



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF ATLANTIC CITY ELECTRIC COMPANY FOR APPROVAL OF AMENDMENTS TO ITS TARIFF TO PROVIDE FOR AN INCREASE IN RATES AND CHARGES FOR ELECTRIC SERVICE PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1 AND FOR OTHER APPROPRIATE RELIEF)	ORDER APPROVING STIPULATION
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)	DOCKET NO. ER09080664
AND)	
)	
IN THE MATTER OF AN AUDIT OF THE AFFILIATED TRANSACTIONS BETWEEN ATLANTIC CITY ELECTRIC COMPANY AND PEPSCO HOLDINGS, INC. AND ITS AFFILIATES PURSUANT TO N.J.S.A. 48:3-49, 48:3-55, 48:3-56, 48:3-58 AND N.J.A.C. 14:4-5 ET. SEQ. AND MANAGEMENT AUDIT OF ATLANTIC CITY ELECTRIC COMPANY PURSUANT TO N.J.S.A. 48:2-16.4 AND N.J.A.C. 14:3-12.1)	DOCKET NO. EA07100794

Phillip J. Passanante, Esq. and Nicolas W. Mattia Jr., Esq. on behalf of Atlantic City Electric Company

Paul Flanagan, Esq.; Ami Morita, Esq.; Diane Schulze, Esq.; and Brian Weeks, Esq. (**Stefanie A. Brand**, Director, Division of Rate Counsel) on behalf of the Division of Rate Counsel

Alex Moreau, Deputy Attorney General on behalf of the Staff of the New Jersey Board of Public Utilities (**Paula Dow**, Attorney General of New Jersey)

BY THE BOARD¹

Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, on August 14, 2009, Atlantic City Electric Company (“ACE” or “Company”) filed a petition with the New Jersey Board of Public Utilities (“BPU” or “Board”) seeking an increase in the Company’s base electric distribution rates and

¹Commissioner Nicholas Asselta did not participate in this matter.

other changes to its tariff. The Company's filing consisted of a petition, exhibits and pre-filed testimony.

The Company, BPU Staff ("Staff"), the Division of Rate Counsel, known then as, the New Jersey Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"), the Natural Resources Defense Council ("NRDC"), and Wal-Mart Stores East, LP and Sam's East Inc. (collectively "Wal-Mart") (collectively, "the Parties"), executed a Stipulation on April 28, 2010 ("Stipulation").

The Stipulation provided for a Phase 2 filing, for the Parties to continue discussions on the following issues: (1) bill stabilization adjustment ("BSA") (2) infrastructure investment true-up and prudence, (3) customer service and (4) system reliability. Additionally, the Parties agreed that some of the outstanding issues identified in the Company's pending management audit in BPU Docket No. EA07100794 would be incorporated into the Phase 2 proceeding for final resolution. By Order dated May 12, 2010, the Board approved the Stipulation, and ordered commencement of the Phase 2 proceeding. Shortly after issuance of the Board's Order in this matter, the Parties met and agreed upon a process for discovery and resolution of the Phase 2 issues. Neither Wal-Mart nor NRDC actively participated in the Phase 2 proceeding.

The Company, Staff and Rate Counsel ("Stipulating Parties") conducted discovery and held numerous in-person and telephonic conferences on the issues remaining in the Phase 2 proceeding, and executed a stipulation dated April 14, 2011 ("Phase 2 Stipulation"), the salient points of which are as follows²:

THE PROPOSED STIPULATION³

1. Bill Stabilization Adjustment: The Company will withdraw the BSA, a mechanism to decouple the Company's revenues from the volume of its sales in order to stabilize revenues by basing revenues on a set level of use per customer rather than on individual customer sales volumes. The Company retains the right to request the adoption by the Board of a BSA, or some other similar regulatory recovery mechanism in another proceeding should it deem it appropriate to do so.
2. Review of the Infrastructure Investment Plan: By Order dated April 28, 2009, the Board, in BPU Docket Nos. EO09010049 and EO09010054 approved the Company's proposed Infrastructure Investment Plan ("IIP"), authorizing the Company to invest approximately \$27.6 million dollars over a two year period commencing with the date of the Board's Order in incremental infrastructure projects designed to create new jobs and enhance the economic climate in the State. As part of that Order, the Company was required to file a base rate proceeding where the IIP projects would be reviewed for reasonableness and prudence and financial true-up. The Stipulating Parties have agreed that the IIP will not be concluded until April 2011, and request that the Board continue this docket following adoption of the Phase 2 Stipulation for the limited purpose of allowing the Stipulating Parties

²NRDC and Wal-Mart were provided with a copy of the proposed stipulation, and each sent an e-mail to the Stipulating Parties stating that it takes no position on the stipulation.

³Although described at some length 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 in this Order.

to conduct the requisite review of the IIP required by the April 28, 2009 Order. The ratemaking treatment of any IIP expenditures determined to be reasonable and prudent will be governed by the terms of the April 28, 2009 Order.

3. Customer Service Conditions: Under the terms of the Stipulation, there were a number of unresolved issues involving customer service conditions which would be considered in this Phase 2 proceeding. The identified areas were as follows:

- Customer Complaints
- Deferred Payment Arrangements
- Disconnection for Nonpayment
- Service Appointments
- Winter Termination Program

A. Customer Complaints

ACE has agreed to the following:

- a. Expand upon the surveys it currently conducts with respect to customer satisfaction to include a transactional or "moment of truth" survey.
- b. Increase the frequency of meetings with Staff, and to include Rate Counsel with respect to analysis of customer complaint issues and trends.
- c. Not implement any change to the Customer Service Representative's DPA authorization level at this time.
- d. Monitor its enhanced information technology for one year and report to the Stipulating Parties. ACE's enhanced information technology automatically routes customer calls from customer courtesy centers to a dedicated priority queue to be connected to a customer service representative. The Company has noted a marked improvement in the time customers experience in being connected to an ACE customer representative. If difficulties continue in this regard, ACE has agreed to evaluate other practices.
- e. Continue to monitor its quality assurance program during the 2011 calendar year and advise the Stipulating Parties within 60 days of the conclusion of that period of the progress made in reducing the time for rectifying slow and non-measuring meters. By the end of 2010, the Company implemented a number of quality assurance steps in the expectation that it will reduce the time period for addressing the number of slow and non-measuring meters issue, including the establishment of an automated data program that will identify such meters, and thus allow for more expeditious correction by field personnel.

Based upon the corrective steps above, the Company expects that the annual number of customer complaints will be reduced. Within 30 days following the Board's approval of the Phase 2 Stipulation, the Stipulating Parties shall meet to review the processes and circumstances that result in a customer complaint being filed with the Board, and agree to identify additional steps, if necessary, that the Company can implement to address that situation. The Company will meet with Staff and Rate Counsel quarterly thereafter to monitor the progress of its efforts in this regard.

B. Deferred Payment Arrangement (“DPA”)

- a. The Company will comply with any prospective determination with regard to how the Low Income Home Energy Assistance Program (“LIHEAP”) funds should be applied to individual customer accounts by the appropriate regulatory agency (ies). The Department of Community Affairs (“DCA”) runs the LIHEAP program and has stated its intention to organize a working group to resolve this issue.
- b. The Company will allow post-bankruptcy customers to arrange for a DPA, and has reversed its policy in that regard.
- c. While the Company believes its current procedures with respect to the protocols for down payments and deposits for DPA comply with all applicable Board regulations, it has agreed to revise its customer service training document consistent with Rate Counsel’s and Staff’s suggested modifications as more specifically identified in Exhibit B, Attachment 4 to the Phase 2 Stipulation.

