



Agenda Date: 05/19/15  
Agenda Item: 2F

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
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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 (2015) ) DOCKET NO. ER15030277

**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:

On March 2, 2015, Atlantic City Electric Company (“ACE” or Company”) filed a petition with the New Jersey Board of Public Utilities (“Board”) requesting approval of changes in its Non-Utility Generation Charge (“NGC”) and its Societal Benefits Charge (“SBC”). 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 “Parties”), requesting that the Board approve changes in the NGC and SBC 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 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

<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.

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 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 2, 2015, the Company filed the instant petition and accompanying exhibits, including pre-filed direct testimony ("March 2015 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"). In the March 2015 Petition, the projected deferred balances were based on actual costs and revenues through January 31, 2015, and projected data for the period of February 1, 2015 through May 31, 2015. By letter dated April 17, 2015, ACE updated its proposed adjustments to the NGC and to the CEP and UNC components of the SBC based on projected deferred balances that included actual costs and revenues through March 31, 2015 ("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, 2015 through May 31, 2016, totaling \$108.467 million. According to the Company, approval of the proposed rate would also return the projected over-recovered balance of \$6.135 million as of May 31, 2015, while recovering an additional \$32.507 million (\$32.419 million amortization and \$0.088 million interest) associated with the deferred under-recovered balance of \$126.973 million which is being amortized over a four-year period and will end on May 31, 2016. Based on the April Update, the net forecasted recovery for this period is \$134.839 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 \$12.665 million for the period June 1, 2015 through May 31, 2016. Additionally, the proposed rate would return to customers a projected over-recovered balance of \$1.546 million as of May 31, 2015. 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, which was initiated on July 1, 2012, over a four year amortization

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<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.

period ending May 31, 2016. As a result, an additional \$2.809 million (\$2.803 million amortization and \$0.008 million interest) is associated with the deferred under-recovered balance of \$10.978 million. The total forecasted recovery for this period is \$13.929 million.

The rates proposed for the CEP component of the SBC were designed to recover approximately \$31.838 million for the period June 1, 2015 through May 31, 2016. ACE has based its projections on the funding levels approved by the Board in its Order dated June 21, 2014 in Docket No. EO11050324V. The Company represented that the average monthly expenditures from the fiscal year 2015 projected funding levels as found in the above Order were used to develop the monthly expenditures for the periods July 2015 to May 2016. In addition, based on an estimate of the CEP deferred balance through May 31, 2015, ACE anticipated a projected over recovery of approximately \$0.041 million. The total forecasted recovery for this period is \$31.797 million.

According to the April Update, the net impact of adjusting the NGC and the CEP and UNC components of the SBC [including Sales and Use Tax ("SUT")] would result in an overall annual rate increase of approximately \$33.857 million.

After notice, public hearings were held on May 18, 2015 in Mays Landing, New Jersey.

### **STIPULATION**

Because the Company's filing will not be updated with actual revenues and expenses until after June 1, 2015, 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 7, 2015, the Parties entered into a stipulation for provisional rates for the NGC and SBC.

The Stipulation provides for the following<sup>4</sup>:

1. The Parties have determined that, because the Company's filing will not be updated with actual revenues and expenses through May 31, 2015 until after June 1, 2015, additional time is needed to assess any public comments and complete the review of the proposed rates and underlying costs for reasonableness and prudence. The Parties have agreed, however, that the implementation of provisional NGC and SBC rates is reasonable at this time. Final rates to replace or confirm the interim rates agreed upon in the Stipulation will be determined after the Company has provided to the Parties actual data through May 31, 2015, and after further discovery, a prudence review, and the opportunity for an evidentiary hearing, if necessary.
2. The Company's filing in this matter included a projected under-recovered NGC balance as of May 31, 2015 of \$10.920 million, including interest. The Parties stipulate, acknowledge, and agree that, based on the actual balance through March 2015 and estimates for the months of April and May 2015; this balance is projected to be an over-recovery of \$6.135 million, including interest (Settlement Schedule 1, page 1 of 3). For the period of June 1, 2015 through May 31, 2016, the total amount to be recovered will be approximately \$134.839 million, including interest.

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<sup>4</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.

3. The Parties stipulate, acknowledge, and agree that the Company's updated filing in this proceeding indicates forecasted above-market NUG costs of \$108.467 million for the period June 1, 2015 through May 31, 2016. A portion of the total NGC costs include \$32.507 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 \$134.839 million (Settlement Schedule 1, page 1 of 3, line 27). Accordingly, the Company will implement a provisional residential NGC rate of \$0.016135 per kWh for the period June 1, 2015 through May 31, 2016 (Settlement Schedule 1, page 1 of 3, line 39).
4. The Parties acknowledge, stipulate, and agree that the Company's updated filing as of March 31, 2015 in this proceeding indicates forecasted SBC costs for both the CEP and the UNC of \$45.727 million.

