and with paragraph 14 of the Stipulation of Settlement in the Company's electric vehicles program filing in Docket No. EO20110730, approved by the Board by Order dated October 12, 2022 the Company will file a base rate case no later than May 1, 2027.<sup>6</sup> The prudence of any IIP investment not reviewed and determined by the Board in the base rate case shall be reviewed and determined in a subsequent base rate case, which shall be filed no later than five (5) years after the approval of the Company's May 1, 2027 base rate case.

### **Infrastructure Investment Program Minimum Filing and Reporting Requirements**

20. Minimum Filing Requirements ("MFRs"). Each IIP rate filing to adjust rates recovering IIP costs on an accelerated basis will be accompanied by the MFRs that are set forth in Attachment C hereto.

21. The Company will provide semi-annual status reports to Staff and Rate Counsel. The Company will file the status report for the period of January 1 - June 30 by July 31, and for the period of July 1 – December 31 by January 31. The semi-annual reports will include at a minimum the following:

- i. The estimated total quantity of work and the quantity completed to date or, if the project work cannot be quantified with numbers, the major tasks completed, *e.g.*, design phase, material procurement, permit gathering, phases of construction;
- ii. The forecasted and actual Program costs-to-date for the reporting period and for the Program-to-date; where project work is identified by major category (with the actual variances from forecasted amounts expressed in dollar and percentage terms);
- iii. The estimated Program completion date, and estimated completion dates for each IIP subprogram and each component project;
- iv. Anticipated changes to component projects, if any;

<sup>6</sup> In re the Petition of Rockland Electric Company For Approval Of An Electric Vehicle Program, Establishment Of An Electric Vehicle Surcharge, And For Other Relief (RECO EV), Decision And Order Approving Stipulation, BPU Docket No. EO20110730, Order dated October 12, 2022.

- v. Actual capital expenditures made by the Company in the normal course of business on similar project work, identified by major category; and
- vi. Any other performance metric concerning the RECO IIP required by the Board.
- vii. For circuits improved within the Program, RECO will provide System Average Interruption Duration Index (“SAIDI”) results for Major Event<sup>7</sup> performance at the circuit level (redacted and confidential unredacted) for circuits affected by a Major Event during the reporting period and at the operating area level and system wide. The SAIDI results will be reported and measured against a baseline that reflects performance for each circuit under Major Event conditions for the prior five (5) years from the Program start date. The report will include the SAIDI results at the circuit level for the reporting period.
- viii. For circuits improved upon within the Program, RECO will include non-Major Event performance (where a non-Major Event excludes all “Major Events” as defined at N.J.A.C. 14:5-1.2) including circuit designation (information to be provided redacted and confidential unredacted), that reflects non-Major Event conditions for the reporting period. In addition to SAIDI, the Company will report non-Major Event data for Customer Average Interruption Duration Index (“CAIDI”) and System Average Interruption Frequency Index (“SAIFI”). The SAIDI results will be reported and measured against a baseline that reflects performance for each circuit under non-Major Event conditions for the prior five (5) years from the Program start date.

**Federal Infrastructure Investment and Jobs Act of 2021**

22. To the extent federal funding is made available for any subprogram component project type described herein through the implementation of the federal Infrastructure Investment and Jobs Act of 2021 (“Federal Infrastructure Funding”), the Company will employ its reasonable best efforts to identify and secure Federal Infrastructure Funding as described under Section 40101 or other applicable sections identified by the Parties for the projects within the RECO IIP. The Parties understand that federal funds are by definition limited and subject to open application processes, such that the Company may not be awarded federal funding despite its best efforts and funding being available for subprogram component project types. To enhance the Company’s

<sup>7</sup> The definition of “Major Event” set forth in N.J.A.C. 14:5-1.2 shall apply for purposes of this reporting obligation.

opportunity for federal funding, Staff and Rate Counsel will, where appropriate, reasonably assist the Company in its best efforts to obtain Federal Infrastructure Funding and, when appropriate, express support for the Company to receive Federal Infrastructure Funding.