C. Disconnect for Non-Payment Policy

- a. The Company cannot, with its current customer database, identify all customers who are over the age of 65 as required N.J.A.C. 14:3-3A.4(c). Therefore, ACE has agreed to provide ALL customers subject to a pending disconnection with telephonic notification at least five (5) days in advance of the scheduled date for disconnection in addition to mail notification. ACE will revise its final disconnect notice as proposed by Rate Counsel and as described in more detail in Exhibit B Attachment 6 to the Phase 2 Stipulation.
- b. In the case of disconnection for non-payment at a master metered residence, such as a large apartment complex, ACE makes every effort to provide continuing service directly to the tenant where possible and when no fraud on the tenant’s part is indicated. Disconnection notices are placed at the subject premises when a service disconnection is about to occur.

D. Service Appointments

The Company has expressed its commitment to improve its performance in this area and has agreed to take the following steps:

- a. Service employees will undergo a retraining program to ensure their compliance with the performance standards adopted by the Company.
- b. The Company will adopt programs and standards that improve how service orders are initiated and performed.
- c. The Company will improve upon the daily scheduling of service orders to ensure that high priority is afforded these calls and that the service calls are properly coded.
- d. The Company will establish protocols to daily, weekly and monthly track service orders and personnel responses to them in order to ensure compliance and address any shortcomings with appropriate individuals.

- e. The Company agrees to establish for calendar year 2011, an 80 percent "appointments kept" target related to all scheduled service related customer appointments for existing customers.
- f. As per the 2002 Merger Order⁴, the Company will continue to credit \$25 on the bill of any customer for whom the Company fails to keep a guaranteed service appointment.

E. Winter Termination Program ("WPA")

While the Company believes that its current procedures comply with all applicable Board regulations with regard to the WPA, it has agreed to revise its customer service training document consistent with Staff's and Rate Counsel's suggested modifications.

Attached to the Phase 2 Stipulation as Exhibit B, Attachment 8, is a Customer Service Improvement Plan ("CSIP"), which addresses in detail the components of the above identified customer service areas. The Company will implement the steps identified in the CSIP in the timeframes set forth for each specific action item set forth therein. In addition, the Company will file with the Board and notify the Stipulating Parties, where applicable, within 15 months of approval and adoption of the Phase 2 Stipulation, a report on the effectiveness of the steps undertaken pursuant to the CSIP.

4. Reliability Improvement Plan: The Company proposed a Reliability Improvement Plan ("RIP") to address concerns affecting service quality. Specifically, the RIP targets six areas for improvement and enhanced investment. The identified areas are as follows:

- Enhanced Vegetation Management
- Priority Feeders
- Load Growth
- Distribution Automation
- Feeder Improvements
- Substation Improvements

A. Enhanced Vegetation Management

This area includes tree trimming along public and private rights-of-way to obtain increased clearance between the overhead electric wires and existing trees. In addition to its regular tree trimming program within its rights-of-way, which it addresses through its basic vegetation management plan, ACE will work with counties, communities and homeowners to remove trees that are off the Company's right-of-way, and are dead, in poor health or would damage the distribution system if they were to fall.

⁴ /M/O of the Petition of Atlantic City Electric Company, Conectiv Communications, Inc. and New RC, Inc. For Approval Under N.J.S.A. 48:2-51.1 and N.J.S.A. 48:3-10 of a Change in Ownership and Control, BPU Docket No. EM01050308, July 3, 2002.

B. Priority Feeders

Each year, ACE will expand upon the improvements that can be made to the underperforming priority feeders in its four operating regions. ACE will perform detailed investigations of these poorly performing feeders to determine the cause of outages, and evaluate corrective actions needed to reduce the number of outages.

C. Load Growth

Each year, ACE will evaluate the need to add or upgrade feeders in order to reliably supply new customers and support increased usage required by existing customers. This program enhancement will become part of the Company's long-established system planning process which ensures the continued availability of safe and reliable power for ACE's customers.

D. Distribution Automation

The Company will enhance its Distribution Automation program by installing advanced control systems across the distribution system to allow the electric system to identify faults and perform switching automatically. These technologies will automatically identify and isolate failed equipment and restore most of the affected customers within minutes of the failure. Improved Volt-VAR monitoring and control will reduce energy losses and demand on the distribution and transmission system and reduce Operations and Maintenance ("O&M") activity.

E. Feeder Improvement

Feeder improvement is focused on addressing equipment, vegetation, weather and animal-related interruptions which reduce reliability performance. This enhanced effort will concentrate on feeders which do not fall within the Priority Feeder Program, and includes minimizing the impacts of faults and addressing issues which cause multiple interruptions.

F. Substation Improvements

Problems emanating from within substations can cause a large number of customer outages. These issues can include animal incursions and equipment failures. The Company is expanding the funding for its regular activities in this area to address conditions that cause these outages, and will upgrade infrastructure in additional selected substations to reduce the impacts from substation-based outages.

5. RIP Implementation Objectives: Five out of the six initiatives in the RIP are focused on overall ACE reliability improvement rather than improvement(s) on a district basis. Funds will be directed at the most prevalent reliability issues within ACE's overall service area

rather than spread proportionally across its four operating districts. The Company has not as yet identified specific projects within the various RIP programs. A description of how the Company intends to implement the RIP is included in Exhibit C to the stipulation.

6. Reliability Indicators: The Company agreed to maintain any improvements it achieves in its System Average Interruption Duration Index ("SAIDI") and System Average Interruption Frequency Index ("SAIFI"). ACE expects to achieve a 20 percent reduction in system SAIFI from 2009 level (1.61) as a result of implementation of the RIP over the five (5) year program life. This translates to a target system-wide SAIFI of 1.30 or less. ACE also expects to achieve at least a 25% reduction in system SAIDI from the 2009 level (211 minutes) as a result of the RIP over the life of the plan. This translates to a target system-wide SAIDI of 160 minutes.
7. Reliability Reporting: The Company will report the reliability improvements being made annually to the Stipulating Parties as part of its System Reliability Report filed each May 31. ACE will include in its System Reliability Report supplemental metrics and reliability based information in addition to the specified reliability indices targets for SAIFI and SAIDI. This includes reporting of customers experiencing multiple interruptions and momentary average interruption frequency index. All indices will be reported on a Company on district basis. Additionally, the Company will report on the 20 worst performing circuit/feeders. Reporting of worst performing circuits will include full explanation of contributing factors and proposed corrective actions. Reporting of outage code categories will include the following:
 - Animal Contact
 - Tree Contact
 - Transformer Overload
 - Circuit Overload
 - Work Error
 - Equipment Failure
 - Lightning Contact

The first report will be due no later than May 31 for calendar year 2011, and on each successive May 31 for the preceding calendar year.

DISCUSSION AND FINDINGS

Based on the Board's review and consideration of the record in this proceeding, including the proposed Phase 2 Stipulation, the Board **HEREBY FINDS** the Phase 2 Stipulation to be reasonable, in the public interest and in accordance with the law while improving service reliability and customer service conditions. Therefore the Board **HEREBY ADOPTS** the Phase 2 Stipulation as its own, as if fully set forth herein.

The Board **HEREBY DIRECTS** that this Phase 2 Stipulation shall become effective on the date of the Board Order, in order to allow for the expeditious implementation by the Company of the programs included herein.

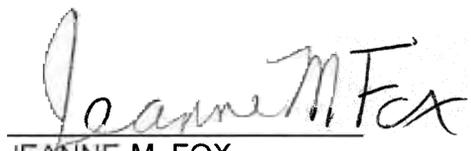
Finally the Board **HEREBY DIRECTS** Staff to keep Docket No. ER09080664 active for the limited purpose of final review of the reasonableness and prudence of the projects and financial true-up of the Company's Infrastructure Investment Plan pursuant to the Board's April 28, 2009

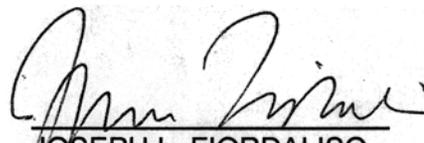
Order in Docket Nos. EO09010049 and EO09010054. The ratemaking treatment of any IIP expenditures determined to be reasonable and prudent will be governed by the terms of the April 28, 2009 Order.

