



Agenda Date: 01/21/15  
Agenda Item: 2A

**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 )  
CITY ELECTRIC COMPANY TO RECONCILE AND )  
UPDATE THE LEVEL OF ITS NON-UTILITY )  
GENERATION CHARGE ITS SOCIETAL BENEFITS )  
CHARGE AND ITS SYSTEM CONTROL CHARGE )  
(2014) )  
ORDER FINALIZING RATES  
  
DOCKET NO. ER14030209

**Parties of Record:**

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

BY THE BOARD:

**BACKGROUND**

As a result of the Final Decision and Order issued by New Jersey Board of Public Utilities ("Board") in Docket Nos. EO97070455, EO97070456, and EO97090457 ("Restructuring Order")<sup>1</sup>, Atlantic City Electric Company ("ACE" or "Company") implemented unbundled rates that included a Market Transition Charge ("MTC"), a Net Non-Utility Generation Charge ("NNC"), and the Societal Benefits Charge ("SBC") as rates components. The Restructuring Order also established the components of the SBC and the associated cost recovery mechanisms.

Pursuant to the Restructuring Order, and to the extent that expenditures for these initiatives exceeded the amount of their allowed cost recovery, the expenditures were subject to deferred accounting treatment for future recovery at the close of the transition period. The Board further directed ACE to make a filing, no later than August 1, 2002, so the Board could consider the matter. By Order dated July 8, 2004,<sup>2</sup> the Board finalized the Company's SBC, NNC, and MTC

<sup>1</sup> In re ACE- Rate Unbundling, Stranded Costs and Restructuring Filings, BPU Docket Nos. EO97070455, EO97070456, and EO97070457, Final Decision and Order dated March 30, 2001.

<sup>2</sup> In re the Petition of Atlantic City Electric Company d/b/a Conectiv Power Delivery for Approval of Amendments to its Tariff to Provide for an Increase in Rates for Electric Service, BPU Docket No. ER02080510, Final Order dated July 8, 2004.

deferred cost components through the end of the transition period, July 31, 2003, and established new SBC, NNC, and MTC rates effective as of August 1, 2003.

By Order dated May 26, 2005,<sup>3</sup> the Board approved a stipulation in ACE's 2003 base rate case, which adjusted and combined the NNC and MTC into the NGC, effective as of June 1, 2005.

## **COMPANY FILING**

On March 4, 2014, the Company filed the instant petition and accompanying exhibits, including pre-filed direct testimony ("March 2014 Petition"). The Company's NGC is designed to recover the above-market component of payments made under purchased power agreements ("PPAs") with non-utility generators ("NUGs"). The SBC components proposed to be revised by the instant petition are the Clean Energy Program component ("CEP") and the Uncollectible Accounts component ("UNC"). The SCC, which became effective on or about June 1, 2004, was designed to recover operating costs associated with the Company's residential appliance cycling program ("Legacy Program"). In the March 2014 Petition, the projected deferred balances were based on actual costs and revenues through January 31, 2014, and projected data for the period of February 1, 2014 through May 31, 2014. By letter dated April 16, 2014, ACE updated its proposed adjustments to the NGC, CEP and UNC components of the SBC, and the SCC based on projected deferred balances that included actual costs and revenues through March 31, 2014 ("April Update").

## **NGC**

With respect to the NGC, the rate proposed in the April Update was designed to recover forecasted above-market NUG costs for the period June 1, 2014 through May 31, 2015, totaling \$103.290 million. According to the Company, approval of the proposed rate will return the projected over-recovered balance of \$32.854 million as of May 31, 2014, while recovering an additional \$32.684 million (\$32.419 million amortization and \$0.265 million interest) associated with the deferred under-recovered balance of \$126.973 million which is being amortized over a four-year period. The net forecasted recovery for this period is \$103.120 million.

## **SBC (UNC AND CEP)**

According to the April Update, the rates proposed for the UNC component of the SBC were designed to recover approximately \$13.416 million for the period June 1, 2014 through May 31, 2015. Additionally, the proposed rate would return to customers a projected over-recovered balance of \$0.571 million as of May 31, 2014. In addition, similar to the proposed treatment of

---

<sup>3</sup> In re the Petition of Atlantic City Electric Company d/b/a Conectiv Power Delivery for Approval of Amendments to its Tariff to Provide for an Increase in Rates for Electric Service- Phase I and Phase II, and In re the Petition of Atlantic City Electric Company d/b/a Conectiv Power Delivery to Decrease the Level of its Net Non-Utility Generation Charge and Increase the Level of its Societal Benefits Charge and In re the Petition of Atlantic City Electric Company for An Administrative Determination of the Value of Certain Fossil Generating Assets AND In re the Petition of Atlantic City Electric Company for Approval of a Service Company Agreement, BPU Docket Nos. ER03020110, ER04060423, EO03020091, and EM02090633, Order dated May 26, 2005.

the NGC under-recovered balance, ACE proposed to continue the recovery of the projected under-recovered balance over a four year amortization period ending May 31, 2016 which was initiated on July 1, 2012. As a result, an additional \$2.826 million (\$2.803 million amortization and \$0.023 million interest) is associated with the deferred under-recovered balance of \$10.978 million. The total forecasted recovery for this period is \$15.671 million.

The rates proposed for the CEP component of the SBC were designed to recover approximately \$31.838 million for the period June 1, 2014 through May 31, 2015. ACE has based its projections on the funding levels approved by the Board in its Order dated June 21, 2013 in Docket No. EO11050324V. The Company represented that the average monthly expenditures from the fiscal year 2014 projected funding levels as found in the above Order were used to develop the monthly expenditures for the periods July 2014 to May 2015 after reducing the annual level expense by the June 2014 projected level of expense. In addition, based on an estimate of the CEP deferred balance through May 31, 2014, ACE anticipated a projected over-recovery of approximately \$0.332 million. The total forecasted recovery for this period is \$31.507 million.

### **SCC**

In the March 2014 Petition, ACE proposed to terminate the SCC effective June 1, 2014 as the Legacy Program is set to end as of May 31, 2014, and has been replaced by the Residential Controllable Smart Thermostat Program ("RCSTP") available to residential customers.<sup>4</sup>

Based on the April Update, ACE has indicated that the SCC will have a projected over-recovered balance of \$0.203 million. The Company has proposed that any balances associated with the SCC following termination of the Legacy Program be accounted for as part of the Company's RGGI Recovery Charge.

According to the April Update, the net impact of adjusting the NGC and the CEP and UNC components of the SBC, along with the termination of the SCC rate [including Sales and Use Tax ("SUT")] would result in an overall annual rate decrease of approximately \$41.085 million.

By Order dated May 21, 2014, the Board approved a stipulation ("May 2014 Stipulation") executed by the Company, the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff") (collectively, "Parties") to implement modified NGC and SBC rates on a provisional basis, subject to refund with interest, to provide the parties additional time to complete the review of the rates proposed in the April Update. ("May 2014 Order"). In addition, the Board approved the termination of the SCC effective June 1, 2014.

### **SUPPLEMENTAL PETITION**

By Order dated December 28, 1988 in Docket No. EM88091074, the Board approved the power purchase agreement ("PPA") between ACE and Logan Generating Company, L.P. ("Logan") (formerly Keystone Energy Service Company, L.P.). By Order dated August 12, 1996, the Board approved an Assignment, Assumption and Consent Agreement among ACE, Logan and the Monsanto Company ("Monsanto") ("Logan Assignment"). Logan supplied electricity to

---

<sup>4</sup> The costs of the RCSTP are recovered through the Regional Greenhouse Gas Initiative ("RGGI") Recovery Charge.

Monsanto's Bridgeport plant located in Logan Township under an Electric Power Sales Agreement ("EPSA") executed by Monsanto and the predecessor of Keystone Energy Service Company, L.P.).<sup>5</sup> Under the terms of the Logan Assignment, Logan would assign its interest in the EPSA to ACE, and ACE would assume Logan's contractual obligations to supply capacity and energy to Monsanto. Additionally, the 1996 Order approved the rates at which ACE would provide service to Monsanto under the assigned EPSA as well as the pricing of the energy Logan would supply to ACE for resale to Monsanto. Per the 1996 Order, all revenues and expenses associated with the Logan Assignment were to be treated "below the line" for ratemaking purposes. In addition, the 1996 Order determined that any party was free to propose a modification to the "below the line" ratemaking treatment in the Company's next base rate proceeding. No such modification was proposed by any party.

During the review of the instant petition, the Company determined that it had inconsistently applied certain revenues and costs associated with the Logan Assignment. As noted in the May 2014 Stipulation, ACE advised the Parties of its intention to file an amended petition which would propose, on a prospective basis commencing on and after June 1, 2013, a revised application of the costs and revenues associated with the Logan Assignment.<sup>6</sup> On June 17, 2014, ACE filed a supplemental petition seeking Board approval of what the Company has asserted is an appropriate ratemaking treatment for revenues and expenses associated with the Logan Assignment. ("Supplemental Petition")

The Company's position is that on a going-forward basis, commencing with the current NGC reconciliation period, the Logan Assignment financials must be treated on a consistent basis for ratemaking purposes in compliance with the "below the line" ratemaking treatment required by the 1996 Order. Alternatively, the Company identified two other options: 1) 100 percent of the Logan Assignment financials be included as a component of the Company's annual NGC reconciliation filings or 2) there be an equal sharing of the gains or losses arising from the Logan Assignment financials as between the Company's shareholders and customers, and that such allocation be determined as part of, and included in, the Company's annual NGC reconciliation filing.

## **STIPULATION**

Following discovery, the Parties held several meetings and conference calls to discuss the issues in this matter. As a result on January 7, 2015, the Parties executed a stipulation of Settlement ("Stipulation") in this matter. The Stipulation provides for the following<sup>7</sup>:

1. On or about March 2, 2015, the Company will file its next petition to update the NGC and SBC, with actual revenues and expenses through January 31, 2015

---

<sup>5</sup> In re the Petition of Atlantic City Electric Company for Approval of an Assignment, Assumption and Consent Agreement with Monsanto Company and Logan Generating Company, L.P., BPU Docket No. EM95110543, Order dated August 12, 1996.

<sup>6</sup> As a result of the May 2014 Stipulation, the Company removed as of June 1, 2013 from the NGC all costs and revenues associated with the Logan Assignment and deferred final accounting for this item pending the Board final determination with respect to the appropriate accounting treatment for these costs and revenues.

<sup>7</sup> Although described in this Order, should there be any conflict between this summary and the stipulation, the terms of the stipulation control, subject to the findings and conclusions contained in this Order.

and estimates thereafter, to become effective on and after June 1, 2015 (the "2015 Petition"). At that time, Staff and Rate Counsel will have the opportunity to review the most current revenues and underlying costs for the NGC and SBC for reasonableness and prudence. The 2015 Petition, consistent with the further provisions hereof, shall, as of and after June 1, 2013, account for the Logan Assignment financials as set forth below.

2. The Parties agree that the Logan Assignment financials should, effective on and after June 1, 2013, be treated "above the line" for ratemaking purposes as part of the Company's annual NGC filing. While the Board's 1996 Order found that the Logan Assignment financials should be initially accounted for "below the line," the Board, in the 1996 Order, was aware that future events could warrant an alteration of that determination. The Parties have agreed that, since the 1996 Order was adopted, the regulatory environment applicable to a transaction such as this has undergone significant changes<sup>8</sup>, and that actual expenses and revenues associated with the Logan Assignment are now sufficiently known to warrant a ratemaking change for this transaction.<sup>9</sup> As part of the Company's 2015 Petition, ACE shall include in the calculation of the NGC, effective on and after June 1, 2013, all revenues and expenses, along with applicable interest thereon, associated with the Logan Assignment. To that end, the Parties stipulate that they are hereby requesting that the Board issue an Order in this proceeding specifically modifying the provisions of the 1996 Order to provide that, on and after June 1, 2013, all revenues and expenses associated with the Logan Assignment shall be accounted "above the line" for ratemaking purposes, and included as a component of the Company's annual NGC reconciliation and update filing.
3. The Parties agree that, consistent with the provisions in prior Board Orders, the Company shall continue its diligent efforts to actively monitor, and, if feasible and practicable, explore opportunities to renegotiate and modify the terms and conditions of its non-utility generation contracts in order to lower costs to its customers.
4. For the reasons set forth herein -- and with the knowledge that ACE will be filing its 2015 Petition on or about March 2, 2015 -- the Parties have agreed that the provisional NGC and SBC rates, as authorized by the Board in the May 2014 Order, should now be made final. Board Staff and Rate Counsel each reserve the right to conduct a prudence review of the 2015 Petition, once filed, including discovery and an evidentiary hearing, if necessary.
5. The Parties acknowledge that a Board Order approving the Stipulation will

---

<sup>8</sup> For example, at the time of the issuance of the 1996 Order, electric utilities were primarily self-generators, and they recovered the related fuel costs through a Levelized Energy Adjustment Clause. Today, electric utilities, such as ACE, purchase their electric supply requirements in a competitive marketplace, and recover those acquisition costs through the NGC and the Basic Generation Service process.

<sup>9</sup> From August 2003 to May 31, 2013, the revenues produced by the Logan Assignment exceeded expenses associated therewith by approximately \$703,000. The Logan Assignment will expire in approximately 10 years.

become effective upon the service of said Board Order or upon such date after the service thereof as the Board may specify in accordance with N.J.S.A. 48:2-40.

6. The Company shall, within five (5) business days following receipt of a Board Order approving the Stipulation, file with the Board's Secretary amended tariff sheets reflecting that the current "provisional" rates for the NGC and SBC have been made final. As noted in footnote 1 of the Stipulation, in accordance with the terms of the May 2014 Order, the SCC was discontinued on June 1, 2014.
7. The Parties agree that the 2015 Petition shall be filed with the Board with a copy to be provided to Rate Counsel by no later than Monday, March 2, 2015, and will have a proposed effective date of June 1, 2015.

### **DISCUSSION AND FINDING**

The Board has carefully reviewed the record in this proceeding, including the petition, the April Update, the Supplemental Petition and the attached Stipulation and **FINDS** that, subject to the terms and conditions set forth below, the Stipulation is reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Stipulation as its own, as if fully set forth herein.

The Board **NOTES** that, as recognized by the Parties, since the issuance of the 1996 Order, the regulatory environment applicable to a transaction such as this has undergone significant changes, primarily through the implementation of the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 to -107. For example, at that time, electric utilities were primarily self-generators, and they recovered the related fuel costs through a Levelized Energy Adjustment Clause. Today, electric utilities, such as ACE, purchase their electric supply requirements in the competitive marketplace, and recover those costs through the NGC and the Basic Generation Service process. Accordingly, the Board **HEREBY MODIFIES** the provisions of the 1996 Order to provide that, on and after June 1, 2013, all revenues and expenses associated with the Logan Assignment shall be accounted for "above the line" for ratemaking purposes, and included as a component of the Company's annual NGC reconciliation and update filing.