23. If funding or credits from the Bipartisan Infrastructure Law, or any subsequent federal or state action, become available to the Company for project reimbursement, applicable to work related to the RECO IIP, the Company agrees that any such funds will be credited to customers in a manner agreed to by the Parties to the extent permitted by Federal Infrastructure Funding requirements and applicable law.

### **FURTHER PROVISIONS**

24. All attachments/schedules/exhibits referenced in and attached to this Stipulation are incorporated by reference herein as if set forth in the body of this Stipulation.

25. The Parties agree that this Stipulation is voluntary, consistent with law, and fully dispositive of the issues addressed herein. The Parties have entered this Stipulation after consideration of the Petition, pre-filed testimony, and discovery.

26. The Parties agree that the Board should issue an Order that adopts this Stipulation. Each party agrees to use its best efforts to ensure this Stipulation is submitted to the Board in a timely fashion and to urge the Board to issue its approval of this Stipulation at the earliest date practicable, and issue and serve a written Order approving this Stipulation expeditiously thereafter, in consideration of the Program's January 1, 2023 commencement date. The Parties' agreements above are consistent with their understanding that the Board's written Order approving this Stipulation will become effective in accordance with N.J.S.A. 48:2-40 upon the service of said Order or upon such date after service as the Board may specify.



27. Each party specifically waives any right it may have to seek reconsideration of or to appeal an Order by the Board that approves this Stipulation in the manner provided for herein in its entirety and without modification.

28. This Stipulation contains mutually balancing and interdependent provisions and is intended to be accepted and approved in its entirety. This Stipulation is an integral settlement and the various parts hereof are not severable without upsetting the balance of agreements and compromises achieved among the Parties. In the event the Board disapproves this Stipulation as a whole, it shall be null and void. In the event that any particular aspect of this Stipulation is not accepted and approved by the Board in its entirety, without modification, or is modified by a court of competent jurisdiction: (i) the Parties do not waive any legal or procedural rights, arguments or claims they may have before the Board or in any forum; and (ii) this Stipulation shall, at the option and discretion of any party aggrieved thereby and exercised by written notice to the other Parties within ten (10) days after receipt of any such adverse decision, be null and void. In the event that this Stipulation is rendered null and void, the Parties shall be placed in the same position that they were in immediately prior to its execution.

29. This Stipulation represents a negotiated compromise resolution that has been made exclusively for the purpose of resolving the issues addressed in the above-captioned docket. Although binding on the Parties with respect to the specific issues expressly resolved herein in this proceeding, this Stipulation, in total or by specific item, is in no way binding upon the Parties and is not to be considered or cited as precedent in favor of or against their respective positions on any issue in any other proceeding, except to enforce the terms of this Stipulation. The Parties agree that the resolution of the issues herein shall apply only to the above-captioned docket and that any similar future cases shall be reviewed by the Board on an individual basis, except as specifically

set forth herein. This Stipulation is without prejudice to the positions of the respective Parties with respect to any future base rate cases or other proceedings involving the Company, except as specifically set forth herein. Further, by executing this Stipulation, no party waives any rights it possesses under any prior Stipulation or Board Order, except where the terms of this Stipulation supersede such prior Stipulation.

30. This Stipulation shall be governed and construed in accordance with the laws of the State of New Jersey.

31. This Stipulation may be executed in one or more counterparts, and shall become effective when one or more counterparts have been signed by each of the Parties. Each party has caused its duly authorized representative to execute below and deliver this Stipulation.

**WHEREFORE**, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible, but in any event, before December 31, 2022.

ROCKLAND ELECTRIC COMPANY

By: \_\_\_\_\_

  
James C. Meyer, Esq.  
RIKER DANZIG, LLP

Title: Counsel

BRIAN O. LIPMAN  
Director, Division of Rate Counsel

By: \_\_\_\_\_

T. David Wand, Esq.

Title: Deputy Rate Counsel

MATTHEW J. PLATKIN  
ATTORNEY GENERAL OF  
NEW JERSEY  
Attorney for the Staff of the Board of  
Public Utilities

By:.....