DATED: 5/16/11

BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT

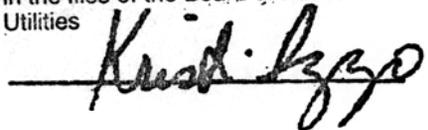

JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
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
for Approval of Amendments to its Tariff to Provide for an Increase in
Rates and Charges for Electric Service and for
Other Appropriate Relief
BPU Docket No. ER09080664

and

In the Matter of an Audit of the Affiliated Transactions
Between Atlantic City Electric Company and Pepco Holdings,
Inc. and its Affiliates Pursuant to N.J.S.A. 48:3-49, 48:3-55, 48:3-56,
48:3-58 and N.J.A.C. 14:4-5 et seq. and
Management Audit of Atlantic City Electric Company Pursuant to N.J.S.A. 48:2-16.4 and
N.J.A.C. 14:3-12.1 BPU Docket No. EA07100794

STIPULATION OF SETTLEMENT

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BOARD OF PUBLIC UTILITIES		
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OTHERS		
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A PHI Company

April 20, 2011

**VIA FEDERAL EXPRESS and
ELECTRONIC MAIL**
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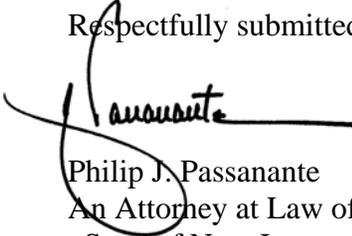
RE: In the Matter of the Petition of Atlantic City Electric Company for Approval of Amendments to Its Tariff to Provide for an Increase in Rates and Charges for Electric Service Pursuant to *N.J.S.A. 48:2-21* and *N.J.S.A. 48:2-21.1* and for Other Appropriate Relief
BPU Docket No. ER09080664

Dear Secretary Izzo:

Enclosed herewith are an original and six (6) copies of a Stipulation of Settlement in connection with the Phase 2 proceeding of the above-captioned matter. It is our understanding that the Stipulation will be considered by the Board of Public Utilities at the May 16, 2011 agenda meeting.

Thank you for your continuing cooperation and courtesies. Feel free to contact the undersigned with any questions or if I can be of further assistance.

Respectfully submitted,


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

cc: Service List (with attachment)

**IN THE MATTER OF THE PETITION OF
ATLANTIC CITY ELECTRIC COMPANY
FOR APPROVAL OF AMENDMENTS TO
ITS TARIFF TO PROVIDE FOR AN
INCREASE IN RATES AND CHARGES
FOR ELECTRIC SERVICE PURSUANT
TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1
AND FOR OTHER APPROPRIATE
RELIEF**

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

BPU DOCKET NO. ER09080664

and

**IN THE MATTER OF AN AUDIT OF THE
AFFILIATED TRANSACTIONS
BETWEEN ATLANTIC CITY ELECTRIC
COMPANY AND PEPCO HOLDINGS,
INC. AND ITS AFFILIATES PURSUANT
TO N.J.S.A. 48:3-49, 48:3-55, 48:3-56, 48:3-
58 AND N.J.A.C. 14:4-5 *ET SEQ.* AND
MANAGEMENT AUDIT OF ATLANTIC
CITY ELECTRIC COMPANY
PURSUANT TO N.J.S.A. 48:2-16.4 AND
N.J.A.C. 14:3-12.1**

BPU DOCKET NO. EA07100794

STIPULATION OF SETTLEMENT

APPEARANCES:

Philip J. Passanante, Esq., Assistant General Counsel; and Nicholas W. Mattia, Jr., Esq. (Dickstein Shapiro, LLP), on behalf of Petitioner, Atlantic City Electric Company

Paul Flanagan, Esq.; Ami Morita, Esq.; Diane Schulze, Esq.; and Brian Weeks, Esq. (Stefanie A. Brand, Director, Division of Rate Counsel), on behalf of the Division of Rate Counsel

Alex Moreau, Deputy Attorney General (Paula T. Dow, Attorney General of New Jersey), on behalf of the Staff of the Board of Public Utilities

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

This Stipulation of Settlement (the “Phase 2 Stipulation”) is hereby made and executed as of this 14th day of April, 2011, by and among Atlantic City Electric Company (“ACE”, “Petitioner” or the “Company”), the Staff of the Board of Public Utilities (“Staff”), and the

Division of Rate Counsel (“Rate Counsel”) (individually, a “Party” and collectively, the “Parties”), in settlement of all factual and legal issues insofar as they relate to Phase 2 of ACE’s August 14, 2009 Petition (the “Petition”) to the New Jersey Board of Public Utilities (the “Board” or “BPU”) in the above-captioned proceeding.

Petitioner is a corporation organized and existing under the laws of the State of New Jersey and is subject to the jurisdiction of the Board. Petitioner currently has its principal offices at 800 King Street, Post Office Box 231, Wilmington, Delaware, 19899 and maintains a regional office at 5100 Harding Highway, Mays Landing, New Jersey 08330. Petitioner serves approximately 547,000 customers located in eight counties located in southern New Jersey. On August 14, 2009, ACE submitted the Petition seeking an increase in its base rates of approximately \$51.6 million, the establishment of a Bill Stabilization Adjustment (“BSA”), as well as other related matters.

Following extensive discovery and numerous settlement conferences, the Parties, along with interveners Wal-Mart Stores East and Sam’s Club (collectively, “Wal-Mart”) and the Natural Resources Defense Council (“NRDC”), entered into a Stipulation dated April 28, 2010 with regard to the appropriate level of annual revenue increase to which the Company was entitled. Further, the Stipulation identified certain issues to be considered as part of a Phase 2 proceeding in the above-referenced dockets. The four issues reserved for Phase 2 are: (1) the Company’s proposed Bill Stabilization Adjustment (“BSA”); (2) final true-up of the Company’s Infrastructure Investment Program; (3) Customer Service considerations; and (4) System Reliability improvements. By Order dated May 12, 2010, the Board approved the Stipulation, including commencement of the Phase 2 proceeding. The Board did not refer the Phase 2 proceeding to the Office of Administrative Law. Rather, shortly after issuance of the Board’s

Order in this matter, the Parties met and agreed upon a process for discovery and resolution of the Phase 2 issues. Wal-Mart and NRDC were Parties to the Phase 1 proceeding, however neither are participants in this Phase 2 Stipulation.¹ Thereafter, the Parties conducted discovery and held numerous in-person and telephonic conferences on the issues remaining in the Phase 2 proceeding. During that process, the Company developed and submitted to the Parties draft plans addressing the Customer Service and System Reliability matters. Additionally, the Parties agreed, in the interests of regulatory efficiency, that the outstanding issues identified in the Company's pending Management Audit in BPU Docket No. EA07100794 ("Pending Audit"), as they relate to the subject matter of this Phase 2 proceeding, would be incorporated into this Phase 2 proceeding for purposes of final resolution. The issues incorporated into this Stipulation are Audit Recommendations 8-10, 15-1, 15-2, 15-3, 15-4, and 15-5, which are addressed more specifically in the Reliability Improvement Plan section hereof, and Audit Recommendation 20-2, which is addressed in the Customer Service Improvement Plan section, included herewith as **Exhibit A**. All other audit recommendations stemming from the Pending Audit are not resolved in this Phase 2 Stipulation and subject to resolution in the Pending Audit proceeding.

