



Agenda Date: 8/20/14  
Agenda Item: 2B

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF ATLANTIC	)	DECISION AND ORDER
CITY ELECTRIC COMPANY FOR APPROVAL TO	)	APPROVING THE PASS-
IMPLEMENT FEDERAL ENERGY REGULATORY	)	THROUGH OF FERC
COMMISSION APPROVED CHANGES TO ATLANTIC	)	AUTHORIZED CHANGES IN
CITY ELECTRIC'S RETAIL TRANSMISSION	)	FIRM TRANSMISSION
(FORMULA) RATE PURSUANT TO PARAGRAPHS	)	SERVICE RELATED
15.9 OF THE BGS-FP AND BGS-CIEP SUPPLIER	)	CHARGES
MASTER AGREEMENTS AND TARIFF FILING	)	
REFLECTING CHANGES TO SCHEDULE 12	)	
CHARGES IN PJM OPEN ACCESS TRANSMISSION	)	
TARIFF (2014)	)	DOCKET NO. ER14070709

**Parties of Record:**

**Philip J. Passanante, Esq.**, Atlantic City Electric Company  
**Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel

**BY THE BOARD:**

On July 3, 2014, Atlantic City Electric Company ("ACE" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") requesting recovery of Federal Energy Regulatory Commission ("FERC") approved changes in firm transmission service related charges ("July 2014 Filing") with rates to be effective as of September 1, 2014.

The Company's proposed tariffs reflect changes to the Basic Generation Service - Fixed Price ("BGS-FP") and BGS-Commercial and Industrial Pricing ("BGS-CIEP") rates to customers resulting from FERC approved changes in the PJM Open Access Transmission Tariff ("OATT") made in response to an updated formula rate filing by PPL Electric Utilities Corporation in FERC Docket No. ER09-1148; a revised formula rate filing by American Electric Power Service Corporation ("AEP") in FERC Docket No. ER08-1329; a revised formula rate filing by Trans-Allegheny Interstate Line Company ("TrAILCo") in FERC Docket No. ER07-562; a revised formula rate filing by Delmarva Power and Light Company ("Delmarva") in FERC Docket No. ER09-1158; a revised formula rate filing by Potomac Electric Power Company ("PEPCo") in FERC Docket No. ER09-1159; and ACE's revised formula rate filing in FERC Docket No. ER09-1156. The modified rate filings by PEPCo Holdings Inc.'s ("PHI") three public utility affiliates (Delmarva, PEPCo, and ACE) were made with respect to the Mid Atlantic Power Pathway ("MAPP") project.

ACE also requested authorization to compensate the BGS suppliers for the changes resulting from the implementation of these updates to formula rates, subject to the terms and conditions of the applicable Supplier Master Agreement(s) ("SMAs"). Any differences between payments to BGS suppliers and charges to customers would flow through the BGS Reconciliation Charges.

The Company stated that this filing satisfies the requirements of paragraph 15.9(a) (i) and (ii) of the BGS-FP and BGS-CIEP SMAs, which mandate that BGS-FP and BGS-CIEP suppliers be notified of rate increases and decreases for firm transmission service, and that the electric distribution companies ("EDCs") file for and obtain Board approval of an increase or decrease in retail rates commensurate with the FERC-implemented rate changes.

## **BACKGROUND**

ACE states that as part of a settlement approved by FERC on or about August 9, 2004, certain transmission owners in PJM Interconnection, L.L.C. ("PJM"), including ACE, agreed to reexamine their existing rates and propose a method (such as a formula rate) to harmonize new and existing transmission investments by January 31, 2005. It was anticipated that such new rates (if any) would go into effect on or by June 1, 2005. On January 31, 2005, ACE, among others, filed a formula rate proposal for determining the wholesale transmission revenue requirements applicable in its PJM rate zone pursuant to the PJM tariff, to be effective on or about June 1, 2005. According to ACE, the objective of the formula rate filing was to establish a just and reasonable method for determining transmission revenue requirements for the affected transmission pricing zones which would reflect existing and new investment on a current basis. The formula rate tracks increases and decreases in costs such that no under-recovery and no over-recovery of actual costs will occur.

On March 20, 2006, certain transmission owners within PJM filed an uncontested settlement in FERC Docket No. ER04-515-000 (the "Settlement"). The Settlement was approved by FERC on or about April 19, 2006. FERC also accepted the revised tariff sheets for filing effective June 1, 2005. The formula rate implementation protocols included provisions for an annual update to the Annual Transmission Revenue Requirements based on current levels of costs, and the reconciliation of prior period costs and revenues. In addition, the Settlement provided that on or before May 15 of each year each affected transmission owner shall recalculate its Transmission Rate, produce an "Annual Update" for the upcoming year, post the Annual Update on PJM's Internet Website, and file the Annual Update with FERC as an informational filing. ACE filed an update to the formula rate at FERC on or about May 15, 2013, to be effective June 1, 2013. The formula rate update also incorporated a number of transmission enhancement projects that are included in Schedule 12 of the PJM OATT. According to ACE, the PJM OATT details TECs which were implemented to compensate transmission owners for the annual transmission revenue requirements for "Required Transmission Enhancements" that are requested by PJM for reliability or economic purposes. TECs are recovered by PJM through an additional transmission charge in the transmission zones assigned cost responsibility for Required Transmission Enhancement projects. In accordance with an Order approved by the Board dated January 23, 2013, in BPU Docket No. ER12121086, ACE was authorized to recover the FERC-approved TECs found in Schedule 12 of the OATT for the Potomac Appalachian Transmission Highline, L.L.P. ("PATH") project, and for certain projects of the Virginia Electric and Power Company ("VEPCo").