For the CEP component of the SBC, the projected costs total \$31.797 million. This total consists of \$31.838 million of projected CEP costs for the period June 1, 2015 through May 31, 2016 (Settlement Schedule 2, page 1 of 2, line 23), and a projected over-recovered balance at May 31, 2015 of \$0.041 million (Settlement Schedule 2, page 2 of 2, line 17).

The forecasted total cost for the UNC component of the SBC is \$13.929 million. This total includes \$12.665 million of projected UNC costs for the period June 1, 2015 through May 31, 2016 (Settlement Schedule 3, page 1 of 4, line 1), and a projected over-recovered balance at May 31, 2015 of \$1.546 million (Settlement Schedule 3, page 2 of 4, line 17). In addition, the forecasted UNC costs include \$2.811 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.

The Parties agree that the Company will implement a provisional CEP rate of \$0.003776 per kWh (Settlement Schedule 2, page 1 of 2, line 30) and a provisional UNC rate of \$0.001654 per kWh (Settlement Schedule 3, page 1 of 4, line 15). This represents a net decrease of \$0.000124 per kWh to the SBC rate.

5. According to the Company's calculation, the overall annual average monthly bill impact of the combined proposed NGC and SBC rate changes for a residential customer using 1,000 kWh per month results in an increase of \$3.77 or 2.03 percent (Settlement Schedule 4, page 4 of 4).
6. The 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.
7. The Parties further stipulate and agree to the establishment of NGC and SBC rates designed for recovery from the Effective Date through May 31, 2016, 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 the Stipulation. See Settlement Schedule 5 for the proposed Tariff pages incorporating the new rates. As shown in Settlement Schedule 4, the impact of the proposed rate changes for the period June 1, 2015 to May 31, 2016, including Sales and Use Tax, is an estimated annual increase of \$34.977 million related to the NGC component and an estimated annual decrease of \$1.120 million related to the SBC component (CEP and UNC combined). Consequently, the overall impact of the proposed rate changes is an estimated annual increase of \$33.857 million (including Sales and Use Tax) for all components.

8. The Parties agree that the Company's next NGC/SBC update/reconciliation petition shall be filed with the Board (with a copy to be provided to Rate Counsel) at least 120 days prior to the proposed effective date of June 1, 2016. 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 Parties further agree that ACE will continue to file quarterly reports with Board Staff and Rate Counsel, showing the actual NGC and SBC deferred balances. The reports will also include a forecast of the deferred balance on May 31, 2016. 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 Parties agree that ACE will, following consultation with Board Staff and Rate Counsel, file a petition to update the NGC and SBC components with an effective date prior to June 1, 2016.

## **DISCUSSION AND FINDING**

The Board has carefully reviewed the record to date in this proceeding, including the petition, the April Update, and the attached Stipulation, which allows the Company to recover costs on a provisional basis. The Board **FINDS** that 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, an increase of the CEP component of the SBC to \$0.003776 per kWh including SUT, a decrease of the UNC component of the SBC to \$0.001654 per kWh including SUT, and an increase in the NGC rate to \$0.016135 per kWh. For an average residential customer using approximately 1,000 kWh per month, the cumulative impact of these changes represents an increase of approximately \$3.77 or 2.03% on a total monthly bill.

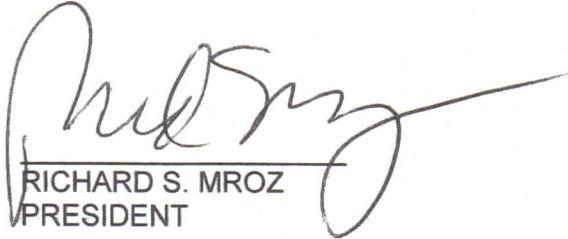
These changes shall become effective as of June 1, 2015. The Board **HEREBY ORDERS** ACE to file revised tariff sheets conforming to the terms of the Stipulation within five (5) days of service of this Board Order.

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.

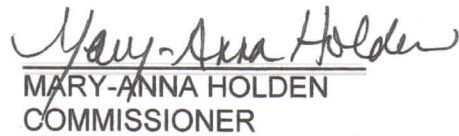
The effective date of this Order is June 1, 2015.

DATED: *May 19, 2015*

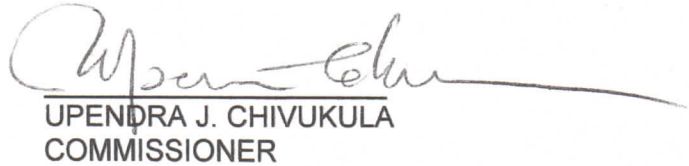
BOARD OF PUBLIC UTILITIES  
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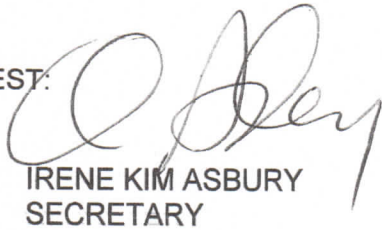
  
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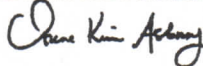
  
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ATTEST:   
IRENE KIM ASBURY  
SECRETARY

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 (2015) - BPU Docket No. ER15030277**

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