.....  
Steven Chaplar, Esq.

Title: Deputy Attorney General

**WHEREFORE**, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible, but in any event, before December 31, 2022.

ROCKLAND ELECTRIC COMPANY

By: \_\_\_\_\_  
James C. Meyer, Esq.  
RIKER DANZIG, LLP

Title: Counsel

BRIAN O. LIPMAN  
Director, Division of Rate Counsel

By: T. David Wand  
T. David Wand, Esq.  
Title: Deputy Rate Counsel  
Dated: December 5, 2022

MATTHEW J. PLATKIN  
ATTORNEY GENERAL OF NEW  
JERSEY  
Attorney for the Staff of the Board of Public  
Utilities

By: \_\_\_\_\_  
Steven Chaplar, Esq.

Title: Deputy Attorney General

ATTACHMENT A  
(ANNUAL PLANT ADDITIONS)

Rockland Electric Company  
 Infrastructure Investment Program  
 Plant Additions  
 (Thousands of Dollars)

Program Name	Project Type	2023	2024	2025	2026	2027	Total
1 Oakland - 35-2-13 High Mountain Road	Enhanced OH Storm Hardening	\$ -	\$ 1,700	\$ -	\$ -	\$ -	\$ 1,700
2 Oakland - Long Hill Road	Enhanced OH Storm Hardening	-	500	-	-	-	500
3 Franklin Lakes - Basing Ave	Enhanced OH Storm Hardening	-	-	1,200	-	-	1,200
4 West Milford - Awosting Rd (Part 1)	Enhanced OH Storm Hardening	-	-	-	1,500	-	1,500
5 Old Tappan - Old Tappan Rd	Enhanced OH Storm Hardening	600	-	-	-	-	600
6 West Milford - Awosting Rd (Part 2)	Enhanced OH Storm Hardening	-	-	-	-	1,500	1,500
7 Saddle River - East Algonquin Ave	Enhanced OH Storm Hardening	-	-	-	-	800	800
8 Alendale 35-9-13 Maris Ave	Selective Underground	1,200	-	-	-	-	1,200
9 West Milford - 79-6-13 - Warwick Tpke	Selective Underground	-	2,300	-	-	-	2,300
10 Darlington-43-6-13- Darlington Ave	Selective Underground	-	3,100	-	-	-	3,100
11 Closter-29-2-13-Livington St	Selective Underground	-	-	5,400	-	-	5,400
12 Franklin Lakes - 35-5-13 Franklin Lakes Road	Selective Underground	-	-	3,800	-	-	3,800
13 West Milford - 79-1-13/79-2-13 Greenwood Lake Tpke & Awosting	Selective Underground	-	-	-	5,600	-	5,600
14 Ringwood - 78-2-13 - Slootburg Rd to Kendal	Selective Underground	-	-	-	3,200	-	3,200
15 Crestkill-37-7-13 Anderson Ave	Selective Underground	-	-	-	3,200	-	3,200
16 Closter-29-9-13 Herbert Ave & Homans Ave	Selective Underground	-	-	-	2,700	-	2,700
17 Oakland - 35-2-13 Yaxpo Drive	Selective Underground	-	-	-	-	2,600	2,600
18 South Mahwah- 59-9-13-W. Almont Rd.	Selective Underground	-	-	-	-	1,300	1,300
19 Ringwood - 78-2-13 - Cussaw Ave to Voorhis Pl.	Selective Underground	-	-	-	-	3,100	3,100
20 Upper Saddle River 49-6-13 Pleasant Ave	Selective Underground	-	-	-	-	2,500	2,500
Total Plant Additions		\$ 1,800	\$ 7,600	\$ 10,400	\$ 15,200	\$ 11,800	\$ 47,800