The Board **HEREBY ORDERS** that the Company's existing provisional NGC rate and the CEP and UNC components of the SBC rate remain in effect, and shall be deemed final for the period covered by the filings. The Board **HEREBY ORDERS** ACE to file revised tariff sheets conforming to the terms of the Stipulation within five (5) days of service of this Board Order.

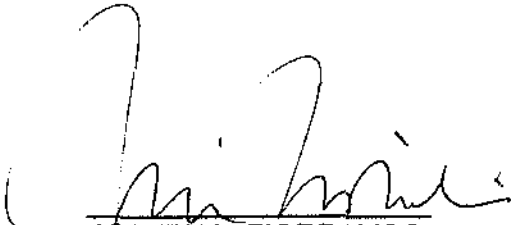
The Company's costs will remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

The effective date of this Order is February 2, 2015.

DATED: 1/21/15

BOARD OF PUBLIC UTILITIES  
BY:

  
RICHARD S. MROZ  
PRESIDENT

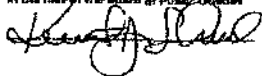
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
MARY ANNA HOLDEN  
COMMISSIONER

  
DIANNE SOLOMON  
COMMISSIONER

  
UPENDRA J. CHIVUKULA  
COMMISSIONER

ATTEST:  
  
KENNETH J. SHEEHAN  
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 to Reconcile and Update the Level of its Non-Utility Generation Charge its Societal Benefits Charge and its Systems Control Charge (2014) - BPU Docket No. ER14030209**

**NOTIFICATION LIST**

Philip J. Passanante, Esq.  
Associate General Counsel  
ACE- 92DC42  
500 North Wakefield Drive  
Post Office Box 6066  
Newark, DE 19714-6066

Roger E. Pedersen  
Manager, NJ Regulatory Affairs, External  
Issues and Compliance  
ACE- 63ML38  
5100 Harding Highway  
Mays Landing, NJ 08330

Stefanie A. Brand, Esq. Director  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003

Ami Morita, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003

Diane Schulze, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003

Caroline Vachier, DAG  
Division of Law  
124 Halsey Street  
Post Office Box 45029  
Newark, NJ 07101-45029

Alex Moreau, DAG  
Division of Law  
124 Halsey Street  
Post Office Box 45029  
Newark, NJ 07101-45029

David Wand, DAG  
Division of Law  
124 Halsey Street  
Post Office Box 45029  
Newark, NJ 07101-45029

Kenneth J. Sheehan, Esq.  
Secretary of the Board  
Office of the Secretary  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, NJ 08625-0350

Jerome May, Director  
Division of Energy  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, NJ 08625-0350

Stacy Peterson  
Division of Energy  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, NJ 08625-0350

Babette Tenzer, DAG  
Division of Law  
124 Halsey Street  
Post Office Box 45029  
Newark, NJ 07101-45029



**IN THE MATTER OF THE PETITION OF  
ATLANTIC CITY ELECTRIC COMPANY TO  
RECONCILE AND UPDATE THE LEVEL OF  
ITS NON-UTILITY GENERATION CHARGE  
("NGC"), ITS SOCIETAL BENEFITS  
CHARGE ("SBC"), AND ITS SYSTEM  
CONTROL CHARGE ("SCC") (2014)**

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

**BPU DOCKET NO.  
ER14030209**

**PROCEDURAL HISTORY**

**THE NGC AND SBC**

On March 4, 2014, Atlantic City Electric Company ("ACE" or the "Company") filed a Petition with the New Jersey Board of Public Utilities ("Board" or "BPU") (the "2014 Petition") to reconcile and update its NGC, SBC and SCC for the annual period commencing on June 1, 2013 through May 31, 2014.

The purpose of the Company's 2014 Petition was to reconcile, for the period June 1, 2013 through May 31, 2014, the NGC and two components of the SBC: (i) the Clean Energy Program ("CEP") component and (ii) the "Uncollectible Accounts" component for this annual period and to reset these rate components for the period June 1, 2014 through May 31, 2015. As proposed in the 2014 Petition, the rate changes were intended to become effective on or by June 1, 2014. Once approved and implemented, ACE anticipated that the revised rates would remain in effect for the succeeding 12-month period (or such other effective period as the Board should order) and subject to an annual true-up and possible modification each year thereafter.

Subsequent to its initial filing in connection with the 2014 Petition, on April 16, 2014, ACE updated its proposed adjustments to the NGC, the CEP, and Uncollectible Accounts components of the SBC, based on actual data through March 31, 2014, projected deferred

balances as of May 31, 2014, and projected expenses for the period of June 1, 2014 through May 31, 2015.

On or about May 1, 2014, based on the April 16, 2014 updates, ACE, the Staff of the New Jersey Board of Public Utilities ("Board Staff"), and the New Jersey Division of Rate Counsel ("Rate Counsel") (individually, a "Party" and collectively, the "Parties" or the "Signatory Parties") executed a Stipulation for Provisional Rates (the "2014 Provisional Rates Stipulation") in this matter. The 2014 Provisional Rates Stipulation provided that final rates to replace the interim rates agreed upon in the Provisional Rates Stipulation would be determined after June 1, 2014. On May 21, 2014, the Board approved the 2014 Provisional Rates Stipulation and issued an Order (the "May 2014 Order") memorializing this determination.<sup>1</sup> A copy of the Board's Order and the 2014 Provisional Rates Stipulation with the accompanying schedules are attached to this Stipulation as **Exhibit A**.

In discussions with the Parties, it was determined that public hearings were not required with respect to the 2014 Petition, as the Company's filing provided for a rate decrease for ACE's customers.

#### **THE JUNE 16, 2014 SUPPLEMENTAL PETITION**

Both the May 2014 Provisional Rates Stipulation and the May 2014 Order make reference to the Board's 1996 approval of the Company's acceptance of an assignment of a contract between Monsanto Company and Logan Generating Company, L.P. (referred to as the "Logan Assignment").

---

<sup>1</sup> The Company requested as part of the 2014 Petition that the SCC component of the annual reconciliation and update be terminated as of May 31, 2014. The Parties agreed and the Board approved the elimination of the SCC in the May 2014 Order.

On or about June 16, 2014, ACE filed a Supplemental Petition (the "2014 Supplemental Petition") in the above referenced docket seeking the Board's approval of an appropriate ratemaking treatment for revenues and expenses associated with the Logan Assignment commencing on and after June 1, 2013. The original approval of the Logan Assignment was set forth in a Board Order dated August 12, 1996 in BPU Docket No. EM95110543 (the "1996 Order"), a copy of which is attached hereto as **Exhibit B**. The 1996 Order directed that all revenues and expenses associated with the Logan Assignment (the "Logan Assignment financials") were to be treated "below the line" for ratemaking purposes. The 1996 Order further determined that any Party was free to propose a modification to the "below the line" ratemaking treatment in the Company's next base rate proceeding. No such modification was ever proposed. As noted in the 2014 Provisional Rates Stipulation and the May 2014 Order, the Company recently discovered that, from 2003 to date, contrary to the requirements of the 1996 Order, it has treated certain revenues and expenses associated with the Logan Assignment in an inconsistent manner. This inconsistent treatment of the Logan Assignment financials has resulted in net revenues of approximately \$7.7 million having been inadvertently credited to customers through the NGC, rather than retained by the Company to be netted against the applicable expenses pursuant to the 1996 Order, over the period 2003 to May 31, 2013 (the "Prior Period").

With respect to the NGC reconciliation period June 1, 2013 through May 31, 2014, under review in this matter, the Company had, contrary to the provisions of the 1996 Order, included

net revenues as part of its NGC reconciliation of approximately \$857,000, respectively, associated with the Logan Assignment.<sup>2</sup>

The purpose of the 2014 Supplemental Petition was to adjust the ratemaking treatment previously applied to the Logan Assignment financials either to be (a) consistent with the provisions of the 1996 Order of the Board or (b) treated in a manner other than as was provided in the 1996 Order, as long as the Logan revenues and expenses are treated for ratemaking purposes in a consistent and similar manner. The 2014 Supplemental Petition further proposed that such consistent ratemaking treatment be applied to the Logan Assignment financials effective on and after June 1, 2013, and that no adjustment be made for the Prior Period.

Discovery with respect to the 2014 Supplemental Petition was conducted, and the Parties participated in several discussions and conference calls regarding the 2014 Supplemental Petition, as well as the 2014 Petition. As a result thereof, the Signatory Parties have agreed to enter into this Stipulation of Settlement (the "Stipulation") resolving the issues presented in both the 2014 Petition and 2014 Supplemental Petition, and therefore **STIPULATE AND AGREE** as follows:

1. On or about March 2, 2015, the Company will file its next Petition to update the NGC and SBC, with actual revenues and expenses through January 31, 2015 and estimates thereafter, to become effective on and after June 1, 2015 (the "2015 Petition"). At that time, Staff and Rate Counsel will have the opportunity to review the most current revenues and underlying costs for the NGC and SBC for reasonableness and prudence. The 2015 Petition,

---

<sup>2</sup> As part of the 2014 Petition, in order to be in compliance with the 1996 Order, the Company removed \$780,990 from the filed NGC reconciliation. This amount has been updated to be approximately \$857,000 for the NGC period June 1, 2013 through May 31, 2014.

consistent with the further provisions hereof, shall, as of and after June 1, 2013, account for the Logan Assignment financials as set forth below.

2. The Signatory Parties agree that the Logan Assignment financials should, effective on and after June 1, 2013, be treated “above the line” for ratemaking purposes as part of the Company’s annual NGC filing. While the Board’s 1996 Order found that the Logan Assignment financials should be initially accounted for “below the line,” the Board, in the 1996 Order, was aware that future event changes could warrant an alteration of that determination. The Parties have agreed that, since the 1996 Order was adopted, the regulatory environment applicable to a transaction such as this has undergone significant changes<sup>3</sup>, and that actual expenses and revenues associated with the Logan Assignment are now sufficiently known to warrant a ratemaking change for this transaction.<sup>4</sup> As part of the Company’s 2015 Petition, ACE shall include in the calculation of the NGC, effective on and after June 1, 2013, all revenues and expenses, along with applicable interest thereon, associated with the Logan Assignment. To that end, the Signatory Parties stipulate that they are hereby requesting that the Board issue an Order in this proceeding specifically modifying the provisions of the 1996 Order to provide that, on and after June 1, 2013, all revenues and expenses associated with the Logan Assignment shall be accounted “above the line” for ratemaking purposes, and included as a component of the Company’s annual NGC reconciliation and update filing.

---

<sup>3</sup> For example, at the time of the issuance of the 1996 Order, electric utilities were primarily self-generators, and they recovered the related fuel costs through a Levelized Energy Adjustment Clause. Today, electric utilities, such as ACE, purchase their electric supply requirements in a competitive marketplace, and recover those acquisition costs through the NGC and the Basic generation Service process.

<sup>4</sup> From August 2003 to May 31, 2013, the revenues produced by the Logan Assignment exceeded expenses associated therewith by approximately \$703,000. The Logan Assignment will expire in approximately 10 years.

3. The Signatory Parties agree that, consistent with the provisions in prior Board Orders, the Company shall continue its diligent efforts to actively monitor, and, if feasible and practicable, explore opportunities to renegotiate and modify the terms and conditions of its non-utility generation contracts in order to lower costs to its customers.

4. For the reasons set forth herein -- and with the knowledge that ACE will be filing its 2015 Petition on or about March 2, 2015 -- the Signatory Parties have agreed that the provisional NGC and SBC rates, as authorized by the Board in the May 2014 Order, should now be made final. Board Staff and Rate Counsel each reserve the right to conduct a prudence review of the 2015 Petition, once filed, including discovery and an evidentiary hearing, if necessary.

5. The Signatory Parties acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order or upon such date after the service thereof as the Board may specify in accordance with N.J.S.A. 48:2-40.

6. The Company shall, within five (5) business days following receipt of a Board Order approving this Stipulation, file with the Board's Secretary amended tariff sheets reflecting that the current "provisional" rates for the NGC and SBC have been made final. As noted in footnote 1 of this Stipulation, in accordance with the terms of the May 2014 Order, the SCC was discontinued on June 1, 2014.

7. The Signatory Parties agree that the 2015 Petition shall be filed with the Board with a copy to be provided to Rate Counsel by no later than Monday, March 2, 2015, and will have a proposed effective date of June 1, 2015.

8. The Signatory Parties agree that this Stipulation is a negotiated agreement and represents a reasonable balance of the competing interests involved in this proceeding. The contents of this Stipulation shall not in any way be considered, cited or used by any of the

Signatory Parties as an indication of any Party's position on any related or other issue litigated in any other proceeding or forum, except to enforce the terms of this Stipulation. Notwithstanding anything to the contrary set forth herein, upon the occurrence of any of the following, this Stipulation shall terminate:

- (a) if the Board issues a decision disapproving the Stipulation; or
- (b) if the Board issues a written order approving this Stipulation subject to any condition or modification of the terms set forth herein that an adversely affected Signatory Party, in its discretion, finds unacceptable, then such Signatory Party shall serve notice of unacceptability on the other Signatory Parties within seven (7) business days following receipt of such Board Order. Absent such notification, the Signatory Parties shall be deemed to have waived their respective rights to object to or appeal the acceptability of such conditions or modifications contained in the Board Order, which shall thereupon become binding on all Signatory Parties.

9. This Stipulation may be executed in any number of counterparts, each of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Signatory Parties.

**CONCLUSION**

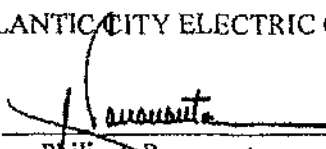
WHEREFORE, for the reasons set forth above, the Signatory Parties to this Stipulation respectfully request that the Board approve and adopt this Stipulation in its entirety and issue an Order adopting this Stipulation in this proceeding and determining that each of the issues outlined in the above-captioned proceeding have been adequately and appropriately resolved.