As a result of the discovery and settlement discussions identified above, the Parties have agreed upon this Phase 2 Stipulation. The Parties to this Phase 2 Stipulation specifically agree to the following resolution of the issues considered in this matter and hereby stipulate as follows:

SETTLEMENT TERMS AND CONDITIONS

1. Structure of Settlement. The Parties hereby stipulate that the terms of this Phase 2 Stipulation represent a fair conclusion with respect to the issues to be resolved in this

¹ Wal-Mart did not participate in the Phase 2 proceeding, while NRDC participated in one Phase 2 meeting at which the Company indicated that it intended to withdraw its request for a BSA. Both Wal-Mart and NRDC have each provided the Parties with email confirmations stating that they take no position with respect to the Phase 2 Stipulation.

proceeding, with the exception of the further deferral of the resolution of the Infrastructure Investment Program discussed later herein. The remaining Phase 2 issues have been specifically agreed upon, the details of which are set forth below.

2. Bill Stabilization Adjustment. As part of its initial filing in these proceedings, the Company requested the adoption of a BSA, which would decouple the Company's revenues from the volume of its sales in order to stabilize revenues by basing revenues on a set level of use per customer rather than on individual customer sales volumes. In furtherance of achieving this Phase 2 Stipulation, the Parties agree that the Company will withdraw its request for the establishment of a BSA as part of this proceeding.² The Company retains the right to request the adoption by the Board of a BSA, or some other similar regulatory revenue recovery mechanism, in another proceeding should it deem it appropriate to do so.

3. Infrastructure Investment Program. By Order dated April 28, 2009, the Board, in BPU Docket Nos. EO09010049 and EO09010054, approved the Company's proposed Infrastructure Investment Plan ("IIP"), pursuant to which the Company would invest approximately \$27.6 million dollars over a two year period commencing with the date of the Board's Order in incremental infrastructure projects designed to create new jobs and enhance the economic climate in the State. As part of that Order, the Company was to file a base rate proceeding which would become the vehicle wherein the IIP would be reviewed for reasonableness and prudence and financial true-up. The Parties agree that the current base rate case, which was filed on August 14, 2009, is the appropriate proceeding in which the IIP is to be reviewed. The Parties further agree that the IIP will not be concluded until April 2011, consistent with the provision of the Board's April 28, 2009 Order in that regard. Accordingly,

² Once fully executed and adopted by the Board, this Phase 2 Stipulation shall serve as Petitioner's official notice of withdrawal of the BSA from this base rate case.

the Parties agree, and hereby request the Board to continue this docket following adoption of this Phase 2 Stipulation for the limited purpose of allowing the Parties to conduct the requisite review of the IIP as set forth in the April 28, 2009 Order. The Parties agree that the ratemaking treatment of any IIP expenditures determined to be reasonable and prudent will be governed by the terms of the Board's April 28, 2009 Order.

4. Customer Service Improvement Plan. Under the terms of the April 28, 2010 Stipulation in this base rate case docket, the Parties agreed that there were a number of issues involving customer service conditions which required additional time and analysis, and thus were not included in that Stipulation. The Parties agreed, and the Board so ordered, that these issues would be considered in this Phase 2 proceeding.

On September 15, 2010, the Parties participated in a meeting to discuss 43 recommendations that were presented to the Company by Rate Counsel in Schedule RDC-23, Summary of Colton Customer Service Recommendations ("Schedule RDC-23"). On October 15, 2010, ACE provided Rate Counsel and Staff with the Company's formal responses to Schedule RDC-23. In addition, on October 15, 2010, Petitioner's representatives met with the Board's Division of Customer Assistance. In that meeting, specific customer service issues were identified by Staff. Staff's issues fall within the following general categories of service quality, and in certain instances overlap with similar issues raised by Rate Counsel. They are:

- Customer Complaints;
- Deferred Payment Arrangements;
- Disconnection for Nonpayment;
- Service Appointments; and
- Winter Termination Program.

On October 21, 2010, Petitioner, Rate Counsel and Staff participated in a second meeting to review the Company's formal responses to Schedule RDC-23. Petitioner agreed to provide additional information on ACE's customer service functions and the efforts that were underway or planned to improve customer service in the identified areas.

On November 1, 2010, the Company confirmed its agreement to incorporate all customer service issues identified at the October 15, 2010 meeting in this Phase 2 proceeding. On November 25, 2010, ACE provided Rate Counsel and Staff with the first draft of the Customer Service Improvement Plan (herein, the "CSIP") for review and comment. On December 1, 2010 and December 15, 2010, the Parties participated in additional meetings where the CSIP was reviewed and follow-up information was provided to Rate Counsel and Staff by the Company.

Attached hereto and made a part hereof as **Exhibit B** is the final CSIP (with attachments), which addresses in detail the components of the above-identified customer service areas. The Parties agree that, for purposes of resolving this aspect of the Phase 2 proceeding, the Company shall implement the steps identified in the CSIP in the timeframes set forth for each specific action item set forth therein. Further, the Parties agree that the Company shall file with the Board and the Parties, where applicable, within 15 months of the Board's Order approving and adopting this Phase 2 Stipulation, a report on the effectiveness of the steps undertaken pursuant to the CSIP.

In summary, the CSIP proposes for each of the subject areas noted above that the Petitioner will take the following steps to improve upon the service it provides to customers:

A. Customer Complaints

- The Company currently is experiencing a high number of customer complaints that are reported to the Board and its Staff. Rate Counsel

has identified a number of steps the Company should take to alleviate this situation. In response, Petitioner has agreed to take the following steps:

- Expand upon the surveys it currently conducts with respect to customer satisfaction to include a transactional or “moment of truth” survey that will monitor field service calls, emergency and office services, where appropriate.
- The Company currently tracks issues and trends with regard to customer complaints. The Company currently meets annually with Staff to review those analyses, and has agreed to increase the frequency of those meetings with Staff, and to include Rate Counsel in future meetings.
- A question was raised by Rate Counsel as to the duration of Deferred Payment Arrangements (“DPA”) that a front-line Customer Service Representative is authorized to agree to with a customer, which, for ACE, is twelve (12) months. Rate Counsel suggested that front-line Customer Service Representatives be authorized to agree to a longer DPA period. Analysis of the other utilities in the State indicates that ACE’s practice in this regard is comparable to the other New Jersey utilities. Therefore, ACE will not implement any change to the Customer Service Representative’s DPA authorization level at this time.

- ACE currently maintains five Customer Courtesy Centers (“CCC”) in its service territory which are staffed primarily to accept customer payments. Customers with other concerns are provided a toll-free telephone at each CCC in order to contact a Customer Service Representative. The Company’s current Service Level Guarantee in the Board Order approving the Company’s merger with Pepco Holdings, Inc., dated July 3, 2002, in BPU Docket No. EM01050308 (the “2002 Merger Order”) provides that, on an annual basis, 75 percent of all calls are to be answered within 30 seconds. Problems have existed in the past for customers using the toll-free service in getting timely connected with a Customer Service Representative. Rate Counsel proposed staffing the CCC with an in-person Customer Service Representative. The Company identified concerns it has with this proposal. However, in response to this issue, ACE has installed enhanced information technology that automatically routes customer calls from a CCC to a dedicated priority queue to be connected to a Customer Service Representative. Since this approach has been implemented in December 2010, Petitioner has noted a marked improvement in the time customers experience in being connected to an ACE representative. For the months of January and February 2011, under the new automatic call

routing system installed at the CCCs, the Company recorded a 98 percent timely response for these calls. The Company will monitor this new practice for one year and report back to the Parties. If difficulties continue in this regard, ACE has agreed to evaluate other practices at that time.

- Staff has raised concerns with regard to Petitioner's slow and non-measuring meter statistics. Based upon the Company's review of calendar year 2010 customer accounts involving a slow or non-measuring meter, it takes on average 6 months from the time that a defective meter is identified to when a corrected customer bill associated with that meter is issued. The Parties agree that further enhancements are required to improve the Company's performance in this regard. By the end of 2010, the Company implemented a number of quality assurance steps in this area that it expects will reduce the time period for addressing the number of slow and non-measuring meters issue, including the establishment of an automated data program that will identify such meters, and thus allow for more expeditious correction by field personnel. The Company will continue to monitor this program during calendar year 2011, and will advise the Parties within 60 days of the conclusion of that period of the progress made in reducing the time for rectifying slow and non-measuring meters.