ATTACHMENT B  
(SAMPLE REVENUE REQUIREMENT  
CALCULATION)

Rockland Electric Company  
Infrastructure Investment Program  
Revenue Requirement Illustration

(A)	Capital Structure (B)	Cost Rate (C)	After-Tax Weighted Cost (D)	Pre-Tax Weighted Cost (E)
Long-term debt	51.49%	4.70%	2.42%	2.42%
Common equity	48.51%	9.60%	4.66%	6.48%
Total	100.00%		7.08%	8.90%

**Revenue Requirement Determination - 2023**

Plant additions - 2023	\$7,000,000
Plant in service	\$7,000,000
Accumulated depreciation	0
Net plant	7,000,000
Accumulated deferred taxes	(688,931)
Infrastructure Investment Program Rate base	\$6,311,069
Return and income tax requirement on rate base <sup>1</sup>	\$561,819
Depreciation expense (pre-tax)	0
Revenue requirement before revenue taxes	\$561,819
Revenue Multiplier	1.003
Total Revenue Requirement	\$563,505

<sup>1</sup> IIP Rate Base \* Pre-tax Weighted Cost



ATTACHMENT C  
(MINIMUM FILING REQUIREMENTS)

## Attachment C

### Rate Adjustment Filing Minimum Filing Requirements

- 1) RECO's income statement for the most recent 12-month period prepared using the same FERC reporting and accounting conventions that are reflected in the Company's Annual Report to the Board.
- 2) RECO's balance sheet for the most recent 12-month period prepared using the same FERC reporting and accounting conventions that are reflected in the Company's Annual Report to the Board.
- 3) RECO's baseline capital spending for the recovery period and for each of the past five (5) years, broken down by major categories.
- 4) RECO's overall approved IIP capital budget broken down by major categories, both budgeted and actual amounts.
- 5) For each of the two (2) IIP subprograms:
  - a. The original project summary for each IIP subprogram;
  - b. Expenditures incurred to date;
  - c. Appropriate metric (*e.g.*, overhead project installed); and
  - d. Work completed, including identified tasks completed (*e.g.*, design phase, material procurement, permit gathering, phases of construction).
- 6) Anticipated subprogram and timeline, including estimated completion date, with updates and changes, along with an explanation of the reasons for any changes.
- 7) A calculation of the proposed rate adjustment based on IIP projects included in Plant in Service, including a calculation of depreciation expense, based on those projects closed to Plant in Service during the period.
- 8) A list of any and all funds or credits received from the United States government, the State of New Jersey, a county or a municipality, for work related to any of the IIP projects, such as relocation, reimbursement, or stimulus money. An explanation of the financial treatment associated with the receipt of the government funds or credits.
- 9) A revenue requirement calculation showing the actual capital expenditures for the period for which the filing is made, as well as supporting calculations.
- 10) An earnings test calculation demonstrating that the calculated ROE does not exceed the allowed ROE from the Company's last base rate case by 50 basis points or more.

The Company should divide the actual net income of the utility for the most recent 12-month period filed with the Board or FERC by the average of the beginning and ending common equity balances for the corresponding period, subject to adjustments. The Company should provide nine (9) months actual data and three (3) months forecasted data at the time of each initial filing. The three (3) months of forecasted data should be updated with actual information at the same time the Company provides the Update for Actuals for investments.

**ATTACHMENT D**  
**(TARIFF PAGE)**

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(Continued)

GENERAL INFORMATION  
SERVICE CLASSIFICATION RIDER (Continued)

**INFRASTRUCTURE INVESTMENT PROGRAM (IIP)**

The Company will implement the IIP approved by the Board in its Order dated MM DD, YYYY in Docket No. ER22030198. To recover the costs associated with the IIP, the Company is authorized to make annual rate adjustment filings to reflect the actual revenue requirement for the prior period as set forth in the chart below. For each annual period, the Company is authorized to make: (1) an initial filing that will contain nine months of actual data and three months of forecasted data; and (2) an update filing three months after the initial filing that will include all actual data for the annual period.