Respectfully submitted,

ATLANTIC CITY ELECTRIC COMPANY

Dated: January 5, 2015

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

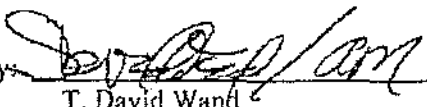
  
Philip J. Passanante  
An Attorney at Law of the  
State of New Jersey

Associate General Counsel  
500 North Wakefield Drive, 92DC42  
P.O. Box 6066  
Newark, DE 19714-6066  
(302) 429-3105 - Telephone  
(302) 429-3801 - Facsimile  
philip.passanante@pepcoholdings.com

JOHN JAY HOFFMAN  
ACTING ATTORNEY GENERAL OF NEW  
JERSEY  
Attorney for the Staff of the  
New Jersey Board of Public Utilities

Dated: January 6, 2015

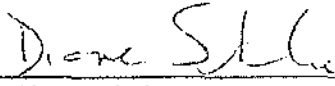
By: \_\_\_\_\_

  
T. David Wand  
Deputy Attorney General



DIVISION OF RATE COUNSEL  
Stefanie A. Brand  
Director

Dated: January 7, 2015

By:   
Diane Schulze  
Assistant Deputy Rate Counsel

# Exhibit A



Agenda Date: 05/21/14  
Agenda Item: 2E

**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 CITY ELECTRIC COMPANY TO RECONCILE AND UPDATE THE LEVEL OF ITS NON-UTILITY GENERATION CHARGE ITS SOCIETAL BENEFITS CHARGE AND ITS SYSTEM CONTROL CHARGE (2014)	)	ORDER APPROVING PROVISIONAL RATES
	)	
	)	
	)	
	)	
	)	DOCKET NO. ER14030209

**Parties of Record:**

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

BY THE BOARD:

On March 4, 2014, Atlantic City Electric Company ("ACE" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") requesting approval for changes in its Non-Utility Generation Charge ("NGC"), its Societal Benefits Charge ("SBC") and its System Control Charge ("SCC"). By this Decision and Order, the Board considers a Stipulation for Provisional Rates ("Stipulation") entered into by ACE, the New Jersey Division of Rate Counsel ("Rate Counsel"), and Board Staff ("Staff") (collectively, the "Signatory Parties"), requesting that the Board approve changes in the NGC, SBC, and SCC on a provisional basis, subject to refund with interest.

**BACKGROUND**

As a result of the Board's Final Decision and Order issued in Docket Nos. EO97070455, EO97070456, and EO97090457 ("Restructuring Order"),<sup>1</sup> the Company implemented unbundled rates that included a Market Transition Charge ("MTC"), a Net Non-Utility Generation Charge ("NNC"), and the SBC as rate components. The Restructuring Order also established the components of the SBC and the associated cost recovery mechanisms.

Pursuant to the Restructuring Order, and to the extent that expenditures for these initiatives exceeded the amount of their cost recovery, the expenditures were subject to deferred

<sup>1</sup> In re ACE- Rate Unbundling, Stranded Costs and Restructuring Filings, BPU Docket Nos. EO97070455, EO97070456, and EO97070457, Final Decision and Order dated March 30, 2001.

accounting treatment for future recovery at the close of the transition period. The Board further directed ACE to make a filing, no later than August 1, 2002, so the Board could consider the matter. By Order dated July 8, 2004,<sup>2</sup> the Board finalized the Company's SBC, NNC, and MTC deferred cost components through the end of the transition period, July 31, 2003, and established new SBC, NNC, and MTC rates effective August 1, 2003.

By Order dated May 26, 2005,<sup>3</sup> the Board approved a stipulation in connection with ACE's 2003 base rate case, which adjusted and combined the NNC and MTC into the NGC, effective as of June 1, 2005.

## **COMPANY FILING**

On March 4, 2014, the Company filed the instant petition and accompanying exhibits, including pre-filed direct testimony ("March 2014 Petition"). The Company's NGC is currently designed to recover the above-market component of payments made under purchased power agreements ("PPAs") with non-utility generators ("NUGs"). The SBC components proposed to be revised by the instant petition are the Clean Energy Program component ("CEP") and the Uncollectible Accounts component ("UNC"). The SCC, which became effective on or about June 1, 2004, was designed to recover operating costs associated with the Company's residential appliance cycling program ("Legacy Program"). In the March 2014 Petition, the projected deferred balances were based on actual costs and revenues through January 31, 2014 and projected data for the period of February 1, 2014 through May 31, 2014. By letter dated April 16, 2014, ACE updated its proposed adjustments to the NGC, CEP and UNC components of the SBC, and the SCC based on projected deferred balances that included actual costs and revenues through March 31, 2014 ("April Update").

## **NGC**

With respect to the NGC, the rate proposed in the April Update was designed to recover forecasted above-market NUG costs for the period June 1, 2014 through May 31, 2015, totaling \$103.290 million. It will also return the projected over-recovered balance of \$32.854 million as of May 31, 2014. In addition, the proposed NGC will recover an additional \$32.684 million (\$32.419 million amortization and \$0.265 million interest) associated with the deferred under-recovered balance of \$126.973 which is being amortized on a four-year period. The total forecasted recovery for this period is \$103.120 million.

## **SBC (UNC AND CEP)**

According to the April Update, the rates proposed for the UNC component of the SBC were designed to recover approximately \$13.416 million for the period June 1, 2014 through May 31,

<sup>2</sup> In re the Petition of Atlantic City Electric Company d/b/a Conectiv Power Delivery for Approval of Amendments to its Tariff to Provide for an Increase in Rates for Electric Service, BPU Docket No. ER02080510, Final Order dated July 8, 2004.

<sup>3</sup> In re the Petition of Atlantic City Electric Company d/b/a Conectiv Power Delivery for Approval of Amendments to its Tariff to Provide for an Increase in Rates for Electric Service- Phase I and Phase II AND In re the Petition of Atlantic City Electric Company d/b/a Conectiv Power Delivery to Decrease the Level of its Net Non-Utility Generation Charge and Increase the Level of its Societal Benefits Charge AND In re the Petition of Atlantic City Electric Company for An Administrative Determination of the Value of Certain Fossil Generating Assets AND In re the Petition of Atlantic City Electric Company for Approval of a Service Company Agreement, BPU Docket Nos. ER03020110, ER04060423, EO03020091, and EM02090633, Order dated May 26, 2005.

2015. Additionally, the proposed rate would return to customers a projected over-recovered balance of \$0.571 million as of May 31, 2014. In addition, similar to the proposed treatment of the NGC under-recovered balance, ACE proposed to continue the recovery of the projected under-recovered balance over a four year amortization period ending May 31, 2016 which was initiated on July 1, 2012. As a result, an additional \$2.826 million (\$2.803 million amortization and \$0.023 million interest) is associated with the deferred under-recovered balance of \$10.978 million. The total forecasted recovery for this period is \$15.671 million.

The rates proposed for the CEP component of the SBC were designed to recover approximately \$31.838 million for the period June 1, 2014 through May 31, 2015. ACE has based its projections on the funding levels approved by the Board in its Order dated June 21, 2013 in Docket No. EO11050324V. The average monthly expenditures from the fiscal year 2014 projected funding levels as found in the above Order were used to develop the monthly expenditures for the periods July 2014 to May 2015 after reducing the annual level expense by the June 2014 projected level of expense. In addition, based on an estimate of the CEP deferred balance through May 31, 2014, ACE anticipated a projected over-recovery of approximately \$0.332 million. The total forecasted recovery for this period is \$31.507 million.

### SCC

In the March 2014 Petition, ACE proposed to terminate the SCC effective June 1, 2014 as the Legacy Program is set to end as of May 31, 2014, and has been replaced by the Residential Controllable Smart Thermostat Program ("RCSTP") available to residential customers.<sup>4</sup>

Based on the April Update, ACE has indicated that the SCC will have a projected over-recovered balance of \$0.203 million. The Company has proposed that any balances associated with the SCC following termination of the Legacy Program be accounted for as part of the Company's RGGI Recovery Charge.

If approved, the net impact of adjusting the NGC and the CEP and UNC components of the SBC, along with the termination of the SCC rate [including Sales and Use Tax ("SUT")] would be an overall annual rate decrease of approximately \$41.085 million.

### STIPULATION

Because the Company's filing will not be updated with actual revenues and expenses until after June 1, 2014, and additional time is needed to complete the review of the proposed rates to ensure that the costs are adequately explained, reconciled and addressed, and the resulting rates are reasonable, on May 1, 2014, the Signatory Parties entered into a Stipulation for provisional rates for the NGC, SBC, and SCC.

The Stipulation provides for the following<sup>5</sup>:

1. The Signatory Parties have determined that, because the Company's filing will not be updated with actual revenues and expenses through May 31, 2014 until after June 1, 2014, additional time is needed to complete the review of the

<sup>4</sup> The costs of the RCSTP are recovered through the Regional Greenhouse Gas Initiative ("RGGI") Recovery Charge.

<sup>5</sup> Although described in this Order, should there be any conflict between this summary and the stipulation, the terms of the stipulation control, subject to the findings and conclusions contained in this Order.

proposed rates and underlying costs for reasonableness and prudence. The Signatory Parties have agreed, however, that the implementation of provisional NGC and SBC rates is reasonable at this time. Final rates to replace the interim rates agreed upon in the Stipulation will be determined after June 1, 2014 after further discovery, a prudence review and the opportunity for an evidentiary hearing, if necessary.

2. As part of the discussions held with the parties, the Company has determined that it has inconsistently applied certain revenues and costs associated with a contract between Monsanto Company ("Monsanto") and Logan Generating Company, L.P. ("Logan"), which contract Logan has assigned its interest in to ACE. The Company accepted the assignment of Logan's contractual obligations to Monsanto, along with the revenues and costs thereof, which assignment was approved by Board Order dated August 12, 1996 in BPU Docket No. EM95110543 (the "1996 Order"). The Company has advised the Signatory Parties that it intends to file an Amended Petition within the next 30 days in the instant matter, which Amended Petition will propose on a prospective basis commencing on and after June 1, 2013 an application of the costs and revenues associated with the above referenced contract assignment. The Company has removed as of June 1, 2013 from the NGC all costs and revenues associated with the Logan assignment (\$780,990 – see Settlement Schedule 1, page 2 of 3, line 13), and will defer final accounting for this item pending the Board's final determination with respect to the appropriate accounting treatment for these costs and revenues. The Parties therefore request the Board's approval for such deferred accounting treatment.
3. The Company's filing in this matter, which includes rates in effect since June 1, 2013, included a projected over-recovered NGC balance as of May 31, 2014 of \$15.141 million, including interest. The Signatory Parties stipulate, acknowledge, and agree that, based on the actual balance through March 2014 and estimated for the months of April and May, 2014, this balance is projected to be \$32.854 million, including interest (Settlement Schedule 1, page 1 of 3). For the period of June 1, 2014 through May 31, 2015, the total amount to be recovered will be approximately \$103.120 million, including interest.
4. The Signatory Parties stipulate, acknowledge, and agree that the Company's updated filing in this proceeding indicates forecasted above-market NUG costs of \$103.290 million for the period June 1, 2014 through May 31, 2015. A portion of the total NGC costs include \$32.684 million for the amortization of such costs as agreed to by the same Parties in the Stipulation for Provisional Rates in BPU Docket No. ER12020173 approved by Board Order dated June 18, 2012 (Settlement Schedule 1, page 1 of 3, line 25). The total period NGC costs that the Company proposes to recover through the provisional NGC rate equals \$103.120 million (Settlement Schedule 1, page 1 of 3, line 27). Accordingly, the Company will implement a residential NGC rate of \$0.012234 per kWh for the period June 1, 2014 through May 31, 2015 (Settlement Schedule 1, page 1 of 3, line 39). A final determination regarding the appropriateness of applicable interest on the Company's NGC balance, and the appropriate interest rate and methodology therefore, will be determined when final rates are set.

5. The Signatory Parties acknowledge, stipulate, and agree that the Company's updated filing as of March 31, 2014 in this proceeding indicates forecasted SBC costs of \$47.178 million for the CEP and the UNC.

For the CEP component of the SBC, the projected costs total \$31.507 million. This total consists of \$31.838 million of projected CEP costs for the period June 1, 2014 through May 31, 2015 (Settlement Schedule 2, page 1 of 2, line 21), and a projected over-recovered balance at May 31, 2014 of \$0.332 million (Settlement Schedule 2, page 2 of 2, line 17).

The forecasted total cost for the UNC component of the SBC is \$15.671 million. This total includes \$13.416 million of projected UNC costs for the period June 1, 2014 through May 31, 2015 (Settlement Schedule 3, page 1 of 4, line 1), and a projected over-recovered balance at May 31, 2014 of \$0.571 million (Settlement Schedule 3, page 2 of 4, line 17). In addition, the forecasted total UNC costs include \$2.826 million (Settlement Schedule 3, page 1 of 4, line 7) for the continued recovery of the UNC under-recovered balance as agreed to by the same Signatory Parties in the Stipulation for Provisional Rates in BPU Docket No. ER12020173 approved by Board Order dated June 18, 2012. As agreed to previously, a final determination regarding the appropriateness of applicable interest on the Company's deferral balances will be determined when final rates are set.

The Signatory Parties agree that the Company will implement an SBC rate of \$0.008722, which is comprised in relevant part of a CEP rate of \$0.003709 per kWh (Settlement Schedule 2, page 1 of 2, line 38) and a UNC rate of \$0.001845 per kWh (Settlement Schedule 3, page 1 of 4, line 15), as well as the Universal Service Fund and Lifeline rates, which are not being changed as a result hereof. This represents a net decrease of \$0.000022 per kWh to the SBC rate.

6. The Signatory Parties stipulate and agree that the Company's updated filing in this proceeding indicates a projected over-recovered SCC balance (as updated based on the actual balance through March 31, 2014, and estimated for the months of April and May 2014) of \$0.203 million (Settlement Schedule 4, page 1 of 1, line 17). The Signatory Parties stipulate and agree that the Company's SCC tariff charge should be terminated on and after June 1, 2014. The SCC is designed to recover costs associated with the Company's Peak Savers Program, which is scheduled to be terminated as of May 31, 2014. The Peak Savers Program is being replaced by the Company's Residential Controllable Smart Thermostat Program, the costs for which are recovered through the Company's existing RGGI Rider. Any balances associated with the SCC following termination of the Peak Savers Program will be accounted for as part of the Company's RGGI Rider.
7. According to the Company's calculation, the overall annual average monthly bill impact of the combined proposed NGC, SBC, and SCC rate changes for a residential customer using 1,000 kWh per month, result in an decrease of \$4.55 or 2.67 percent (Settlement Schedule 5, page 4 of 4).
8. The Signatory Parties further acknowledge that a Board Order approving the Stipulation will become effective upon the service of said Board Order or upon

such date after the service thereof as the Board may specify in accordance with N.J.S.A. 48:2-40.