- As of the end of calendar year 2010 the Company had approximately 2,100 customer complaints registered with the Board. As part of the 2002 Merger Order, the target for such complaints was set at 1,500 per year, and such target shall continue to remain in effect. Since the 2002 Merger Order was put in place, the Company has experienced a growth in total customers of nearly 7 percent. Based upon the steps identified above, the Company expects that the annual number of customer complaints will be reduced. In addition, the Parties agree that, within 30 days following the Board's approval hereof, the Parties shall meet to review the processes and circumstances that result in a customer complaint being filed with the Board, and agree to identify additional steps, if necessary, that it can implement to address that situation. Further, the Parties agree that the Company will meet with Staff and Rate Counsel quarterly thereafter to monitor the progress of its efforts in this regard.

B. Deferred Payment Arrangements

- Rate Counsel raised concerns with respect to DPAs in three specific regards. First, it requested current data on the number of customers with DPAs, including those that are delinquent under or have broken the terms of their respective DPA. The Company provided that information to the Parties. (See **Exhibit B, Attachments 1, 2 and 3**)

- The second area of inquiry dealt with the method employed by the Company for the application of the Low Income Home Energy Assistance Program (“LIHEAP”) payments to customer accounts. Petitioner maintains that it is appropriately applying the LIHEAP funds to customer arrearages that are not currently due and that are subject to a DPA. Staff agrees with the Company that LIHEAP funds applied to past arrearages is an acceptable methodology. Rate Counsel maintains that, based on federal law and LIHEAP guidelines, LIHEAP funds should not be applied to arrearages but should be used to pay only the currently due “asked to pay” amount on the customer’s bill. Rate Counsel believes that any LIHEAP funds not used for currently due payments should be credited to the next month’s bill. As LIHEAP is a statewide program in which all utilities participate for the benefit of their eligible customers, the Company believes that any modification with respect to how these funds are applied to individual customer accounts should be implemented for all utilities in a uniform manner and therefore has declined to modify its LIHEAP procedures at this time. The Company agrees that it will comply with any prospective determination in this regard by the appropriate regulatory agency(ies). (See **Exhibit B, Attachment 5**) The Department of Community Affairs (“DCA”) runs the LIHEAP program and has stated its intention to organize a working group to resolve this issue.

- Rate Counsel questioned the Company's policy with regard to not allowing a post-bankruptcy customer to have access to a DPA. The Company agrees with the Parties that post-bankruptcy customers should be able to arrange for a DPA, and has reversed its policy in that regard.
- Rate Counsel and Staff questioned the Company's protocol for down payments and deposits under a DPA. While the Company believes its current procedures comply with all applicable Board regulations, it has agreed to revise its customer service training document consistent with Rate Counsel's and Staff's suggested modifications. (See **Exhibit B, Attachment 4**)

C. Disconnect for Non-Payment Policy

- N.J.A.C. 14:3-3A.4(c) requires all utilities in the State to make a good faith effort to identify residential customers over the age of 65 who are subject to be disconnected for non-payment. In addition to mail notification of the pending disconnection, N.J.A.C. 14:3-3A.4(c) requires utilities to also notify such customers by phone. Petitioner cannot, with its current customer database, identify all customers who are over the age of 65. Therefore, ACE has agreed to provide ALL customers subject to a pending disconnection, in addition to mail notification, with telephonic notification at least five (5) days in advance of the scheduled date for disconnection. In addition,

Petitioner agrees to revise its Final Disconnect Notice as proposed by Rate Counsel. (*See Exhibit B, Attachment 6*)

- In the case of disconnection for non-payment at a master metered residence, such as a large apartment complex, ACE makes every effort to provide continuing service directly to the tenant where possible and when no fraud on the tenant's part is indicated. Disconnection notices are placed at the subject premises when a service disconnection is about to occur. (*See Exhibit B, Attachment 7*)

D. Service Appointments

- Rate Counsel has expressed concerns with the Company's service appointment performance and has requested that the Company undertake an analysis of its performance in this regard. Petitioner has expressed its commitment to improve its performance in this area and has agreed to take the following steps:
 - Service employees will undergo a retraining program to ensure their compliance with the performance standards adopted by the Company.
 - The Company will adopt programs and standards that improve on how service orders are initiated and performed.
 - Petitioner will improve upon the daily scheduling of service orders to ensure that high priority is afforded these calls and that the service calls are properly coded.

- The Company will establish protocols to daily, weekly and monthly track service orders and personnel responses to them in order to ensure compliance and address any shortcomings with appropriate individuals.
- As an indication of improvement, the Company agrees to establish for calendar year 2011 an 80 percent “appointments kept” target related to all scheduled service related customer appointments for existing customers.
- The Parties acknowledge that, as per the 2002 Merger Order, the Company will continue to credit \$25 on the bill of any customer for whom the Company fails to keep a guaranteed service appointment.

E. Winter Termination Program

- Rate Counsel requested that the Company review its training material used by Customer Service Representatives as part of the Winter Termination Program (“WPA”) for inclusion of customers on the Company’s Winter Protection Plan budget. Specifically, Rate Counsel questioned the Company’s protocol for down payments and deposits under the WPA. While the Company believes that its current procedures comply with all applicable Board regulations, it has agreed to revise its customer service training document consistent with Staff’s and Rate Counsel’s suggested modifications. (*See Exhibit B, Attachment 8*)

5. Reliability Improvement Plan. The fourth issue identified in the April 28, 2010 Stipulation focused on reliability concerns impacting the service quality provided to Petitioner’s customers. During the meetings and conferences noted in the previous CSIP section, the Parties discussed the specific reliability concerns expressed by Staff and Rate Counsel. The Company responded with a draft Reliability Improvement Plan (“RIP”) which targets six specific areas for improvement and enhanced investment. The six programs identified are:

- Enhanced Vegetation Management;
- Priority Feeders;
- Load Growth;
- Distribution Automation;
- Feeder Improvements; and
- Substation Improvements.

Attached hereto and made a part hereof as **Exhibit C** is the final RIP. In summary, the RIP proposes for each of the subject areas noted above that the Company will take the following steps to improve upon its service reliability to its customers:

A. Enhanced Vegetation Management

Enhanced vegetation management includes tree trimming along public and private rights-of-way to obtain increased clearance between the overhead electric wires and existing trees. In addition to its regular tree trimming program within its rights-of-way, which it addresses through its basic vegetation management plan, ACE will work with counties, communities and homeowners to remove trees that are off the Company’s right-of-way, and are dead, in poor health or would damage the distribution system if they were to fall.

B. Priority Feeders³

Each year, Petitioner will expand upon the improvements that can be made to the underperforming priority feeders in its four operating regions. ACE will perform detailed investigations of these poorly performing feeders to determine the cause of outages and evaluate corrective actions needed to reduce the number of outages.

C. Load Growth

Each year, ACE will evaluate the need to add or upgrade feeders in order to reliably supply new customers and support increased usage required by existing customers. This program enhancement will become part of the Company's long-established system planning process which ensures the continued availability of safe and reliable power for Petitioner's customers.

D. Distribution Automation

The Company will enhance its Distribution Automation program by installing advanced control systems across the distribution system to allow the electric system to identify faults and perform switching automatically. These technologies will automatically identify and isolate failed equipment and restore most of the affected customers within minutes of the failure. Improved Volt-VAR monitoring and control will reduce energy losses and demand on the distribution and transmission system and reduce Operations and Maintenance ("O & M") activity.

³ Generally, a feeder is one electric distribution line that supplies electric power to over 1,000 customers within a specific geographic area. Pursuant to the Board's requirements, each year the Company identifies its 20 (five from each of its four operating regions) worst performing feeder lines for priority corrective action.