On or about May 15, 2014, formula rate update filings were made by PPL Electric Utilities Corporation ("PPL") in FERC Docket No. ER09-1148, AEP in FERC Docket No. ER08-1329, TrAILCo in FERC Docket No. ER07-562, Delmarva in Docket No. ER09-1158, and Pepco in Docket No. ER09-1159, with rates to be effective as of June 1, 2014 except for AEP-East filing which is effective July 1, 2014. Each of these formula rate update filings includes TECs that are applicable to customers in the ACE service territory. In its Order dated October 22, 2003 in BPU Docket No. EO03050394, the Board authorized the EDCs to recover FERC-approved changes in firm transmission service-related charges. According to ACE, the Board has also authorized recovery of FERC-approved changes in firm transmission service-related charges in subsequent orders approving the BGS supply procurement process and the associated SMAs. Pursuant to these Board Orders, the Company has recovered the TECs as part of its BGS-FP and BGS-CIEP costs, and the Transmission Rates have been modified in accordance with the Board-approved methodology contained in the Company-Specific Addenda provided pursuant to the BGS dockets referenced above.

An adjustment to BGS supplier accounts for the period June 1, 2014 through May 31, 2015 will be made upon the Board's approval of this request. For the period beginning June 1, 2014, ACE represents that it will track amounts associated with the rate change to BGS suppliers in accordance with ¶¶ 15.9(a)(iii) and (iv) of the BGS-FP and BGS-CIEP SMAs until receipt of final FERC action on the 2014 informational filing.

Based on the allocation of the TEC charges of the Company's formula transmission rates among the service classes in accordance with ACE's tariff, the monthly bill for a typical ACE residential customer using 650 kWh per month will increase by approximately \$0.90 (including Sales and Use Tax) or 0.80%.

### **DISCUSSION AND FINDING**

In the Board's Order dated December 2, 2003, in Docket No. EO03050394, the Board found that the pass through of any changes in the network integration transmission charge, and other charges associated with the FERC-approved OATT, is appropriate. Furthermore, by subsequent Orders, the Board approved Section 15.9 of the SMAs as filed by ACE and the other EDCs which requires that the EDCs file for Board approval of any increases or decreases in their transmission charges that have been approved by FERC. The SMAs also authorize the EDCs to adjust the rates paid to suppliers for FERC-approved rates and increases to Firm Transmission Services once approved by the Board. The Board Orders further require that the EDCs review and verify the requested FERC authorized changes.

After review of the verification and supporting documentation, the Board **HEREBY FINDS** that the July 2014 Filing satisfies ACE's obligations under paragraphs 15.9 (a)(i) and (ii) of the relevant SMAs, and **HEREBY APPROVES** the changes to the BGS-FP and BGS-CIEP rates requested by ACE for its increased transmission charges resulting from the FERC-approved changes to the TECs effective for service on or after September 1, 2014.

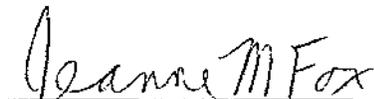
ACE is **HEREBY ORDERED** to compensate the BGS suppliers for this transmission rate increase subject to the terms and conditions of the SMAs.

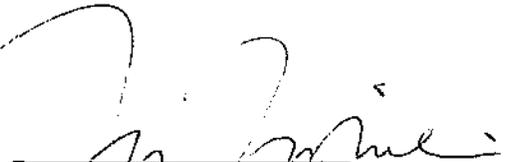
Further, the Board **HEREBY DIRECTS** ACE to file tariffs and rates consistent with the Board's findings by September 1, 2014.

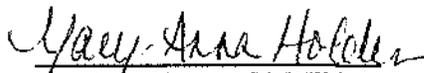
DATED: 8/20/14

BOARD OF PUBLIC UTILITIES  
BY:

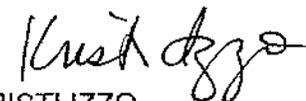
  
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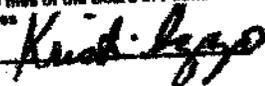
  
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ATTEST:

  
KRISTI IZZO  
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 ATLANTIC CITY ELECTRIC COMPANY FOR APPROVAL TO IMPLEMENT FEDERAL ENERGY REGULATORY COMMISSION APPROVED CHANGES TO ATLANTIC CITY ELECTRIC'S RETAIL TRANSMISSION (FORMULA) RATE PURSUANT TO PARAGRAPHS 15.9 OF THE BGS-FP AND BGS-CIEP SUPPLIER MASTER AGREEMENTS AND TARIFF FILING REFLECTING CHANGES TO SCHEDULE 12 CHARGES IN PJM OPEN ACCESS TRANSMISSION TARIFF (2014)  
BPU DOCKET NO. ER14070709

NOTIFICATION LIST

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