<u>Filing</u>	<u>Initial Filing Date</u>	<u>Revenue Requirement</u>	<u>Update Filing Date</u>	<u>Rate Effective</u>
<u>1</u>	<u>11/1/23</u>	<u>CY 2023</u>	<u>2/1/24</u>	<u>4/1/24</u>
<u>2</u>	<u>11/1/24</u>	<u>CY 2024</u>	<u>2/1/25</u>	<u>4/1/25</u>
<u>3</u>	<u>11/1/25</u>	<u>CY 2025</u>	<u>2/1/26</u>	<u>4/1/26</u>
<u>4</u>	<u>11/1/26</u>	<u>CY 2026</u>	<u>2/1/27</u>	<u>4/1/27</u>
<u>5</u>	<u>11/1/27</u>	<u>CY 2027</u>	<u>2/1/28</u>	<u>4/1/28</u>

The foregoing is a targeted schedule based on forecasted investments and in-service dates; the Company may deviate from this schedule provided that the Company provides advance notice (with explanation), otherwise complies with the rules of the IIP, files not more than five rate adjustments under the IIP, and makes not more than two filings in any twelve-month period.

The revenue requirement associated with the IIP will be recovered through uniform percentage increases to the base distribution usage or luminaire charges of Service Classification Nos. 1, 2, 3, 4, 6, and 7. The resulting IIP Charges shown below have been combined with the individual service classification base distribution charges and shall apply to all customers served under this Schedule.

(Continued)

**GENERAL INFORMATION**  
**SERVICE CLASSIFICATION RIDER (Continued)**

**INFRASTRUCTURE INVESTMENT PROGRAM (IIP) (Continued)**

	<u>IIP Charge</u> <u>Including SUT</u>
-	-
-	-
-	-
<b><u>Service Classification No. 1</u></b>	-
Usage Charge:	-
<u>First 600 kWh - Summer (¢ per kWh)</u>	<u>X.XX</u>
<u>First 600 kWh - Winter (¢ per kWh)</u>	<u>X.XX</u>
<u>Over 600 kWh - Summer (¢ per kWh)</u>	<u>X.XX</u>
<u>Over 600 kWh - Winter (¢ per kWh)</u>	<u>X.XX</u>
-	-
<b><u>Service Classification No. 2 Unmetered</u></b>	-
Usage Charge:	-
<u>All kWh - Summer (¢ per kWh)</u>	<u>X.XX</u>
<u>All kWh - Winter (¢ per kWh)</u>	<u>X.XX</u>
-	-
<b><u>Service Classification No. 2 Non-demand Metered</u></b>	-
Customer Charge (\$ per Month)	<u>X.XX</u>
Usage Charge:	-
<u>All kWh - Summer (¢ per kWh)</u>	<u>X.XX</u>
<u>All kWh - Winter (¢ per kWh)</u>	<u>X.XX</u>
-	-
<b><u>Service Classification No. 2 Secondary (Demand Billed)</u></b>	-
Demand Charge:	-
<u>First 5 kW - Summer (\$ per kW)</u>	<u>X.XX</u>
<u>First 5 kW - Winter (\$ per kW)</u>	<u>X.XX</u>
<u>Over 5 kW - Summer (\$ per kW)</u>	<u>X.XX</u>
<u>Over 5 kW - Winter (\$ per kW)</u>	<u>X.XX</u>
Usage Charge:	<u>X.XX</u>
<u>First 4,920 kWh - Summer (¢ per kWh)</u>	<u>X.XX</u>
<u>First 4,920 kWh - Winter (¢ per kWh)</u>	<u>X.XX</u>
<u>Over 4,920 kWh - Summer (¢ per kWh)</u>	<u>X.XX</u>
<u>Over 4,920 kWh - Winter (¢ per kWh)</u>	<u>X.XX</u>

(Continued)