9. The Signatory Parties further stipulate and agree to the establishment of NGC, SBC, and SCC rates designed for recovery from the Effective Date through May 31, 2015, as delineated in the Settlement Schedules attached to the Stipulation. The rates will be designed to reconcile the deferred balances and recover forecasted costs noted in this Stipulation. See Settlement Schedule 6 for the proposed Tariff pages incorporating the new rates. As shown in Settlement Schedule 5, the impact of the proposed rate changes for the period June 1, 2014 to May 31, 2015, including Sales and Use Tax, is an estimated annual decrease of \$40.538 million related to the NGC component; an estimated annual decrease of \$0.201 million related to the SBC component (CEP and UNC combined); and an estimated annual decrease of \$0.346 million related to the SCC Component. Consequently, the overall impact of the proposed rate changes is an estimated annual decrease of \$41.085 million (including Sales and Use Tax) for all components.
10. The Signatory Parties agree that the Company's next NGC/SBC/SCC update/reconciliation petition shall be filed with the Board (with a copy to be provided to Rate Counsel) at least 90 days prior to the proposed effective date of June 1, 2015. The Signatory Parties agree ACE will continue to explore opportunities to mitigate the terms of the three ongoing NUG contracts (Logan, Chambers, and DRMI). The Signatory Parties further agree that ACE will continue to file quarterly reports with Board Staff and Rate Counsel, showing the actual NGC, SBC, and SCC deferred balances. The reports will also include a forecast of the deferred balance on May 31, 2015. The reports will include a variance analysis, including a narrative description, of the monthly projected versus actual updated deferred balances. To the extent that the forecast shows an under- or over-recovered deferred balance of more than \$50 million at the end of the period, excluding the unamortized balances of the NGC and UNC components which are being amortized over 47 months effective July 1, 2012, the Signatory Parties agree that ACE will file a petition to update the NGC, SBC, and SCC components with an effective date prior to June 1, 2015.

#### **DISCUSSION AND FINDING**

The Board has carefully reviewed the record to date in this proceeding and the attached Stipulation which allows the Company to recover costs on a provisional basis. The Board **FINDS** that, subject to the terms and conditions set forth below, the Stipulation is reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Stipulation as its own, as if fully set forth herein. The Board **HEREBY APPROVES**, on a provisional basis, subject to refund with interest on any net over-recovered balance, a decrease of the CEP component of the SBC to \$0.003709 per kWh including SUT, an increase of the UNC component of the SBC to \$0.001845 per kWh including SUT, and a decrease in the NGC rate to \$0.012234. In addition, the SCC will be terminated effective June 1, 2014. Consistent with the Stipulation, any balances associated with the SCC following termination of the Legacy Program be accounted for as part of the Company's RGGI Recovery Charge. For an average residential customer using approximately 1,000 kWh per month, the cumulative impact of these changes represents a decrease of approximately \$4.55 or 2.67% on a total monthly bill.




These changes shall become effective as of June 1, 2014.

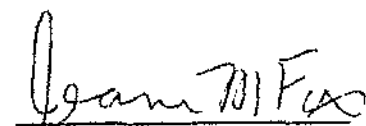
The Board **HEREBY ORDERS** ACE to file revised tariff sheets conforming to the terms of the Stipulation within five (5) days of service of this Board Order.

The Company's costs 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.

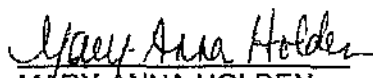
DATED: 5/21/14

BOARD OF PUBLIC UTILITIES  
BY:

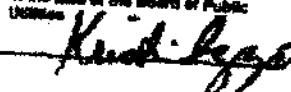
  
DIANNE SOLOMON  
PRESIDENT

  
JEANNE M. FOX  
COMMISSIONER

  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
MARY-ANNA HOLDEN  
COMMISSIONER

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 TO  
RECONCILE AND UPDATE THE LEVEL OF  
ITS NON-UTILITY GENERATION CHARGE  
("NGC"), ITS SOCIETAL BENEFITS  
CHARGE ("SBC"), AND ITS SYSTEM  
CONTROL CHARGE ("SCC") (2014)

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

STIPULATION FOR  
PROVISIONAL RATES  
(herein, the "Stipulation")

BPU DOCKET NO.  
ER14030209

**APPEARANCES:**

Philip J. Passanante, Esquire, Associate General Counsel, for Atlantic City Electric Company

Ami Morita, Deputy Rate Counsel; and Diane Schulze, Assistant Deputy Rate Counsel, on behalf of the Division of Rate Counsel ("Rate Counsel") (Stefanie A. Brand, Director, Division of Rate Counsel)

Alex Moreau, Deputy Attorney General, and T. David Wand, Deputy Attorney General, on behalf of the Staff of the New Jersey Board of Public Utilities ("Board Staff") (John Jay Hoffman, Acting Attorney General of New Jersey)

**PROCEDURAL HISTORY**

On or about March 3, 2014, Atlantic City Electric Company ("ACE" or the "Company") filed a Verified Petition (the "2014 Petition") with the New Jersey Board of Public Utilities (the "Board" or "BPU") seeking the Board's approval to reconcile and update ACE's Non-Utility Generation Charge ("NGC"), its Societal Benefits Charge ("SBC"), and its System Control Charge ("SCC"). The matter was docketed as BPU Docket No. ER14030209.

ACE's NGC provides for recovery of the above-market portion of payments made pursuant to the Company's Non-Utility Generation ("NUG") contracts. ACE's SBC was established to recover costs related to: the Universal Service Fund and Lifeline social programs; Clean Energy Programs ("CEP"); Uncollectible Accounts ("UNC"); and consumer education.

The SCC was designed to recover operating costs associated with the Company's Residential Appliance Cycling Program.

The purpose of the 2014 Petition is to reconcile and reset the levels of the (i) NGC; (ii) two components of the SBC; and (iii) the SCC for the current annual period of June 1, 2013 through May 31, 2014, and the projected period June 1, 2014 through May 31, 2015. The SBC components to be changed include the CEP and the UNC charges. In the 2014 Petition, the projected deferred balances included actual costs and revenues through January 31, 2014.

Subsequent to its initial filing in connection with the 2014 Petition, ACE, by letter dated April 16, 2014, updated its proposed adjustments to the NGC, the CEP and UNC components of the SBC, as well as the SCC, based on projected deferred balances as of May 31, 2014, and projected expenses for the period of June 1, 2014 through May 31, 2015. The projected deferred balances included actual costs and revenues through March 31, 2014.

Representatives from the Company, Board Staff, and Rate Counsel (jointly referred to herein as the "Signatory Parties") have held discussions with respect to this matter. As a result of those discussions, the Signatory Parties to this Stipulation STIPULATE AND AGREE as follows:

1. The Signatory Parties have determined that, because the Company's filing will not be updated with actual revenues and expenses through May 31, 2014 until after June 1, 2014, additional time is needed to complete the review of the proposed rates and underlying costs for reasonableness and prudence. The Signatory Parties have agreed, however, that the implementation of provisional NGC and SBC rates is reasonable at this time. Final rates to replace the interim rates agreed upon in this Stipulation will be determined after June 1, 2014

after further discovery, a prudence review and the opportunity for an evidentiary hearing, if necessary.

2. As part of the discussions held with the Parties, the Company has determined that it has inconsistently applied certain revenues and costs associated with a contract between Monsanto Company ("Monsanto") and Logan Generating Company, L.P. ("Logan"), which contract Logan has assigned its interest in to ACE. The Company accepted the assignment of Logan's contractual obligations to Monsanto, along with the revenues and costs thereof, which assignment was approved by Board Order dated August 12, 1996 in BPU Docket No. EM95110543 (the "1996 Order"). The Company has advised the Signatory Parties that it intends to file an Amended Petition within the next 30 days in this instant matter, which Amended Petition will propose on a prospective basis commencing on and after June 1, 2013 an application of the costs and revenues associated with the above referenced contract assignment. The Company has removed as of June 1, 2013 from the NGC all costs and revenues associated with the Logan assignment (\$780,990 – see Settlement Schedule 1, page 2 of 3, line 13), and will defer final accounting for this item pending the Board's final determination with respect to the appropriate accounting treatment for these costs and revenues. The Parties therefore request the Board's approval for such deferred accounting treatment.

3. The Company's filing in this matter, which includes rates in effect since June 1, 2013, included a projected over-recovered NGC balance as of May 31, 2014 of \$15.141 million, including interest. The Signatory Parties stipulate, acknowledge, and agree that, based on the actual balance through March 2014 and estimated for the months of April and May, 2014, this balance is projected to be \$32.854 million, including interest (**Settlement Schedule 1**, page 1 of

3). For the period of June 1, 2014 through May 31, 2015, the total amount to be recovered will be approximately \$103.120 million, including interest.

4. The Signatory Parties stipulate, acknowledge, and agree that the Company's updated filing in this proceeding indicates forecasted above-market NUG costs of \$103.290 million for the period June 1, 2014 through May 31, 2015. A portion of the total NGC costs include \$32.684 million for the amortization of such costs as agreed to by the same Parties in the Stipulation for Provisional Rates in BPU Docket No. ER12020173 approved by Board Order dated June 18, 2012 (**Settlement Schedule 1**, page 1 of 3, line 25). The total period NGC costs that the Company proposes to recover through the provisional NGC rate equals \$103.120 million (**Settlement Schedule 1**, page 1 of 3, line 27). Accordingly, the Company will implement a residential NGC rate of \$0.012234 per kWh for the period June 1, 2014 through May 31, 2015 (**Settlement Schedule 1**, page 1 of 3, line 39). A final determination regarding the appropriateness of applicable interest on the Company's NGC balance, and the appropriate interest rate and methodology therefore, will be determined when final rates are set.

5. The Signatory Parties acknowledge, stipulate, and agree that the Company's updated filing as of March 31, 2014 in this proceeding indicates forecasted SBC costs of \$47.178 million for the CEP and the UNC.

For the CEP component of the SBC, the projected costs total \$31.507 million. This total consists of \$31.838 million of projected CEP costs for the period June 1, 2014 through May 31, 2015 (**Settlement Schedule 2**, page 1 of 2, line 21), and a projected over-recovered balance at May 31, 2014 of \$0.332 million (**Settlement Schedule 2**, page 2 of 2, line 17).

The forecasted total cost for the UNC component of the SBC is \$15.671 million. This total includes \$13.416 million of projected UNC costs for the period June 1, 2014 through May

31, 2015 (**Settlement Schedule 3**, page 1 of 4, line 1), and a projected over-recovered balance at May 31, 2014 of \$0.571 million (**Settlement Schedule 3**, page 2 of 4, line 17). In addition, the forecasted total UNC costs include \$2.826 million (**Settlement Schedule 3**, page 1 of 4, line 7) for the continued recovery of the UNC under-recovered balance as agreed to by the same Signatory Parties in the Stipulation for Provisional Rates in BPU Docket No. ER12020173 approved by Board Order dated June 18, 2012. As agreed to previously, a final determination regarding the appropriateness of applicable interest on the Company's deferral balances will be determined when final rates are set.

The Signatory Parties agree that the Company will implement an SBC rate of \$0.008722, which is comprised in relevant part of a CEP rate of \$0.003709 per kWh (**Settlement Schedule 2**, page 1 of 2, line 38) and a UNC rate of \$0.001845 per kWh (**Settlement Schedule 3**, page 1 of 4, line 15), as well as the Universal Service Fund and Lifeline rates, which are not being changed as a result hereof. This represents a net decrease of \$0.000022 per kWh to the SBC rate.

6. The Signatory Parties stipulate and agree that the Company's updated filing in this proceeding indicates a projected over-recovered SCC balance (as updated based on the actual balance through March 31, 2014, and estimated for the months of April and May 2014) of \$0.203 million (**Settlement Schedule 4**, page 1 of 1, line 17). The Signatory Parties stipulate and agree that the Company's SCC tariff charge should be terminated on and after June 1, 2014. The SCC is designed to recover costs associated with the Company's Peak Savers Program, which is scheduled to be terminated as of May 31, 2014. The Peak Savers Program is being replaced by the Company's Residential Controllable Smart Thermostat Program, the costs for which are recovered through the Company's existing Regional Greenhouse Gas Initiative

("RGGI") Rider. Any balances associated with the SCC following termination of the Peak Savers Program will be accounted for as part of the Company's RGGI Rider.

7. According to the Company's calculation, the overall annual average monthly bill impact of the combined proposed NGC, SBC, and SCC rate changes for a residential customer using 1,000 kWh per month, result in an decrease of \$4.55 or 2.67 percent (**Settlement Schedule 5**, page 4 of 4).

8. The Signatory Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order or upon such date after the service thereof as the Board may specify in accordance with N.J.S.A. 48:2-40.

9. The Signatory Parties further stipulate and agree to the establishment of NGC, SBC, and SCC rates designed for recovery from the Effective Date through May 31, 2015, as delineated in the Settlement Schedules attached to this Stipulation. The rates will be designed to reconcile the deferred balances and recover forecasted costs noted in this Stipulation. See **Settlement Schedule 6** for the proposed Tariff pages incorporating the new rates. As shown in **Settlement Schedule 5**, the impact of the proposed rate changes for the period June 1, 2014 to May 31, 2015, including Sales and Use Tax, is an estimated annual decrease of \$40.538 million related to the NGC component; an estimated annual decrease of \$0.201 million related to the SBC component (CEP and UNC combined); and an estimated annual decrease of \$0.346 million related to the SCC Component. Consequently, the overall impact of the proposed rate changes is an estimated annual decrease of \$41.085 million (including Sales and Use Tax) for all components.

10. The Signatory Parties agree that the Company's next NGC/SBC/SCC update/reconciliation petition shall be filed with the Board (with a copy to be provided to Rate

Counsel) at least 90 days prior to the proposed effective date of June 1, 2015. The Signatory Parties agree ACE will continue to explore opportunities to mitigate the terms of the three ongoing NUG contracts (Logan, Chambers, and DRMI). The Signatory Parties further agree that ACE will continue to file quarterly reports with Board Staff and Rate Counsel, showing the actual NGC, SBC, and SCC deferred balances. The reports will also include a forecast of the deferred balance on May 31, 2015. The reports will include a variance analysis, including a narrative description, of the monthly projected versus actual updated deferred balances. To the extent that the forecast shows an under- or over-recovered deferred balance of more than \$50 million at the end of the period, excluding the unamortized balances of the NGC and UNC components which are being amortized over 47 months effective July 1, 2012, the Signatory Parties agree that ACE will file a petition to update the NGC, SBC, and SCC components with an effective date prior to June 1, 2015.