E. Feeder Improvement

Feeder improvement is focused on addressing equipment, vegetation, weather and animal-related interruptions which negatively impact reliability performance. This enhanced effort will concentrate on feeders which do not fall within the Priority Feeder Program, and includes minimizing the impacts of faults and addressing issues which cause multiple interruptions.

F. Substation Improvements

Problems emanating from within substations can cause a large number of customer outages. These issues can include animal incursions and equipment failures. Petitioner is expanding the funding for its regular activities in this area in order to address conditions that cause these outages and will upgrade infrastructure in additional selected substations to reduce the impacts from substation-based outages.

RIP Implementation Objectives

The Parties have discussed the issue of how funding will be allocated by project category throughout the Company's service territory. Rate Counsel maintains that these funds be directed to applicable program areas most in need of attention. The Company is in agreement with that position. To that end, five out of the six initiatives in the RIP are focused on overall ACE reliability improvement rather than improvement(s) on a district basis. This means that funds will be directed at the most prevalent reliability issues within ACE's overall service area rather than spread proportionally across its four operating districts. While the Parties agree that the Company shall implement the RIP in this manner, they understand that the Company has not as yet identified specific projects

within the various RIP programs. Following is a description of how the Company intends to implement the RIP:

The Enhanced Vegetation Management will follow ACE's commitment to a four year cycle-based trimming program, however, it further addresses emergent vegetation-related reliability concerns by prioritizing the trimming of feeders based on their SAIFI associated with vegetation, thus driving vegetation management initiatives from a “worst first” perspective.

Load growth projects will be scheduled where the load is forecasted to appear, independent of operating district. Distribution automation projects will be designed and installed where capacity is available and the cost of constructing feeder ties meets the Company’s cost/benefits analysis requirement. Substation improvement opportunities will likewise be independent of operating district location as ACE intends to upgrade those substations most in need of improvement that affect system-wide reliability.

The feeder reliability improvements initiative identifies feeders that exhibit poor performance based on a feeder’s individual reliability indices as well as the feeder’s contribution to overall system reliability. Those feeders that exhibit the best opportunity for improvement of the overall system reliability will be targeted for improvements. Additionally, sections of feeders that exhibit multiple interruptions for ostensibly avoidable causes will be addressed as part of this initiative.

The Priority Feeder Program, which looks at feeder performance on an operating district basis (specified at five feeders per district per Board requirements), is the

only initiative that has a specific operating district requirement on the selection of targeted feeders. However, there is no requirement for leveled district spending associated with improving those feeders and the Company will employ as much flexibility as possible to achieve the maximum reliability improvement as possible across its system.

Reliability Improvement Plan Metrics

Utilizing 2009 as the baseline for evaluating ACE's performance with respect to implementation of the RIP, ACE expects to achieve a 20 percent reduction in system SAIFI from 2009 level (1.61) as a result of the RIP over the five (5) year program life. This would translate to a target system-wide SAIFI of 1.30 or less, reversing the five year decline in SAIFI as measured at the ACE system level, utilizing BPU major storm exclusion criteria. ACE also expects to achieve at least a 25% reduction in system SAIDI from the 2009 level (211 minutes) as a result of the RIP over the life of the plan. This would translate to a target system-wide SAIDI of 160 minutes as measured at the ACE system level, utilizing BPU major storm exclusion criteria. To the extent that SAIFI improvement may outpace SAIDI improvement, it should be noted that CAIDI may worsen due to the mathematical relationship of CAIDI to SAIFI and SAIDI. ACE agrees, using commercially reasonable efforts, to maintain any improvements it achieves in SAIDI and SAIFI. The Company shall report annually to the Parties on a calendar year basis as part of its System Reliability Report filed each May 31 with respect to the progress being made in this regard. The Company will include in its System Reliability Report supplemental metrics and reliability based information in addition to the specified reliability indices targets for SAIFI and SAIDI. These should, at a minimum, include

reporting of CEMI (Customers Experiencing Multiple Interruptions) and MAIFI (Momentary Average Interruption Frequency Index). All indices will be reported on a Company and District basis. Additionally, the Company will report the aforementioned indices on the 20 worst circuit/feeders. Reporting of worst performing circuits will include full explanation of contributing factors and proposed corrective actions. Reporting of outage cause code categories will include Animal Contact, Tree Contact, Transformer Overload, Circuit Overload, Work Error, Equipment Failure, and Lightning Contact reported at the Company, District and circuit/feeder level. The first such report will be due no later than May 31, 2012 for calendar year 2011, and on each successive May 31 for the preceding calendar year.

Petitioner has developed the RIP as an enhancement to existing programs, as well as an initiation of new activities. The RIP is designed to substantially increase the reliability of the distribution system across ACE's operating area by reducing the frequency and duration of customer outages. Subject to review for reasonableness and prudence and financial true-up, the Parties agree that implementation of the RIP by the Company is an appropriate step to be taken in order to improve upon Petitioner's system reliability.

6. Effective Date. The Parties agree that this Phase 2 Stipulation should be considered by the Board at its next available agenda meeting which is currently scheduled for April 27, 2011 in order to allow for the implementation by the Company of the programs covered hereby at the earliest possible time.

MISCELLANEOUS

7. This Phase 2 Stipulation shall be binding on the Parties upon approval by the Board. This Phase 2 Stipulation shall bind the Parties in this matter only and shall have no precedential value.

8. It is the intent of the Parties that the terms and conditions set forth in this Phase 2 Stipulation, and any Board Order to be issued as a result hereof, shall not be deemed to change, alter or modify the provisions and requirements of the 2002 Merger Order.

9. This Phase 2 Stipulation contains terms, each of which is interdependent with the others and essential in its own right to the signing of this Phase 2 Stipulation. Each term is vital to the agreement as a whole, since the Parties expressly and jointly state that they would not have signed the Phase 2 Stipulation had any term been modified in any way. Since the Parties have compromised in numerous areas, each is entitled to certain procedures in the event that any modifications whatsoever are made to the Phase 2 Stipulation.

10. If, upon consideration of this Phase 2 Stipulation, the Board were to modify any of the terms described above, each of the signatory Parties each must be given the right to be placed in the position it was in before the Phase 2 Stipulation was entered into. It is essential that each Party be afforded the option, prior to the implementation of the programs incorporated herein, either to modify its own position, to accept the proposed change(s), or to resume the proceeding as if no agreement had been reached. This proceeding, under such circumstance, would resume at the point where it was terminated.

11. The Parties agree that these procedures are fair to all concerned, and therefore, they are made an integral and essential element of this Phase 2 Stipulation.

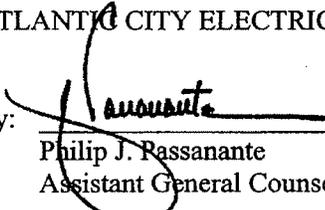
CONCLUSION

WHEREFORE, for the reasons set forth above, the Parties to this Phase 2 Stipulation respectfully request that the Board (i) approve and adopt this Phase 2 Stipulation in its entirety; (ii) retain Docket No. ER09080664 active for the limited purpose of the final review and reconciliation of the IIP as set forth in the April 28, 2009 Board Order; and (iii) issue a Decision and Order determining that the resolution of the issues in this proceeding as proposed in this Phase 2 Stipulation are just and reasonable.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

ATLANTIC CITY ELECTRIC COMPANY

Dated: April 14, 2011

By: 
Philip J. Rasanante
Assistant General Counsel

DIVISION OF RATE COUNSEL

Dated: 4/19/11

By: 
~~Stefanie A. Brand, Esq.~~
~~Director~~ *Brian Weeks*
Deputy Rate Counsel

PAULA T. DOW
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board of
Public Utilities

Dated: 04/19/11

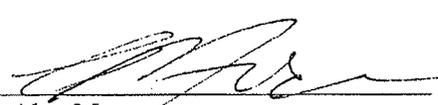
By: 
Alex Moreau
Deputy Attorney General

Exhibit A

Exhibit A

Atlantic City Electric Company Management Audit Recommendations Customer Service and Reliability BPU Docket No. EA07100794

Recommendation 8-10, Page 8-2:

The lack of consistent commitment of funding for service quality and reliability projects has led to subpar performance metrics. Customer satisfaction, service quality and reliability performance should be a high priority that translates into tangible results in the near-term.