**GENERAL INFORMATION**  
**SERVICE CLASSIFICATION RIDER (Continued)**

**INFRASTRUCTURE INVESTMENT PROGRAM (IIP) (Continued)**

	<u>IIP Charge</u> <u>Including SUT</u>
-	-
-	-
-	-
<b><u>Service Classification No. 2 Primary</u></b>	-
<u>Demand Charge:</u>	-
<u>  All kW - Summer (\$ per kW)</u>	<u>X.XX</u>
<u>  All kW - Winter (\$ per kW)</u>	<u>X.XX</u>
<u>Usage Charge:</u>	-
<u>  All kWh - Summer (¢ per kWh)</u>	<u>X.XX</u>
<u>  All kWh - Winter (¢ per kWh)</u>	<u>X.XX</u>
-	-
<b><u>Service Classification No. 2 Space Heating</u></b>	-
<u>Usage Charge:</u>	-
<u>  All kWh Summer (¢ per kWh)</u>	<u>X.XX</u>
<u>  All kWh Winter (¢ per kWh)</u>	<u>X.XX</u>
-	-
<b><u>Service Classification No. 3</u></b>	-
<u>Usage Charge:</u>	-
<u>  Peak - Summer (¢ per kWh)</u>	<u>X.XX</u>
<u>  Peak - Winter (¢ per kWh)</u>	<u>X.XX</u>
<u>  Off Peak - S (¢ per kWh)</u>	<u>X.XX</u>
<u>  Off Peak - W (¢ per kWh)</u>	<u>X.XX</u>
-	-
<b><u>Service Classification No. 4</u></b>	-
<u>Luminaire Charges:</u>	-
-	-
<u>Street Lighting Luminaires:</u>	-
<u>5800 Sodium Vapor</u>	<u>X.XX</u>
<u>9500 Sodium Vapor</u>	<u>X.XX</u>
<u>16000 Sodium Vapor</u>	<u>X.XX</u>
<u>27500 Sodium Vapor</u>	<u>X.XX</u>
<u>46000 Sodium Vapor</u>	<u>X.XX</u>

(Continued)



**GENERAL INFORMATION**  
**SERVICE CLASSIFICATION RIDER (Continued)**

**INFRASTRUCTURE INVESTMENT PROGRAM (IIP) (Continued)**

	<u>IIP Charge</u> <u>Including SUT</u>
-	-
-	-
-	-
<b><u>Service Classification No. 4 (Continued)</u></b>	-
-	-
<u>Street Lighting Luminaires:</u>	-
<u>3000 LED</u>	<u>X.XX</u>
<u>3900 LED</u>	<u>X.XX</u>
<u>5000 LED</u>	<u>X.XX</u>
<u>7250 LED</u>	<u>X.XX</u>
<u>12000 LED</u>	<u>X.XX</u>
<u>16000 LED</u>	<u>X.XX</u>
<u>22000 LED</u>	<u>X.XX</u>
-	-
<u>Flood Lighting Luminaires:</u>	-
<u>15500 LED</u>	<u>X.XX</u>
<u>27000 LED</u>	<u>X.XX</u>
<u>37500 LED</u>	<u>X.XX</u>
-	-
<u>The following luminaires will no longer be installed.</u>	-
<u>Charges are for existing luminaires only.</u>	-
-	-
<u>Street Lighting Luminaires:</u>	-
<u>1000 Open Bottom Incandescent</u>	<u>X.XX</u>
<u>4000 Mercury Vapor</u>	<u>X.XX</u>
<u>7900 Mercury Vapor</u>	<u>X.XX</u>
<u>12000 Mercury Vapor</u>	<u>X.XX</u>
<u>22500 Mercury Vapor</u>	<u>X.XX</u>
<u>40000 Mercury Vapor</u>	<u>X.XX</u>
<u>59000 Mercury Vapor</u>	<u>X.XX</u>
<u>3400 Induction</u>	<u>X.XX</u>
<u>5950 Induction</u>	<u>X.XX</u>
<u>8500 Induction</u>	<u>X.XX</u>
<u>5890 LED</u>	<u>X.XX</u>
<u>9365 LED</u>	<u>X.XX</u>