11. It is a condition of this Stipulation that the Board issue an Order approving the provisional rates agreed upon in this Stipulation on an interim basis without change or further conditions. Should the Board fail to issue such an Order, this Stipulation shall be deemed null and void and of no force and effect. In the event this condition is not satisfied for any reason, then neither the existence of this Stipulation nor its provisions shall be disclosed or utilized by any Signatory Party or person for any purpose whatsoever, including in this or any other proceeding. The Signatory Parties agree that this Stipulation is a negotiated agreement and represents a reasonable balance of the competing interests involved in this proceeding. The contents of this Stipulation shall not in any way be considered, cited or used by any of the Signatory Parties as an indication of any Party's position on any related or other issue litigated in any other proceeding or forum, except to enforce the terms of this Stipulation. Notwithstanding



anything to the contrary set forth herein, upon the occurrence of any of the following, this Stipulation shall terminate:

- (a) if the Board issues a decision disapproving the Stipulation; or
- (b) if the Board issues a written order approving this Stipulation subject to any condition or modification of the terms set forth herein that an adversely affected Signatory Party, in its discretion, finds unacceptable, then such Signatory Party shall serve notice of unacceptability on the other Signatory Parties within seven business days following receipt of such Board Order. Absent such notification, the Signatory Parties shall be deemed to have waived their respective rights to object to or appeal the acceptability of such conditions or modifications contained in the Board Order, which shall thereupon become binding on all Signatory Parties.

12. This Stipulation may be executed in any number of counterparts, each of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Signatory Parties.

**CONCLUSION**

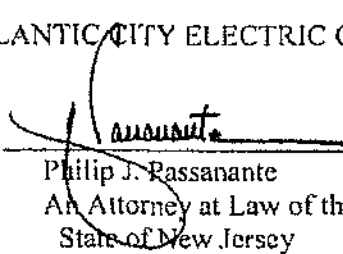
WHEREFORE, for the reasons set forth above, the Signatory Parties to this Stipulation for Provisional Rates respectfully request that the Board approve and adopt this Stipulation in its entirety and issue an Order on Provisional Rates adopting this Stipulation in this proceeding and determining that each of the issues outlined in the above-captioned proceeding have been adequately and appropriately resolved.

Respectfully submitted,

ATLANTIC CITY ELECTRIC COMPANY

Dated: May 1, 2014

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

  
Philip J. Passanante  
An Attorney at Law of the  
State of New Jersey

Associate General Counsel  
500 North Wakefield Drive, 92DC42  
P.O. Box 6066  
Newark, DE 19714-6066  
(302) 429-3105 - Telephone  
(302) 429-3801 - Facsimile  
philip.passanante@pepcoholdings.com

JOHN JAY HOFFMAN  
ACTING ATTORNEY GENERAL OF NEW  
JERSEY  
Attorney for the Staff of the  
New Jersey Board of Public Utilities

Dated: 05/01/2014

By: \_\_\_\_\_  
Alex Moréau  
Deputy Attorney General

DIVISION OF RATE COUNSEL  
Stefanie A. Brand  
Director

Dated:

By: Diane Schulze  
Diane Schulze  
Assistant Deputy Rate Counsel

# Settlement Schedule 1

Atlantic City Electric Company  
Net Non-Ulty Generation Charge (NUGC) Rate Design  
Rates Effective For Period June 2014 - May 2015  
Updated for Actuals through March 2014

kWh	Forecasted NUGC Costs												
	June-14	July-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15 to May-15
1													
2													
3													
4													
5													
6													
7													
8													
9													
10													
11													
12													
13													
14													
15													
16													
17													
18													
19													
20													
21													
22													
23													
24													
25													
26													
27													
28													
29													
30													
31													
32													
33													
34													
35													
36													
37													
38													
39													
40													
41													
42													
43													
44													
45													
46													
47													

Rate Class	Loss Factor	Sales @ Customer	Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8	Col 9	Final NUGC Rate w/ SUIFS (MWh)	
												Col 5 + Col 7	Col 8 + Col 7
R5	1.07149	4,160,889.539			4,558,351.532	4,560	47,438.887	0.011401	0.000033	0.011434	0.011434	0.011434	0.012234
NGS Secondary	1.07149	1,173,453.442			1,257,451.266	0.1287	15,379.853	0.011401	0.000033	0.011434	0.011434	0.011434	0.012234
NGS Primary	1.04345	19,202,156			20,440,835	0.0021	214,300	0.011401	0.000033	0.011434	0.011434	0.011434	0.012234
AGS Secondary	1.07149	1,071,149			2,075,017.829	0.2143	22,079.133	0.011401	0.000033	0.011434	0.011434	0.011434	0.012234
AGS Primary	1.04345	568,879.600			594,432.179	0.0673	6,325.020	0.011401	0.000033	0.011434	0.011434	0.011434	0.012234
TGS	1.02150	1,167,046.435			1,182,137.729	0.1230	17,694.287	0.010869	0.000033	0.011434	0.011434	0.011434	0.012234
SPL/CSL	1.07149	75,118.221			80,466.473	0.0833	456.433	0.011401	0.000033	0.011434	0.011434	0.011434	0.012234
DDC	1.07149	17,445.278			33,334.983	0.0834	141.850	0.011401	0.000033	0.011434	0.011434	0.011434	0.012234
Total	1.07149	9,114,807.148			9,691,364.723	1.0000	103,120.420	0.011401	0.000033	0.011434	0.011434	0.011434	0.012234

Rate Class	Loss Factor	Sales @ Bulk System - Including Losses	Col 1 x Col 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8	Col 9	Final NUGC Rate w/ SUIFS (MWh)	
											Col 5 + Col 7	Col 8 + Col 7
R5	1.07149	4,160,889.539			4,558,351.532	4,560	47,438.887	0.011401	0.000033	0.011434	0.011434	0.012234
NGS Secondary	1.07149	1,173,453.442			1,257,451.266	0.1287	15,379.853	0.011401	0.000033	0.011434	0.011434	0.012234
NGS Primary	1.04345	19,202,156			20,440,835	0.0021	214,300	0.011401	0.000033	0.011434	0.011434	0.012234
AGS Secondary	1.07149	1,071,149			2,075,017.829	0.2143	22,079.133	0.011401	0.000033	0.011434	0.011434	0.012234
AGS Primary	1.04345	568,879.600			594,432.179	0.0673	6,325.020	0.011401	0.000033	0.011434	0.011434	0.012234
TGS	1.02150	1,167,046.435			1,182,137.729	0.1230	17,694.287	0.010869	0.000033	0.011434	0.011434	0.012234
SPL/CSL	1.07149	75,118.221			80,466.473	0.0833	456.433	0.011401	0.000033	0.011434	0.011434	0.012234
DDC	1.07149	17,445.278			33,334.983	0.0834	141.850	0.011401	0.000033	0.011434	0.011434	0.012234
Total	1.07149	9,114,807.148			9,691,364.723	1.0000	103,120.420	0.011401	0.000033	0.011434	0.011434	0.012234

Projected Contract Cost (\$000)  
Forecasted Market-Based Revenue (\$000)  
Forecasted Above Market NUGC Costs (\$000)  
Projected Over Recovered Balance At June 1, 2014  
Subtotal Forecasted NUGC and Over Recovered Balance  
Recovery of NUGC Unamortized Balance June 2014 to May 2015 (Amort ending May 2015)  
Interest on NUGC Balance being Amortized June 2014 - May 2015  
Total Estimated NUGC Unamortized Balance Recovery June 2014 - May 2015  
Total Period NUGC Costs  
NGC Rate with Voltage Level Loss Adjustment  
Loss Factor  
Secondary (120,480 Volts)  
Primary (4,650 & 12,000 Volts)  
Subtransmission (23,000 & 34,500 Volts)  
Transmission (69,000 Volts)

Statement Schedule 1  
Page 2 of 3

Albank, DBY Elsidde Company  
Summary of Main Utility Reimbursements (MUC) Oriental  
Rates Effective For Period June 2014 - May 2015  
Unaudited for Actual through March 2014.

Line No	Col.1	Col.2	Col.3	Col.4	Col.5	Col.6	Col.7	Col.8	Col.9	Col.10	Col.11	Col.12	Col.13	Col.14
	Actual	Actual	Retail MGC Receipts	Events	Plc/Paid AER Balance Transf	Stipulated Amortization Adjustments Expense	Deferral	Fin-Ter Cancellation Potential	Sold-P Interest Reflower	Alter-Tax Commodity Deferral	Alter-Tax Average Monthly Balance	Annual Interest Rate	Interest	
1	Actual	Actual	7,058,170	15,127,644	15,127,644	(2,747,953)	(1,281,801)	(64,473,717)		(27,489,204)	(27,834,983)	0.25%		
2	Actual	Actual	9,472,165	18,286,678	18,286,678	(2,746,264)	(1,281,801)	(62,253,572)		(22,942,151)	(22,816,171)	0.25%	(6,064)	
3	Actual	Actual	11,123,660	20,732,345	20,732,345	(2,745,337)	(1,281,801)	(60,191,490)		(22,942,151)	(22,816,171)	0.25%	(6,064)	
4	Actual	Actual	13,574,325	18,545,680	18,545,680	(2,744,410)	(1,281,801)	(58,130,409)		(22,942,151)	(22,816,171)	0.25%	(6,064)	
5	Actual	Actual	15,974,990	16,358,015	16,358,015	(2,743,483)	(1,281,801)	(56,069,328)		(22,942,151)	(22,816,171)	0.25%	(6,064)	
6	Actual	Actual	18,375,655	14,170,350	14,170,350	(2,742,556)	(1,281,801)	(54,008,247)	(63,101,865)	(13,874,720)	(13,748,749)	0.27%	(4,348)	
7	Actual	Actual	20,776,320	11,982,685	11,982,685	(2,741,629)	(1,281,801)	(51,947,166)		(13,874,720)	(13,748,749)	0.27%	(4,348)	
8	Actual	Actual	23,176,985	9,795,020	9,795,020	(2,740,702)	(1,281,801)	(49,886,085)		(13,874,720)	(13,748,749)	0.27%	(4,348)	
9	Actual	Actual	25,577,650	7,607,355	7,607,355	(2,739,775)	(1,281,801)	(47,825,004)		(13,874,720)	(13,748,749)	0.27%	(4,348)	
10	Actual	Actual	27,978,315	5,419,690	5,419,690	(2,738,848)	(1,281,801)	(45,763,923)		(13,874,720)	(13,748,749)	0.27%	(4,348)	
11	Actual	Actual	30,378,980	3,232,025	3,232,025	(2,737,921)	(1,281,801)	(43,702,842)		(13,874,720)	(13,748,749)	0.27%	(4,348)	
12	Actual	Actual	32,779,645	1,044,360	1,044,360	(2,736,994)	(1,281,801)	(41,641,761)		(13,874,720)	(13,748,749)	0.27%	(4,348)	
13	Projected	Actual	35,180,310	(1,148,305)	(1,148,305)	(2,736,067)	(1,281,801)	(39,580,680)	(15)	(13,874,720)	(13,748,749)	0.24%	3,141	
14	Projected	Actual	37,580,975	(3,340,640)	(3,340,640)	(2,735,140)	(1,281,801)	(37,519,599)	(15)	(13,874,720)	(13,748,749)	0.24%	3,141	
15	Projected	Actual	39,981,640	(5,532,975)	(5,532,975)	(2,734,213)	(1,281,801)	(35,458,518)		(13,874,720)	(13,748,749)	0.24%	3,141	
16	Total Actual	Actual	351,850,285	18,732,255	18,732,255	(27,316,638)	(11,168,158)	(31,882,463)		(13,874,720)	(13,748,749)	0.24%	3,141	
17	Total (Lower)	Projected	351,850,285	18,732,255	18,732,255	(27,316,638)	(11,168,158)	(31,882,463)		(13,874,720)	(13,748,749)	0.24%	3,141	



# Settlement Schedule 2



Line No	Table 1 Projected Comprehensive Resource Analysis Program Expenditures June 2014 - May 2015		
	Month	Projected Expenditure	
5	Jun-14	\$ 2,525,534	=Line 23
6	Jul-14	\$ 2,664,787	=Line 26
7	Aug-14	\$ 2,664,787	=Line 26
8	Sep-14	\$ 2,664,787	=Line 26
9	Oct-14	\$ 2,664,787	=Line 26
10	Nov-14	\$ 2,664,787	=Line 26
11	Dec-14	\$ 2,664,787	=Line 26
12	Jan-15	\$ 2,664,787	=Line 26
13	Feb-15	\$ 2,664,787	=Line 26
14	Mar-15	\$ 2,664,787	=Line 26
15	Apr-15	\$ 2,664,787	=Line 26
16	May-15	\$ 2,664,785	=Line 26
18	Total	<u>\$ 31,838,189</u>	
21	Per NJBPU EO11050324V Order dated 6/21/2013 FY2014 Annual Expenditure	\$ 31,838,189	
22	Less June 2014 directly from NJBPU EO11050324V Order		
23	dated June 21, 2013	<u>\$ 2,525,534</u>	
24	Annual Funding Level Year 2014 less June 2014 above	\$ 29,312,655	=Line 21 - Line 23
25	Number of Months	11	
26	Monthly Funding Level for July 2014 to May 2015	\$ 2,664,787	=Line 24 / Line 25
29	Table 2 Clean Energy Program Funding Rate Design June 2014 - May 2015		
31	Total Period Expenditures	\$ 31,838,189	=Line 18
32	Recovery of NJ Clean Energy Program Funding Deferral Balance	<u>\$ (331,615)</u>	Settlement Schedule 2, Page 2, Col 7 Row 17
33	Total Clean Energy Program Recovery	\$ 31,506,574	=Line 31 + Line 32
34	Projected Delivered Sales June 2014 - May 2015	9,114,607,148	
35	Clean Energy Program Funding Rate (\$/kWh)	\$ 0.003457	
36	BPU Assessment	\$ 0.000010	
37	Rate without SUT (\$/kWh)	\$ 0.003467	
38	Rate including SUT (\$/kWh)	\$ 0.003709	



# Settlement Schedule 3

Line No			
1	Projected Uncollectible Expense (June 2014 - May 2015)	\$	13,416,362 Settlement Schedule 3, Page 4 Line 15
2			
3	Projected Over Recovered Balance At June 1, 2014	\$	(571,102) Settlement Schedule 3 Page 2 Column 7 Line 17
4			
5	Annual Levelized Recovery at June 2014 Balance (Amortization ending May 2016)	\$	2,602,888 Settlement Schedule 3, Page 3, Column 3 Line 11
6	Interest on UNC Balance being Amortized June 2014 - May 2015	\$	22,825 Settlement Schedule 3 Page 3, Column 4 Line 11
7	Total Estimated Balance Recovery June 2014 - May 2015	\$	<u>2,825,814</u>
8			
9	Total Uncollectible Recovery	\$	15,670,994 Line 1 + Line 3 + Line 7
10			
11	Projected Delivered Sales June 2014 - May 2015		9,114,607,148
12	Uncollectible Rate (\$/kWh)	\$	0.001719
13	BPU/RPA Revenue Assessment	\$	0.000005
14	Final Uncollectible Rate (\$/kWh)	\$	0.001724
15	Final Uncollectible Rate including SUT (\$/kWh)	\$	0.001845