Response:

The Company disagrees with the statement and opinion of the auditor that its level of customer service quality and reliability has been subpar. In fact, ACE's customer service quality and reliability performance have met all standards required by the Board. ACE is committed to improving customer service and reliability and has established goals and incentives to improve performance. For additional detail, please see the responses to the Chapter 15 recommendations.

Recommendation 15-1, Page 15-3:

PHI should prepare a comprehensive reliability improvement plan by March 31, 2010. PHI is using 2009 to analyze and plan reliability improvement initiatives and to make improvements in the reliability management process. PHI should prepare a comprehensive report that explains its reliability improvement strategies, plans and initiatives. The report should explain how the initiatives and improvements relate to ACE and provide sufficient detail to understand the improvement plans for each of ACE's four districts.

Response:

ACE believes that it is already fully compliant with this recommendation and that there is no need to require anything other than the annual reporting requirements as set forth in N.J.A.C. 14:5-8. On a system-wide basis, ACE has fully complied with all of the requirements of N.J.A.C. 14:5-8, which is applicable to all four of the electric distribution companies ("EDCs") serving the State. With respect to reliability improvement strategies, the annual report identifies the least performing feeders within each district and the work to be performed to improve their performance. Specifically, N.J.A.C. 14:5-8, "Annual System Performance Report", identifies programmatic reporting requirements. This annual report to the Board includes, in part, the following information:

- (a) The Annual Report shall include all of the following data:

1. the electric service reliability performance for the EDC's predefined operating areas in relation to their minimum reliability levels of SAIFI and CAIDI;
 2. a summary value for each EDC's New Jersey service territory as a whole in relation to their minimum reliability levels for CAIDI and SAIFI;
 3. a summary of the EDC's system performance for the previous calendar year prior to the submittal of the report, accompanied by a graph displaying the data visually;
 4. a summary of the EDC's system performance for the ten years prior to the submittal of the report, including the data for the previous calendar year, accompanied by a graph displaying the data visually;
 5. statistical tables and charts for EDC reliability performance in its New Jersey service territory and by each operating area;
 6. ten years of trends of CAIDI and SAIFI; and
 7. ten years of trends reflecting the major causes of interruptions.
- (b) The Annual Report shall also include a summary of:

1. the EDC's reliability programs, including inspection and maintenance programs;
2. changes and exceptions to the EDC's current program(s);
3. the EDC's new reliability program(s);
4. the EDC's poor performing circuit program including the methodology used for circuit identification and any appropriate corrective actions;
5. the EDC's power quality program;
6. the EDC's stray voltage program;
7. technology initiatives to improve reliability;
8. the number of personnel (broken down by bargaining and non-bargaining unit) in each EDC's operating area(s) and a summary statement referencing each EDC's training program; and
9. the vegetation management work and planned activities as required in N.J.A.C. 14:5-9.7(d).

An officer of the EDC is required to certify to the accuracy of the data and analysis in the Annual Report, and that necessary maintenance programs and other actions are being performed and adequately funded and addressed in its business plans to help achieve the benchmark reliability levels and as a minimum to maintain the minimum reliability levels for each operating area.

To the extent that the Board decides to follow Overland's recommendations, new reliability standards and enhanced reporting requirements should not apply solely to ACE and must involve a process that would allow appropriate cost recovery. The appropriate method to revise any Board order reporting requirement would be to establish a working group process involving Staff, all four EDCs and other interested parties. ACE would be willing to participate, as it has in the past, in the working group

and would comply with any reporting requirements approved by the Board that apply to all EDCs across the state.

Recommendation 15-2, Page 15-3:

ACE should increase its vegetation management funding. ACE has not adequately funded vegetation management in the past. As a result, overgrowth conditions exist on parts of its system. ACE's current 2009 budget is not adequate to eliminate the overgrowth conditions. PHI plans to initiate a vegetation management policy review in 2009. That review provides an opportunity to address vegetation management funding in 2010 and beyond.

Response:

While ACE gives high priority to inspecting and mitigating vegetation issues on worst performing feeders, this does not mean that cycle trimming funds are proportionally diverted from the planned cycle trim budget. Since the pruning prescription for worst performing feeders is to inspect and prune as necessary (unlike cycle based clearance trimming), depending on the last cycle trim of the feeder and the predominant causes and locations of outages contributing to worst performing feeder status, significant pruning may not be necessary. If a worst performing feeder is due for cycle trimming, no funds are effectively diverted from the cycle. Additionally, a significant portion of ACE's yearly tree trimming is accomplished as a part of capital projects aimed at reliability improvement or load growth. Trees along project rights-of-way are trimmed or removed as a part of the project. These costs (and miles) are not reflected in the annual cycle Operations & Maintenance ("O&M") budget and plan.

If ACE was to be required to establish a vegetation management program that exceeded the current requirements, an enhanced vegetation management program would include a program to remove and replace trees outside of the normal trim area and significant trimming of trees well above the lines. These efforts would be performed to keep limbs or trees that fall during storms or that die and break off the tree from damaging the distribution lines. This work is not needed for electrical clearance and would only be performed to reduce line damage during storms. Performing this level of vegetation management work would result in a significant increase in vegetation management costs.

Recommendation 15-3, Page 15-4:

ACE should provide consistent stable funding for reliability initiatives. The reliability summits identified funding fluctuations caused by cost reduction directives as a contributor to poor reliability performance. Cutting reliability programs to meet short-term budget targets sends the wrong message to employees. Frequent funding changes also reduce the cost effectiveness of the programs. ACE should increase the priority given to reliability initiatives so funding does not fluctuate significantly from year-to-year based on temporary cost containment objectives.

Response:

ACE questions the validity of this recommendation and the supporting findings. Regardless of the notes from the Company's Reliability Summits, the Company points out that reliability capital spending has doubled over the past five years. Allocations have shifted to more emergent reliability issues from year to year. More specifically, contrary to the recommendation, ACE's reliability capital spending **increased** by over \$3 million in 2009.

The recommendation appears to use O&M spending and capital spending interchangeably. Considering the severe economic outlook in 2009, PHI invoked a cash conservation strategy in the capital spending categories, primarily to assure that capital spending and associated debt servicing could continue in tight capital markets. The primary areas that funds were reduced were in the new customer service area and construction of new facilities to support load growth. The economic conditions of 2009 reduced the growth rate within the region and reduced the need for this work.

It is also important to note that the Reliability Summits records reflect comments based on opinions of employees from various work groups. These employees often bring different and limited perspectives that reflect their individual responsibilities. The Summit format encouraged participants to share what was on their minds, and comments were noted regardless of parochial perspective or lack of context. Accordingly, Overland's reliance on such records is inappropriate in that the records and notes of individual employees do not reflect a holistic Company-wide view.

Recommendation 15-4, Page 15-4:

ACE should improve the metrics it uses to measure reliability. PHI recognizes the need to improve its outage cause tracking categories. PHI also recognizes the need to analyze outage duration statistics by component, location and working conditions.

Response:

The Company believes that it is already working to accomplish the intended results of this recommendation. PHI utilizes the reliability metrics specified under the Administrative Code and is continually seeking ways to improve its analytical capabilities with respect to outage data and sees the value in collection of more meaningful data. The installation of a new outage management platform at ACE in 2009 was the first step in enabling this deeper analysis.

PHI does classify outages by cause and has expanded these causes to include multiple weather related causes, and on/off right-of-way tree incursions, among others. Additionally, outages due to equipment failure are further classified by type of equipment.

PHI continues to review outages that exceed six hours for improvement opportunities, as stated in the recommendation. The comments and reasons for lengthy outages are recorded as a part of the web based report.