(Continued)

**GENERAL INFORMATION**  
**SERVICE CLASSIFICATION RIDER (Continued)**

**INFRASTRUCTURE INVESTMENT PROGRAM (IIP) (Continued)**

	<u>IIP Charge</u> <u>Including SUT</u>
-	-
-	-
-	-
<b><u>Service Classification No. 4 (Continued)</u></b>	-
-	-
<u>The following luminaires will no longer be installed.</u>	-
<u>Charges are for existing luminaires only.</u>	-
-	-
<u>Post Top Luminaires:</u>	-
<u>4000 Mercury Vapor</u>	<u>X.XX</u>
<u>7900 Mercury Vapor</u>	<u>X.XX</u>
<u>7900 Mercury Vapor Offset</u>	<u>X.XX</u>
<u>16000 Sodium Vapor Offset</u>	<u>X.XX</u>
-	-
<u>Additional Charges:</u>	-
<u>Underground - Co. Owned</u>	<u>X.XX</u>
<u>Underground - Cust. Owned</u>	<u>X.XX</u>
<u>15 Foot Brackets</u>	<u>X.XX</u>
-	-
<b><u>Service Classification No. 6</u></b>	-
-	-
<u>Luminaire Charges for Service Types A and B</u>	-
-	-
<u>Power Bracket Luminaires:</u>	-
<u>5800 Sodium Vapor</u>	<u>X.XX</u>
<u>9500 Sodium Vapor</u>	<u>X.XX</u>
<u>16000 Sodium Vapor</u>	<u>X.XX</u>
<u>3950 LED</u>	<u>X.XX</u>
<u>5550 LED</u>	<u>X.XX</u>
<u>7350 LED</u>	<u>X.XX</u>
-	-
<u>Street Lighting Luminaires:</u>	-
<u>5800 Sodium Vapor</u>	<u>X.XX</u>
<u>9500 Sodium Vapor</u>	<u>X.XX</u>
<u>16000 Sodium Vapor</u>	<u>X.XX</u>
<u>27500 Sodium Vapor</u>	<u>X.XX</u>
<u>46000 Sodium Vapor</u>	<u>X.XX</u>

(Continued)

**GENERAL INFORMATION**  
**SERVICE CLASSIFICATION RIDER (Continued)**

**INFRASTRUCTURE INVESTMENT PROGRAM (IIP) (Continued)**

	<u>IIP Charge</u> <u>Including SUT</u>
-	-
-	-
-	-
<b><u>Service Classification No. 6 (Continued)</u></b>	-
-	-
<u>Luminaire Charges for Service Types A and B</u>	-
-	-
<u>3000 LED</u>	<u>X.XX</u>
<u>3900 LED</u>	<u>X.XX</u>
<u>5000 LED</u>	<u>X.XX</u>
<u>7250 LED</u>	<u>X.XX</u>
<u>12000 LED</u>	<u>X.XX</u>
<u>16000 LED</u>	<u>X.XX</u>
<u>22000 LED</u>	<u>X.XX</u>
-	-
<u>Flood Lighting Luminaires:</u>	-
<u>46000 Sodium Vapor</u>	<u>X.XX</u>
<u>15500 LED</u>	<u>X.XX</u>
<u>27000 LED</u>	<u>X.XX</u>
<u>37500 LED</u>	<u>X.XX</u>
-	-
<u>The following luminaires will no longer be installed.</u>	-
<u>Charges are for existing luminaires only.</u>	-
-	-
<u>Power Bracket Luminaires:</u>	-
<u>4000 Mercury Vapor</u>	<u>X.XX</u>
<u>7900 Mercury Vapor</u>	<u>X.XX</u>
<u>22500 Mercury Vapor</u>	<u>X.XX</u>
-	-
<u>Post Top Luminaires:</u>	-
<u>16000 Sodium Vapor Offset</u>	<u>X.XX</u>
-	-
<u>Street Lighting Luminaires</u>	-
<u>4000 Mercury Vapor</u>	<u>X.XX</u>
<u>7900 Mercury Vapor</u>	<u>X.XX</u>
<u>22500 Mercury Vapor</u>	<u>X.XX</u>