Atlantic City Electric Company  
 Summary of Uncollectible Account Deferral  
 Rates Effective For Period June 2014 - May 2015  
 Updated for Actuals through March 2014

Line No.	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 5a	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11	Col. 12
	Actual	Actual	Actual	Uncollectible Accounts Receivables	Uncollectible Accounts Expenses	Prorated Adjustments Expenses A/c (c)	Net Uncollectible Deferral	Pre-Tax Cumulative Deferral	Interest Payable	Alter-Tax Cumulative Deferral	Alter-Tax Average Monthly Balance	Annual Interest Rate	Interest
1	Apr-13	\$ 1,126,148	\$ 182,775	\$ 1,237,550	\$ 105,819	\$ 2,354,512	\$ 1,392,684	\$ 1,361,368	\$ 0.35%	\$ 396			
2	Actual	\$ 1,015,591	\$ 672,844	\$ 2,337,449	\$ 105,269	\$ 2,459,781	\$ 1,434,960	\$ 1,423,627	\$ 0.30%	\$ 354			
3	Actual	\$ 1,220,676	\$ 871,870	\$ 2,337,342	\$ 111,464	\$ 2,571,245	\$ 1,520,992	\$ 1,487,926	\$ 0.28%	\$ 325			
4	Actual	\$ 1,631,173	\$ 1,396,750	\$ 2,337,236	\$ 37,187	\$ 2,658,433	\$ 1,572,463	\$ 1,546,677	\$ 0.26%	\$ 333			
5	Actual	\$ 1,639,987	\$ 1,148,974	\$ 2,337,130	\$ 53,783	\$ 2,714,656	\$ 1,605,719	\$ 1,588,091	\$ 0.25%	\$ 349			
6	Actual	\$ 1,436,384	\$ 3,012,028	\$ 2,337,023	\$ (1,812,667)	\$ 901,989	\$ 533,527	\$ 1,069,673	\$ 0.27%	\$ 296			
7	Actual	\$ 1,131,409	\$ 995,314	\$ 2,336,917	\$ (109,823)	\$ 861,366	\$ 473,980	\$ 503,798	\$ 0.32%	\$ 133			
8	Actual	\$ 1,019,662	\$ 839,609	\$ 2,336,811	\$ (57,949)	\$ 743,216	\$ 439,613	\$ 456,752	\$ 0.27%	\$ 102			
9	Actual	\$ 1,175,527	\$ 694,776	\$ 2,336,705	\$ 1,533,598	\$ 2,276,815	\$ 1,346,735	\$ 893,175	\$ 0.27%	\$ 197			
10	Actual	\$ 1,267,476	\$ 1,285,267	\$ 2,336,599	\$ (234,391)	\$ 2,042,425	\$ 1,209,094	\$ 1,277,415	\$ 0.27%	\$ 285			
11	Actual	\$ 1,251,135	\$ 1,280,398	\$ 2,336,493	\$ (285,766)	\$ 1,756,669	\$ 1,039,069	\$ 1,123,582	\$ 0.26%	\$ 246			
12	Actual	\$ 1,264,566	\$ 2,102,509	\$ 2,336,387	\$ (1,074,327)	\$ 685,341	\$ 403,685	\$ 721,337	\$ 0.24%	\$ 145			
13	Projected	\$ 1,061,701	\$ 889,873	\$ 2,336,280	\$ (64,562)	\$ 617,789	\$ 365,432	\$ 384,513	\$ 0.24%	\$ 77			
14	Projected	\$ 1,029,022	\$ 841,293	\$ 2,336,174	\$ (48,452)	\$ 569,337	\$ 338,753	\$ 351,093	\$ 0.24%	\$ 71			
15													
16	Total Interest Aug 2013-May 2014						\$ 1,845			\$			1,845
17	Total Over(Under) Recovered Balance						\$ 571,182			\$			

Settlement Schedule 3  
Page 3 of 4

Atlantic City Electric Company  
Amortization of Under Recovered UIC Balances  
Amortization for Period July 2013 to May 2016  
Amortization Rate to be Effective For Period July 2012 - May 2016  
Updated for Actuals through March 2014

Line		5	10,977,960	Settlement ER12020173 Schedule 3 Page 3 of 4
1	Total Under Recovered UIC Balance			
2				
3	Interest Rate (Pre-Tax)	D 92%		
4	Interest Rate (After-Tax)	0.55%		
5	Amortization Period (Years)	3.0		
6				
7	UIC Annual Balance Per Year			
8				
9				
10				
11	June 2014 to May 2016 (Sum Line 48 to Line 49)	Ccl.1	10,977,960	Settlement ER12020173 Schedule 3 Page 3 of 4
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46				
47				
48				
49				
50				
51				
52				
53				
54				
55				
56				
57				
58				
59				
60				
61				
62				

Notes  
1) Monthly Amortizations = Amortization Balance Per Year / 12 Months  
2) Interest = Average Monthly Balance \* Interest Rate Per Month  
Average Monthly Balance = (Prior Month Balance + Current Month Balance) / 2  
Interest Rate Per Month = Interest Rate (After Tax) / 12 months

Atlantic City Electric Company  
 Uncollectible Charge Rate Design  
 Rates Effective For Period June 2014 - May 2015  
 Updated for Actuals through March 2014

Settlement Schedule 3  
 Page 4 of 4

Forecasted Uncollectible Expense

Line No.	Month	Total Billed Revenues	Uncollectible Rate	Uncollectible Expense
1				
2	Jun-14	\$ 111,136,402	1.007%	\$ 1,119,144
3	Jul-14	\$ 150,039,851	1.007%	\$ 1,510,901
4	Aug-14	\$ 164,590,639	1.007%	\$ 1,657,428
5	Sep-14	\$ 145,648,005	1.007%	\$ 1,466,675
6	Oct-14	\$ 96,551,652	1.007%	\$ 962,205
7	Nov-14	\$ 87,566,859	1.007%	\$ 881,798
8	Dec-14	\$ 101,718,023	1.007%	\$ 1,024,300
9	Jan-15	\$ 107,837,574	1.007%	\$ 1,085,924
10	Feb-15	\$ 100,151,498	1.007%	\$ 1,008,526
11	Mar-15	\$ 96,206,087	1.007%	\$ 968,795
12	Apr-15	\$ 88,359,947	1.007%	\$ 889,785
13	May-15	\$ 83,503,469	1.007%	\$ 840,880
14				
15	Total Period			\$ 13,416,362

# Settlement Schedule 4



Atlantic City Electric Company  
Summary of System Cost of Charge  
Rates Effective For Period June 2014 - May 2015  
Updated for Accruals through March 2014

Statement Schedule A  
Page 1 of 1

Line No.	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11	Col. 12
		Month	Revenues	Expenses	Deferral	Pre-Tax Deferral Cumulative	Interest Reflector	After-Tax Deferral Cumulative	After-Tax Average Monthly Balance	Annual Interest Rate	Interest	
1	Actual	Apr-13	\$ 6,448	\$ 6,531	\$ (183)	\$ 131,242	\$	\$ 78,813	\$ 78,867	0.35%	\$	23
2	Actual	May-13	\$ 5,644	\$ 41,442	\$ (35,798)	\$ 87,444	\$	\$ 57,638	\$ 68,225	0.30%	\$	17
3	Actual	Jun-13	\$ 16,205	\$ 41,287	\$ (23,082)	\$ 74,441	\$	\$ 44,032	\$ 50,835	0.26%	\$	11
4	Actual	Jul-13	\$ 36,392	\$ 47,870	\$ (11,477)	\$ 62,964	\$	\$ 37,243	\$ 40,638	0.26%	\$	9
5	Actual	Aug-13	\$ 36,893	\$ 40,938	\$ (4,245)	\$ 58,981	\$ 262	\$ 34,837	\$ 36,065	0.26%	\$	8
6	Actual	Sep-13	\$ 37,709	\$ (115)	\$ 32,424	\$ 91,405	\$	\$ 54,065	\$ 44,476	0.27%	\$	10
7	Actual	Oct-13	\$ 25,422	\$ 40,522	\$ (15,100)	\$ 76,304	\$	\$ 45,134	\$ 48,600	0.32%	\$	13
8	Actual	Nov-13	\$ 22,815	\$ 13,378	\$ 9,435	\$ 85,741	\$	\$ 50,716	\$ 47,925	0.27%	\$	11
9	Actual	Dec-13	\$ 26,154	\$ 6,881	\$ 19,273	\$ 105,014	\$	\$ 62,116	\$ 56,416	0.27%	\$	12
10	Actual	Jan-14	\$ 28,684	\$ 6,890	\$ 21,994	\$ 127,008	\$	\$ 75,125	\$ 68,620	0.27%	\$	15
11	Actual	Feb-14	\$ 27,571	\$ 8,624	\$ 20,947	\$ 147,955	\$	\$ 87,516	\$ 81,320	0.26%	\$	18
12	Actual	Mar-14	\$ 28,296	\$ 6,756	\$ 21,540	\$ 169,495	\$	\$ 100,256	\$ 93,886	0.24%	\$	19
13	Projected	Apr-14	\$ 23,652	\$ 6,003	\$ 17,649	\$ 186,544	\$	\$ 110,341	\$ 105,289	0.24%	\$	21
14	Projected	May-14	\$ 22,342	\$ 6,003	\$ 16,339	\$ 202,883	\$	\$ 120,005	\$ 115,173	0.24%	\$	23
15												
16	Total Interest Aug 2013-May 2014					\$ 151					\$	151
17	Total Over/(Under) Recovered Balance					\$ 203,633					\$	151

# Settlement Schedule 5



ATLANTIC CITY ELECTRIC COMPANY  
RESIDENTIAL SERVICE ("RS")  
 8 WINTER MONTHS (October Through May)

Settlement Schedule 5  
 Page 2 of 4

Present Rates  
 vs.  
 Proposed Rates with NGC/SBC/SCC Adjustments Effective June 01, 2014

Monthly Usage (kWh)	Present			New			Difference		Total	(%)
	Delivery (\$)	Supply+T (\$)	Total (\$)	Delivery (\$)	Supply+T (\$)	Total (\$)	Delivery (\$)	Supply+T (\$)	Difference (\$)	
0	\$ 3.00	\$ -	\$ 3.00	\$ 3.00	\$ -	\$ 3.00	\$ -	\$ -	\$ -	0.00%
25	\$ 4.85	\$ 1.97	\$ 6.82	\$ 4.74	\$ 1.97	\$ 6.71	\$ (0.11)	\$ -	\$ (0.11)	-1.61%
50	\$ 6.70	\$ 3.94	\$ 10.64	\$ 6.47	\$ 3.94	\$ 10.41	\$ (0.23)	\$ -	\$ (0.23)	-2.16%
75	\$ 8.55	\$ 5.90	\$ 14.45	\$ 8.21	\$ 5.90	\$ 14.11	\$ (0.34)	\$ -	\$ (0.34)	-2.35%
100	\$ 10.40	\$ 7.87	\$ 18.27	\$ 9.94	\$ 7.87	\$ 17.81	\$ (0.46)	\$ -	\$ (0.46)	-2.52%
150	\$ 14.09	\$ 11.81	\$ 25.90	\$ 13.41	\$ 11.81	\$ 25.22	\$ (0.68)	\$ -	\$ (0.68)	-2.63%
200	\$ 17.79	\$ 15.75	\$ 33.54	\$ 16.88	\$ 15.75	\$ 32.63	\$ (0.91)	\$ -	\$ (0.91)	-2.71%
250	\$ 21.49	\$ 19.68	\$ 41.17	\$ 20.35	\$ 19.68	\$ 40.03	\$ (1.14)	\$ -	\$ (1.14)	-2.77%
300	\$ 25.19	\$ 23.62	\$ 48.81	\$ 23.82	\$ 23.62	\$ 47.44	\$ (1.37)	\$ -	\$ (1.37)	-2.81%
350	\$ 28.89	\$ 27.56	\$ 56.45	\$ 27.29	\$ 27.56	\$ 54.85	\$ (1.60)	\$ -	\$ (1.60)	-2.83%
400	\$ 32.58	\$ 31.49	\$ 64.07	\$ 30.76	\$ 31.49	\$ 62.25	\$ (1.82)	\$ -	\$ (1.82)	-2.84%
450	\$ 36.28	\$ 35.43	\$ 71.71	\$ 34.23	\$ 35.43	\$ 69.66	\$ (2.05)	\$ -	\$ (2.05)	-2.86%
500	\$ 39.98	\$ 39.36	\$ 79.34	\$ 37.70	\$ 39.36	\$ 77.06	\$ (2.28)	\$ -	\$ (2.28)	-2.87%
650	\$ 51.08	\$ 51.17	\$ 102.25	\$ 48.11	\$ 51.17	\$ 99.28	\$ (2.97)	\$ -	\$ (2.97)	-2.90%
700	\$ 54.77	\$ 55.11	\$ 109.88	\$ 51.58	\$ 55.11	\$ 106.69	\$ (3.19)	\$ -	\$ (3.19)	-2.90%
750	\$ 58.47	\$ 59.05	\$ 117.52	\$ 55.05	\$ 59.05	\$ 114.10	\$ (3.42)	\$ -	\$ (3.42)	-2.91%
800	\$ 62.17	\$ 62.98	\$ 125.15	\$ 58.52	\$ 62.98	\$ 121.50	\$ (3.65)	\$ -	\$ (3.65)	-2.92%
900	\$ 69.57	\$ 70.86	\$ 140.43	\$ 65.47	\$ 70.86	\$ 136.33	\$ (4.10)	\$ -	\$ (4.10)	-2.92%
1000	\$ 76.96	\$ 78.73	\$ 155.69	\$ 72.41	\$ 78.73	\$ 151.14	\$ (4.55)	\$ -	\$ (4.55)	-2.92%
1200	\$ 91.75	\$ 94.47	\$ 186.22	\$ 86.29	\$ 94.47	\$ 180.76	\$ (5.46)	\$ -	\$ (5.46)	-2.93%
1500	\$ 113.94	\$ 118.09	\$ 232.03	\$ 107.11	\$ 118.09	\$ 225.20	\$ (6.83)	\$ -	\$ (6.83)	-2.94%
2000	\$ 150.92	\$ 157.46	\$ 308.38	\$ 141.81	\$ 157.46	\$ 299.27	\$ (9.11)	\$ -	\$ (9.11)	-2.95%
2500	\$ 187.91	\$ 196.82	\$ 384.73	\$ 176.52	\$ 196.82	\$ 373.34	\$ (11.39)	\$ -	\$ (11.39)	-2.95%
3000	\$ 224.86	\$ 236.19	\$ 461.08	\$ 211.22	\$ 236.19	\$ 447.41	\$ (13.67)	\$ -	\$ (13.67)	-2.96%
3500	\$ 261.87	\$ 275.56	\$ 537.42	\$ 245.92	\$ 275.56	\$ 521.47	\$ (15.95)	\$ -	\$ (15.95)	-2.97%
4000	\$ 298.85	\$ 314.92	\$ 613.77	\$ 280.62	\$ 314.92	\$ 595.54	\$ (18.23)	\$ -	\$ (18.23)	-2.97%

ATLANTIC CITY ELECTRIC COMPANY  
RESIDENTIAL SERVICE ("RS")  
4 SUMMER MONTHS (June Through September)

Present Rates  
vs.  
Proposed Rates with NGC/SBC/SCC Adjustments Effective June 01, 2014

Monthly Usage (kWh)	Present	Present	Present	New	New	New	Difference		Total
	Delivery (\$)	Supply+I (\$)	Total (\$)	Delivery (\$)	Supply+I (\$)	Total (\$)	Delivery (\$)	Supply+I (\$)	Difference (%)
0	\$ 3.00	\$ -	\$ 3.00	\$ 3.00	\$ -	\$ 3.00	\$ -	\$ -	0.00%
25	\$ 4.93	\$ 2.90	\$ 7.83	\$ 4.82	\$ 2.90	\$ 7.72	\$ (0.11)	\$ -	-1.40%
50	\$ 6.86	\$ 5.80	\$ 12.66	\$ 6.63	\$ 5.80	\$ 12.43	\$ (0.23)	\$ -	-1.82%
75	\$ 8.79	\$ 3.70	\$ 17.49	\$ 8.45	\$ 3.70	\$ 17.15	\$ (0.34)	\$ -	-1.94%
100	\$ 10.72	\$ 11.60	\$ 22.32	\$ 10.26	\$ 11.60	\$ 21.86	\$ (0.46)	\$ -	-2.06%
150	\$ 14.58	\$ 17.41	\$ 31.99	\$ 13.89	\$ 17.41	\$ 31.30	\$ (0.69)	\$ -	-2.16%
200	\$ 18.43	\$ 23.21	\$ 41.64	\$ 17.52	\$ 23.21	\$ 40.73	\$ (0.91)	\$ -	-2.19%
250	\$ 22.29	\$ 29.01	\$ 51.30	\$ 21.15	\$ 29.01	\$ 50.16	\$ (1.14)	\$ -	-2.22%
300	\$ 26.15	\$ 34.81	\$ 60.96	\$ 24.78	\$ 34.81	\$ 59.59	\$ (1.37)	\$ -	-2.25%
350	\$ 30.01	\$ 40.61	\$ 70.62	\$ 28.42	\$ 40.61	\$ 69.03	\$ (1.59)	\$ -	-2.25%
400	\$ 33.87	\$ 46.41	\$ 80.28	\$ 32.05	\$ 46.41	\$ 78.46	\$ (1.82)	\$ -	-2.27%
450	\$ 37.73	\$ 52.22	\$ 89.95	\$ 35.68	\$ 52.22	\$ 87.90	\$ (2.05)	\$ -	-2.28%
500	\$ 41.59	\$ 58.02	\$ 99.61	\$ 39.31	\$ 58.02	\$ 97.33	\$ (2.28)	\$ -	-2.29%
650	\$ 53.16	\$ 75.42	\$ 128.58	\$ 50.20	\$ 75.42	\$ 125.62	\$ (2.96)	\$ -	-2.30%
700	\$ 57.02	\$ 81.22	\$ 138.24	\$ 53.83	\$ 81.22	\$ 135.05	\$ (3.19)	\$ -	-2.31%
750	\$ 60.88	\$ 87.03	\$ 147.91	\$ 57.46	\$ 87.03	\$ 144.49	\$ (3.42)	\$ -	-2.31%
800	\$ 65.05	\$ 93.30	\$ 158.35	\$ 61.40	\$ 93.30	\$ 154.70	\$ (3.65)	\$ -	-2.31%
900	\$ 73.39	\$ 105.84	\$ 179.23	\$ 69.29	\$ 105.84	\$ 175.13	\$ (4.10)	\$ -	-2.29%
1000	\$ 81.73	\$ 118.38	\$ 200.11	\$ 77.17	\$ 118.38	\$ 195.55	\$ (4.56)	\$ -	-2.28%
1200	\$ 98.40	\$ 143.47	\$ 241.87	\$ 92.94	\$ 143.47	\$ 236.41	\$ (5.46)	\$ -	-2.26%
1500	\$ 123.42	\$ 181.10	\$ 304.52	\$ 116.59	\$ 181.10	\$ 297.69	\$ (6.83)	\$ -	-2.24%
2000	\$ 165.11	\$ 243.82	\$ 408.93	\$ 156.00	\$ 243.82	\$ 399.82	\$ (9.11)	\$ -	-2.23%
2500	\$ 206.81	\$ 306.54	\$ 513.35	\$ 195.42	\$ 306.54	\$ 501.96	\$ (11.39)	\$ -	-2.22%
3000	\$ 248.50	\$ 369.26	\$ 617.76	\$ 234.83	\$ 369.26	\$ 604.09	\$ (13.57)	\$ -	-2.21%
3500	\$ 290.20	\$ 431.98	\$ 722.18	\$ 274.25	\$ 431.98	\$ 706.23	\$ (15.95)	\$ -	-2.21%
4000	\$ 331.89	\$ 494.70	\$ 826.59	\$ 313.67	\$ 494.70	\$ 808.37	\$ (18.22)	\$ -	-2.20%

**ATLANTIC CITY ELECTRIC COMPANY**  
**RESIDENTIAL SERVICE ("RS")**  
Annual Average

Present Rates

vs.

Proposed Rates with NGC/SBC/SCC Adjustments Effective June 01, 2014

Monthly Usage (kWh)	Present	Present	Present	New	New	New	Difference		Total	
	Delivery (\$)	Supply+T (\$)	Total (\$)	Delivery (\$)	Supply+T (\$)	Total (\$)	Delivery (\$)	Supply+T (\$)	(\$)	(%)
0	\$ 3.00	\$ -	\$ 3.00	\$ 3.00	\$ -	\$ 3.00	\$ -	\$ -	\$ -	0.00%
25	\$ 4.88	\$ 2.28	\$ 7.16	\$ 4.77	\$ 2.28	\$ 7.05	\$ (0.11)	\$ -	\$ (0.11)	-1.54%
50	\$ 6.75	\$ 4.56	\$ 11.31	\$ 6.52	\$ 4.56	\$ 11.08	\$ (0.23)	\$ -	\$ (0.23)	-2.03%
75	\$ 8.63	\$ 6.83	\$ 15.46	\$ 8.29	\$ 6.83	\$ 15.12	\$ (0.34)	\$ -	\$ (0.34)	-2.20%
100	\$ 10.51	\$ 9.11	\$ 19.62	\$ 10.05	\$ 9.11	\$ 19.16	\$ (0.46)	\$ -	\$ (0.46)	-2.34%
150	\$ 14.25	\$ 13.68	\$ 27.93	\$ 13.57	\$ 13.68	\$ 27.25	\$ (0.68)	\$ -	\$ (0.68)	-2.43%
200	\$ 18.00	\$ 18.24	\$ 36.24	\$ 17.09	\$ 18.24	\$ 35.33	\$ (0.91)	\$ -	\$ (0.91)	-2.51%
250	\$ 21.76	\$ 22.79	\$ 44.55	\$ 20.82	\$ 22.79	\$ 43.41	\$ (1.14)	\$ -	\$ (1.14)	-2.56%
300	\$ 25.51	\$ 27.35	\$ 52.86	\$ 24.14	\$ 27.35	\$ 51.49	\$ (1.37)	\$ -	\$ (1.37)	-2.59%
350	\$ 29.26	\$ 31.91	\$ 61.17	\$ 27.67	\$ 31.91	\$ 59.58	\$ (1.59)	\$ -	\$ (1.59)	-2.60%
400	\$ 33.01	\$ 36.46	\$ 69.47	\$ 31.19	\$ 36.46	\$ 67.65	\$ (1.82)	\$ -	\$ (1.82)	-2.62%
450	\$ 36.76	\$ 41.03	\$ 77.79	\$ 34.71	\$ 41.03	\$ 75.74	\$ (2.05)	\$ -	\$ (2.05)	-2.64%
500	\$ 40.52	\$ 45.58	\$ 86.10	\$ 38.24	\$ 45.58	\$ 83.82	\$ (2.28)	\$ -	\$ (2.28)	-2.65%
650	\$ 51.77	\$ 59.25	\$ 111.02	\$ 48.81	\$ 59.25	\$ 108.06	\$ (2.96)	\$ -	\$ (2.96)	-2.67%
700	\$ 55.52	\$ 63.81	\$ 119.33	\$ 52.33	\$ 63.81	\$ 116.14	\$ (3.19)	\$ -	\$ (3.19)	-2.67%
750	\$ 59.27	\$ 68.38	\$ 127.65	\$ 55.85	\$ 68.38	\$ 124.23	\$ (3.42)	\$ -	\$ (3.42)	-2.68%
800	\$ 63.13	\$ 73.09	\$ 136.22	\$ 59.48	\$ 73.09	\$ 132.57	\$ (3.65)	\$ -	\$ (3.65)	-2.68%
900	\$ 70.84	\$ 82.52	\$ 153.36	\$ 66.74	\$ 82.52	\$ 149.26	\$ (4.10)	\$ -	\$ (4.10)	-2.67%
1000	\$ 78.55	\$ 91.95	\$ 170.50	\$ 74.00	\$ 91.95	\$ 165.95	\$ (4.55)	\$ -	\$ (4.55)	-2.67%
1200	\$ 93.97	\$ 110.80	\$ 204.77	\$ 88.51	\$ 110.80	\$ 199.31	\$ (5.46)	\$ -	\$ (5.46)	-2.67%
1500	\$ 117.10	\$ 139.09	\$ 256.19	\$ 110.27	\$ 139.09	\$ 249.36	\$ (6.83)	\$ -	\$ (6.83)	-2.67%
2000	\$ 155.65	\$ 186.25	\$ 341.90	\$ 146.54	\$ 186.25	\$ 332.79	\$ (9.11)	\$ -	\$ (9.11)	-2.66%
2500	\$ 194.21	\$ 233.39	\$ 427.60	\$ 182.82	\$ 233.39	\$ 416.21	\$ (11.39)	\$ -	\$ (11.39)	-2.66%
3000	\$ 232.76	\$ 280.55	\$ 513.31	\$ 219.09	\$ 280.55	\$ 499.64	\$ (13.67)	\$ -	\$ (13.67)	-2.66%
3500	\$ 271.31	\$ 327.69	\$ 599.00	\$ 255.36	\$ 327.69	\$ 583.05	\$ (15.95)	\$ -	\$ (15.95)	-2.66%
4000	\$ 309.86	\$ 374.85	\$ 684.71	\$ 291.64	\$ 374.85	\$ 666.49	\$ (18.22)	\$ -	\$ (18.22)	-2.66%

# Settlement Schedule 6

ATLANTIC CITY ELECTRIC COMPANY  
BPU NJ No. 11 Electric Service - Section IV Revised Sheet Replaces Revised Sheet No. 57

---

Rider (NGC)  
Non-Utility Generation Charge (NGC)

Customers receiving service under Electric Rate Schedules RS, MGS, AGS, TS, TGS, DDC, SPL, CSL, STB, SPP are subject to a non-bypassable Non-Utility Generation Charge (NGC).

This charge provided for the full and timely recovery of the following costs:

1. Costs associated with the utility's purchase power contracts with non-utility generators and to recover the stranded costs associated with such commitments. The costs recovered via the NGC are based on the difference between the average estimated cost of energy and capacity in the regional market and the associated costs provided in existing power purchase contracts with non-utility generators. Differences between actual and estimated costs occurring under previously approved rates shall be added or subtracted as appropriate to the estimated costs.
2. Costs associated with the transition to a competitive electric market and the restructuring of the electric utility industry in the State of New Jersey.
3. Costs associated with the Company's generation facilities net of any revenue received from the sale of energy, capacity and ancillary services associated with these units.

The following table provides the component rates of the NGC charge for each rate schedule based on the cost categories listed above in \$ per kWh.

<u>Rate Schedule</u>	<u>Total NGC</u>
RS	\$ 0.012234
MGS Secondary	\$ 0.012234
MGS Primary	\$ 0.011914
AGS Secondary	\$ 0.012234
AGS Primary	\$ 0.011914
TGS	\$ 0.011663
SPL/CSL	\$ 0.012234
DDC	\$ 0.012234

---

Date of Issue:

Effective Date:

Issued by:



ATLANTIC CITY ELECTRIC COMPANY  
BPU NJ No. 11 Electric Service - Section IV Revised Sheet Replaces Revised Sheet No. 58

---

RIDER (SBC)  
Societal Benefits Charge (SBC)

Customers receiving service under Electric Rate Schedules RS, MGS, AGS, TS, TGS, DDC, SPL, and CSL and any customer taking service under special contractual arrangements.

In accordance with the New Jersey Electric Discount and Energy Competition Act, Societal Benefits Charges include:

- Clean Energy Program Costs
- Uncollectible Accounts
- Universal Service Fund
- Lifeline

The Company's Societal Benefits Charges to be effective on and after the date indicated below are as follows:

Clean Energy Program	\$0.003709 per kWh
Uncollectible Accounts	\$0.001845 per kWh
Universal Service Fund	\$0.002282 per kWh
Lifeline	\$0.000886 per kWh

---

Date of issue:

Effective Date:

Issued by:

**ATLANTIC CITY ELECTRIC COMPANY**  
**BPU NJ No. 11 Electric Service - Section IV Revised Sheet Replaces Revised Sheet No. 60b**

---

**RIDER (BGS) continued**  
**Basic Generation Service (BGS)**

**CIEP Standby Fee** \$0.000161 per kWh

This charge recovers the costs associated with the winning BGS-CIEP bidders maintaining the availability of the hourly priced default electric supply service plus administrative charges pursuant to N.J.S.A. 48:2-60 and New Jersey Sales and Use Tax as set forth in Rider SUT. This charge is assessed on all kWhs delivered to all CIEP- eligible customers on Rate Schedules MGS Secondary, MGS Primary, AGS Secondary, AGS Primary or TGS.

**Transmission Enhancement Charge**

This charge reflects Transmission Enhancement Charges ("TECs"), implemented to compensate transmission owners for the annual transmission revenue requirements for "Required Transmission Enhancements" (as defined in Schedule 12 of the PJM OATT) that are requested by PJM for reliability or economic purposes and approved by the Federal Energy Regulatory Commission (FERC). The TEC charge (in \$ per kWh by Rate Schedule), including administrative charges pursuant to N.J.S.A. 48:2-60 and New Jersey Sales and Use Tax as set forth in Rider SUT, is delineated in the following table.