(Continued)

**GENERAL INFORMATION**  
**SERVICE CLASSIFICATION RIDER (Continued)**

**INFRASTRUCTURE INVESTMENT PROGRAM (IIP) (Continued)**

	<u>IIP Charge</u> <u>Including SUT</u>
-	-
-	-
-	-
<b><u>Service Classification No. 6 (Continued)</u></b>	-
-	-
<u>Luminaire Charges for Service Types A and B</u>	-
-	-
<u>The following luminaires will no longer be installed.</u>	-
<u>Charges are for existing luminaires only.</u>	-
-	-
<u>1000 Induction</u>	<u>X.XX</u>
<u>3400 Induction</u>	<u>X.XX</u>
<u>5950 Induction</u>	<u>X.XX</u>
<u>8500 Induction</u>	<u>X.XX</u>
<u>5890 LED</u>	<u>X.XX</u>
<u>9365 LED</u>	<u>X.XX</u>
-	-
<u>Flood Lighting Luminaires:</u>	-
<u>12000 Mercury Vapor</u>	<u>X.XX</u>
<u>40000 Mercury Vapor</u>	<u>X.XX</u>
<u>59000 Mercury Vapor</u>	<u>X.XX</u>
-	-
<u>Additional Charges:</u>	-
<u>15 Foot Brackets</u>	<u>X.XX</u>
-	-
<u>Distribution Charges for Service Type C</u>	-
-	-
<u>Usage Charge:</u>	-
<u>All kWh (¢ per kWh)</u>	<u>X.XX</u>

(Continued)

**GENERAL INFORMATION**  
**SERVICE CLASSIFICATION RIDER (Continued)**

**INFRASTRUCTURE INVESTMENT PROGRAM (IIP) (Continued)**

	<u>IIP Charge</u> <u>Including SUT</u>
-	-
-	-
-	-
<b><u>Service Classification No. 7</u></b>	-
<u>Demand Charge:</u>	-
<u>Period I (\$ per kW)</u>	<u>X.XX</u>
<u>Period II (\$ per kW)</u>	<u>X.XX</u>
<u>Period III (\$ per kW)</u>	<u>X.XX</u>
<u>Period IV (\$ per kW)</u>	<u>X.XX</u>
<u>Usage Charge:</u>	-
<u>Period I (¢ per kWh)</u>	<u>X.XX</u>
<u>Period II (¢ per kWh)</u>	<u>X.XX</u>
<u>Period III (¢ per kWh)</u>	<u>X.XX</u>
<u>Period IV (¢ per kWh)</u>	<u>X.XX</u>
-	-
<b><u>Service Classification No. 7 High Voltage Distribution</u></b>	-
<u>Demand</u>	-
<u>Period I (\$ per kW)</u>	<u>X.XX</u>
<u>Period II (\$ per kW)</u>	<u>X.XX</u>
<u>Period III (\$ per kW)</u>	<u>X.XX</u>
<u>Period IV (\$ per kW)</u>	<u>X.XX</u>
<u>Usage</u>	-
<u>Period I (¢ per kWh)</u>	<u>X.XX</u>
<u>Period II (¢ per kWh)</u>	<u>X.XX</u>
<u>Period III (¢ per kWh)</u>	<u>X.XX</u>
<u>Period IV (¢ per kWh)</u>	<u>X.XX</u>
-	-
<b><u>Service Classification No. 7 Space Heating</u></b>	-
<u>Usage Charge:</u>	-
<u>All kWh Summer (¢ per kWh)</u>	<u>X.XX</u>
<u>All kWh Winter (¢ per kWh)</u>	<u>X.XX</u>

(Continued)