	<u>Rate Class</u>							
	<u>RS</u>	<u>MGS</u> <u>Secondary</u>	<u>MGS</u> <u>Primary</u>	<u>AGS</u> <u>Secondary</u>	<u>AGS</u> <u>Primary</u>	<u>TGS</u>	<u>SPL/CSL</u>	<u>DDC</u>
VEPCo	0.000314	0.000253	0.000256	0.000180	0.000139	0.000114	-	0.000116
TrAILCo	0.000486	0.000392	0.000397	0.000278	0.000178	0.000215	-	0.000179
PSE&G	0.000494	0.000398	0.000404	0.000284	0.000218	0.000181	-	0.000182
PATH	0.000095	0.000077	0.000078	0.000055	0.000043	0.000035	-	0.000035
PPL	0.000103	0.000082	0.000083	0.000059	0.000045	0.000037	-	0.000037
Pepco	0.000064	0.000051	0.000052	0.000036	0.000028	0.000024	-	0.000024
Delmarva	0.000027	0.000021	0.000021	0.000015	0.000012	0.000010	-	0.000010
AEP - East	0.000013	0.000011	0.000011	0.000007	0.000004	0.000005	-	0.000004
<b>Total</b>	<b>0.001601</b>	<b>0.001288</b>	<b>0.001306</b>	<b>0.000918</b>	<b>0.000669</b>	<b>0.000622</b>	<b>-</b>	<b>0.000588</b>

**Date of Issue:**

**Effective Date:**

**Issued by:**

# Exhibit B



AGENDA DATE: 7/31/96

STATE OF NEW JERSEY  
Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102

IN THE MATTER OF THE PETITION OF )	
ATLANTIC CITY ELECTRIC COMPANY FOR )	ELECTRIC
APPROVAL OF AN ASSIGNMENT, )	-----
ASSUMPTION AND CONSENT AGREEMENT )	ORDER OF APPROVAL
WITH MONSANTO COMPANY AND LOGAN )	Docket No. EM95110543
GENERATING COMPANY, L.P. )	

(Service List Attached)

BY THE BOARD:

By letter dated November 9, 1995, Atlantic City Electric Company ("Atlantic" or "Company") petitioned the Board for approval under N.J.A.C. 14:3-9.6 of a proposed Assignment, Assumption and Consent Agreement (the "Agreement") among Atlantic, Logan Generating Company, L.P. ("Logan") (formerly Keystone Energy Service Company, L.P.) and Monsanto Company ("Monsanto"). In addition to process steam, Logan currently supplies electricity to Monsanto's Bridgeport plant in Logan Township under an Electric Power Sales Agreement executed by Monsanto and Keystone Cogeneration Systems, Inc. (the predecessor of Keystone Energy Service Company, L.P.) on November 22, 1989 (the "EPSA"). Under the EPSA, Logan provides up to 3 megawatts ("Mw") of capacity and 20,000 megawatt-hours ("Mwh") of related energy annually to Monsanto from Logan's 218 Mw coal-fired cogeneration facility that began commercial operation on September 22, 1994. Logan began supplying such "inside the fence" retail electric service to Monsanto on December 28, 1994; prior to that date, Monsanto was an Atlantic customer served under Rate Schedule TGS.

The Logan facility is a Qualifying Facility under the Public Utility Regulatory Policies Act of 1978 ("PURPA"). Atlantic currently purchases 200 Mw of the facility's capacity and energy under a 30-year power purchase agreement ("PPA") with Keystone Cogeneration Systems, Inc. executed on August 25, 1988. The PPA was approved by Board Order dated December 28, 1988 in Docket No. EM88091074, as were nine amendments by additional Board Orders in this same Docket dated October 11, 1991 and December 12, 1991 (Amendments 1 through 7); March 9, 1992 (Amendment 8); and August 12, 1993 and January 5, 1994 (Amendment 9).

Amendment 9 was the result of the Company's efforts to renegotiate the pricing and other provisions of the PPA to reduce its ultimate cost to ratepayers, and was submitted for the Board's approval on June 9, 1993. Under the amendment, the project's financing arrangements were restructured, as were the PPA's pricing

terms to increase the facility's economic dispatch. The amendment also provided for renegotiating the project's coal contract, and for negotiating the return of Monsanto as an Atlantic retail customer at a reduced rate. Rate Counsel (now the Division of the Ratepayer Advocate ("Advocate")) believed the Monsanto issue should be treated separately, and this provision, Section 10 (d), was accordingly deleted from Amendment 9 by Amendment 10, as directed by the Board's August 12, 1993 Order approving Amendment 9.

Under the proposed Agreement, Logan would assign its interest in the EPSA to Atlantic, and Atlantic would assume Logan's contractual obligations to supply capacity and energy to Monsanto. For that purpose, Logan is to provide 3 Mw of capacity and up to 20,000 Mwh of energy annually from its cogeneration facility to Atlantic at no cost during the first contract year, which for purposes of the Agreement shall be deemed to have begun on January 1, 1995. In subsequent years, Atlantic will continue to receive the 3 Mw of capacity at no cost, but will pay Logan for the energy it supplies to serve Monsanto at a rate equal to the cumulative increase in Atlantic's TGS tariff rate, including Atlantic's Energy Adjustment ("EA") charge, but excluding its charge for Gross Receipts and Franchise Taxes ("GRFT"). The increase in the TGS rate is to apply from January 1, 1995 forward until the cumulative increase exceeds the energy cost of Logan's cogeneration facility (the "Facility Energy Cost"). At that point, the energy is to be priced at the Facility Energy Cost plus 50% of the excess of the cumulative increase in the TGS rate over the Facility Energy Cost.

Monsanto, in turn, is to pay Atlantic for the energy supplied by Logan at the rates set forth in the EPSA, and, at Monsanto's election, for standby service as currently provided for in Atlantic's tariff or as the tariff may be subsequently modified by the Board. In the absence of such election, Monsanto's energy requirements not supplied by Logan are to be billed under Atlantic's TGS Rate Schedule. If feasible, Atlantic is also to provide Monsanto with dual feed service from Atlantic's 230 Kv Bridgeport substation at Monsanto's expense, thereby improving service reliability.

Based on usage and rates projected for 1996, Atlantic estimates it would receive approximately \$0.9 million of incremental revenue from sales to Monsanto under the assigned EPSA in addition to the approximate \$0.3 million of annual revenue it now receives for supplying standby service. At the full tariff rate (Rate Schedule TGS), Monsanto would provide approximately \$1.6 million of annual revenue. Of the \$0.9 million, approximately \$0.7 million would be available for the recovery of fixed costs pre-tax, and about \$0.5 million after-tax. Moreover, because the EPSA pricing is also based on Atlantic's TGS rate, this margin over costs will remain relatively constant. Copies of the EPSA were provided Staff and the Advocate for their review, and while the specific pricing

terms of the EPSA were to be kept confidential, Atlantic would receive an average rate of approximately 4.9 cents per kwh under the assignment.

#### STIPULATION

-----

Following discovery and several settlement conferences, the attached Stipulation was executed by Board Staff, the Ratepayer Advocate and the Company on June 3, 1996, and filed with the Board by letter dated June 21, 1996. The signatories recommend that the Board approve the Agreement and find that the rates at which Atlantic would provide service to Monsanto under the assigned EPSA are reasonable and prudent, and in the public interest for the term of the Agreement. The Stipulation sets forth the pricing of the energy Logan is to supply Atlantic for resale to Monsanto, as described above, and states that the parties have agreed that the price Atlantic receives for this energy under the assigned EPSA is above cost and reasonable. Moreover, Gross Receipts and Franchise Taxes on the Monsanto sales are to be paid at Atlantic's full tariff rate applicable to this class of service (Rate Schedule TGS).

The parties additionally agree that due to the unique circumstances underlying the Agreement, including the fact that the Logan project is a dedicated source of supply for Monsanto's capacity and energy requirements, the marginal energy and capacity cost provisions as well as the Levelized Energy Adjustment Clause ("LEAC") treatment set forth in the Board's Order implementing the "rate-flex" statute (P.L. 1995, c. 180, implemented by the Board's Order in Docket No. EX95070320 dated October 27, 1995) are not applicable to the EPSA. Accordingly, in lieu of crediting Atlantic's EA with an amount equal to Atlantic's total charge for LEAC-recoverable costs (the EA and EA base cost in base rates) multiplied by the Monsanto energy sales, neither the amounts paid Logan for Monsanto's energy supply nor the revenue received from the Monsanto sales under the assigned EPSA are to be reflected in Atlantic's EA.

On July 30, 1996, Staff, the Ratepayer Advocate and the Company executed the attached Amendment to the Stipulation that replaces Paragraph 5 in its entirety with the following:

The parties expressly reserve their rights to freely and fully litigate the issue of the applicability of the Rate-Flex Policy, and the issue of the treatment or existence of foregone revenues, in the Company's next base rate proceeding.

DISCUSSION AND FINDINGS  
-----

Before us is a Stipulation and amendment thereto recommending our approval of the Assignment, Assumption and Consent Agreement reached between Atlantic, Logan and Monsanto. In approving a new service offering and associated discounted rate agreement for Co-Steel Raritan at our Agenda Meeting on September 6, 1995, as memorialized by written Order in Docket No. ER95010005 dated November 17, 1995, we noted our strong expectation that in the future, the vast majority of such agreements would be implemented in accordance with the rate-flex statute, and to date, nine such agreements have been filed with the Board. With respect to the specific issue of GRFT discounts, we also noted that such discounts would be considered only in extraordinary and very limited instances, in particular, to attract a new business and employer into the State.

While a GRFT discount is not at issue here (the full GRFT rate applicable under the TGS tariff would be applied to Atlantic's sales to Monsanto), the requirement of the Board's October 27, 1995 Order that an off tariff rate exceed the utility's marginal energy and capacity cost, and be assigned a pro-rata share of costs recoverable by the LEAC, have been deemed not to apply to the instant Agreement in view of its uniqueness and the dedicated source of supply for the Monsanto sales.

With respect to marginal energy and capacity costs, our October 27, 1995 Order indicated that, on an interim basis pending additional analysis and study, the avoided costs reported in the utilities' 1994 filings made pursuant to the Stipulation of Settlement in Docket No. 8010-687B are to be utilized to establish the minimum price an off tariff rate must exceed. The minimum price tariff filings subsequently made by the utilities (including Atlantic's) indicate that purchases of economy interchange energy and short-term capacity purchases at a discount are currently their sources of marginal energy and capacity, and the minimum price tariffs were priced accordingly. In lieu of making "exact," or more precise estimates on a customer by customer basis, this assumption is reasonable. Similarly, with the single refinement of reflecting differing losses depending on the voltage at which service is taken, applying the average system energy cost uniformly to all customers via Atlantic's EA is reasonable due to the practical impossibility of precisely determining or estimating the energy costs incurred in serving each customer individually.

The marginal cost of serving Monsanto on the other hand is precisely determinable, as under the Agreement, Monsanto's capacity and energy requirements will continue to be supplied on a dedicated basis from Logan's facility, as evidenced by the fact that Monsanto must continue to arrange for standby service for the supply of power when the Logan facility is unavailable. Thus, the cost of the Logan

capacity and energy, which as indicated above is initially zero and increases in step with increases in Atlantic's TGS rate going forward, is the appropriate measure of marginal energy and capacity costs in this instance. Moreover, the margin from the Monsanto sales over the payments to Logan is well above the 3 mills per kwh minimum set forth in our October 27, 1995 Order. We also note that because the transmission facilities required to serve Monsanto are already in place, no marginal transmission costs will be incurred upon Monsanto's return as an Atlantic customer.

Additionally, the LEAC crediting method specified in the October 27, 1995 Order need not be applied to achieve the objective of that Order, since, with the exception of standby service (to which the EA is fully applicable), Atlantic incurs no energy costs for internal generation or outside purchases in serving Monsanto, and the Logan payments are not to be included in the costs recoverable by the EA. In short, the stipulated EA treatment insures that the Monsanto transactions will have no effect on Atlantic's EA charges, thereby achieving the revenue neutrality objective intended by the LEAC treatment prescribed in the October 27, 1995 Order, as discussed more fully at pages 13 through 15 of the Board's Order in Co-Steel supra. We emphasize, however, that our approval of the EA treatment set forth in the Stipulation, as well as our findings on marginal cost, are fact-specific, reflecting as they do the circumstances underlying the Agreement for which our approval is sought.

The Amendment to the Stipulation reflects the fact that Monsanto's return is more nearly analogous to obtaining a "new" customer, in contrast to executing an off-tariff rate agreement with an existing customer, which the lost revenue sharing provision of the rate-flex statute (Section 4. b.) is intended to address. Thus, the Amendment effectively permits the issue of the prospective recovery of lost revenue to be considered as a cost of service issue in Atlantic's next rate case.

Importantly, Monsanto's return as an Atlantic retail customer will provide the State with additional Gross Receipts and Franchise Taxes of approximately \$130,000 annually, since under current law, GRFT is applied to utility-supplied retail sales but not to "inside the fence" retail sales made by non-utility generators, i.e., Logan. In sum, Monsanto's return, albeit at less than full tariff rates, will provide a contribution towards Atlantic's fixed costs and provide additional Gross Receipts and Franchise Taxes to the State, clear benefits that are currently not being realized.

Accordingly, the Board HEREBY APPROVES the attached Stipulation, as modified by the Amendment executed by the parties, and incorporates its terms and conditions in this Order as if fully set forth herein. The Board additionally FINDS the rates set forth in the assigned EPSA to be reasonable and prudent and in the public interest over the contract term, and DIRECTS the Company to file a




copy of the assigned EPSA (with, at the Company's option, a request for an appropriate Protective Order), within 30 days from the date of this Order.

DATED: August 12, 1996

BOARD OF PUBLIC UTILITIES  
BY:



HERBERT H. TATE  
PRESIDENT

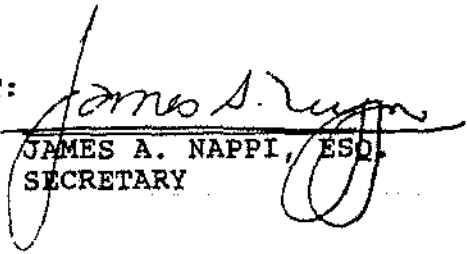


CARMEN J. ARMENTI  
COMMISSIONER



DR. EDWARD H. SALMON  
COMMISSIONER

ATTEST:



JAMES A. NAPPI, ESQ.  
SECRETARY