CAIDI is tracked at various levels across PHI, including at the district level. Districts are benchmarked in reliability monthly via reliability performance reports. Variability in supervisory and crew assignments makes it impractical to track CAIDI at those levels.

Recommendation 15-5, Page 15-4:

ACE should include more information in its Annual System Performance Report. The BPU's Reliability Standards require ACE to submit an Annual System Performance Report. ACE's reports do not include any discussion of the service restoration process or reliability spending. The most recent report was submitted in May 2009. That report does not mention the reliability summits or discuss the issues identified in the summits. The Annual System Performance Report provides ACE with an opportunity to demonstrate its commitment to improving its reliability performance. ACE should expand the reports beyond the minimum requirements of the Reliability Standards to more effectively communicate and document its reliability improvement strategies, plans and results.

Response:

Please see the response to Recommendation 15-1 above.

Recommendation 20-2, Page 20-3:

Absent disclosure to the customer of the New Jersey rules concerning down-payments prior to the initiation of a deferred payment agreement, we recommend Company representatives be trained on these rules on a periodic basis, and the training manual be updated to incorporate these rules. In addition, during negotiations, Company representatives should not suggest down-payments that exceed 25 percent of outstanding balances owed, and customers should not be coaxed by Company representatives to pay more than a 25-percent down-payment on a deferred payment arrangement if they initially offer less.

Response:

ACE will include the deferred payment rules as part of its customer service training. Additionally, the Company would note that ACE does not require or coax customers to make down payments exceeding 25% in order to establish an initial deferred payment arrangement.

Exhibit B



A PHI Company

Exhibit B

Atlantic City Electric Company Customer Service Improvement Plan

March 2011

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1. EXECUTIVE SUMMARY

Atlantic City Electric Company (“ACE” or the “Company”) is committed to enhancing its customer service processes and procedures in the areas recommended by the New Jersey Division of Rate Counsel (“Rate Counsel”) and the Staff of the Board of Public Utilities (“Staff”), as further detailed in this report. (The Board of Public Utilities shall be referred to herein as the “Board” or “BPU”).

This report provides an overview of ACE’s customer service functions that have been identified for improvement by Rate Counsel and/or Staff and the Company’s efforts that are underway or planned to improve customer service in the following areas:

- Customer Complaints
- Deferred Payment Arrangements (“DPA”)
- Disconnects for Nonpayment (“DNP”)
- Service Appointments
- Winter Termination Program (“WTP”)

2. INTRODUCTION and BACKGROUND

On April 28, 2010, ACE, Staff, Rate Counsel and other parties executed a Stipulation of Settlement (“Stipulation”) with respect to ACE’s August 14, 2009 Petition for an Increase in Rates and Charges to the New Jersey Board of Public Utilities in BPU Docket No. ER09080664, OAL Docket No. PUCRL 06643-2009N.

Under the terms of the Stipulation, the parties agreed that there were a number of issues, including customer service issues, which required additional time and analysis and were not included in the Stipulation for purposes of resolution. The parties agreed that these issues would be considered in a Phase 2 proceeding.

On September 15, 2010, ACE, Rate Counsel and Staff participated in a meeting to discuss 43 recommendations that were presented to ACE by Rate Counsel in Schedule

RDC-23, Summary of Colton Customer Service Recommendations (“Schedule RDC-23”). On October 15, 2010, ACE provided Rate Counsel and Staff with the Company’s formal responses to Schedule RDC-23. In addition, on October 15, 2010, representatives from ACE met with the Board’s Division of Customer Assistance as a follow up to the high level of BPU complaints in 2009, as required by the Service Level Guarantees approved by the Board in the Conectiv/Pepco Holdings, Inc. merger. In that meeting specific customer service issues were identified by Staff that were not specifically identified on Schedule RDC-23. On October 21, 2010, ACE, Rate Counsel and Staff participated in a second meeting to review the Company’s formal responses to Schedule RDC-23 and determined that additional information on ACE’s customer service functions and the efforts underway or planned to improve customer service in the following areas was required to be filed by ACE:

- Customer Complaints
- Deferred Payment Arrangements (“DPA”)
- Disconnect for Nonpayment (“DNP”)
- Service Appointments
- Winter Termination Program (“WTP”)

On November 1, 2010, ACE and Staff agreed to consider all customer service issues identified by Staff at the October 15, 2010 meeting in the Phase 2 proceeding.

On November 25, 2010, ACE provided Rate Counsel and Staff with the first draft of this Customer Service Improvement Plan (the “Plan”) for review and comment. On December 1, 2010 and December 15, 2010, the parties participated in additional meetings where the Plan was analyzed and follow-up information was provided to Rate Counsel and Staff by the Company.

3. CUSTOMER COMPLAINTS

ACE has an annual target of no more than 1,500 customer complaints per year reported to the BPU by its customers, as established by the Board in BPU Docket No. EM01050308, OAL Docket No. PUC 1585-01. During 2009, ACE reported that the BPU received 2,000 complaints. For 2010, ACE's complaints are expected to be at or above 2,000 complaints.

The following issues were identified by Rate Counsel and / or Staff as a way to reduce customer complaints:

- implement a "Moment of Truth" survey similar to the PSE&G equivalent that will be conducted after a particular customer service function has been delivered and directed toward residential customers;
- identify a root cause analysis for the increase in customer complaints;
- explanation of the Company's supervisor escalation process for customer service calls and the conditions under which a call is escalated if a customer cannot be satisfied;
- staff the customer courtesy centers with a customer service representative to respond to customer inquiries; and
- investigate why slow and non-registering meter issues are not being detected on accounts in a timely manner.

The following actions are being modified and/or implemented to minimize the amount of complaints received by the BPU:

3.1 Moment of Truth Surveys

ACE's customer satisfaction measurement program consists of two distinct research efforts. First, an extensive survey is conducted on an annual basis by an independent, professional survey company. This survey provides an in-depth look at the overall relationship between the Company and its residential customers. This survey includes,

but is not limited to, the effectiveness of the Company's customer communications, community relations, customer service, environmental stewardship and reliability.

Second, a "Call Center Satisfaction Transactional Research Program" is also conducted. The primary objective of this research program is to monitor customer satisfaction with the Company's customer service performance. Phone survey interviews are conducted on a weekly basis with ACE's customers and the survey data is analyzed and reported monthly, quarterly and annually to internal personnel. This study monitors customer perceptions of the Company's customer service representatives and the Company's automated interactive voice response system. The survey results and call center metrics provide insight into the correlations that exist between operational performance and customer satisfaction with the customer service transactions.

ACE is agreeable to conducting other similar transactional or "moment of truth" surveys to monitor field service calls, emergency service performance and office services, where appropriate. The Company estimates that the annual cost of such a program can range from \$100,000 - \$125,000 per year with the primary driver of these costs being the conducting of a statistically reliable number of surveys.

3.2 Complaints Root Cause Analysis

ACE's customer complaint department currently tracks issues, identifies trends and provides feedback to the appropriate departments within the Company for remediation as a complaint occurs. In addition, the Company meets annually with the Board's Division of Customer Service Assistance to review the overall level of complaints and their root causes.

The Company has proposed to include Rate Counsel in this annual meeting and increase the frequency of the meetings at the preference of Staff and Rate Counsel. In discussions with Staff, Staff has agreed to include Rate Counsel in this annual meeting.

3.3 Supervisor Escalation Process

Customers requesting to speak with a customer service Supervisor are transferred to the escalation phone line, which is staffed with Senior Representatives. If a Senior Representative is not available at that time, the customer is provided with the option to leave a message. If the customer elects not to leave a message, the customer is then transferred to the first available Supervisor. If, however, the customer chooses to leave a message, that message will be retrieved and processed by a Senior Representative within the same business day, and a return call is made to the customer. If, after speaking with a Senior Representative, the customer is still not satisfied, the customer will be transferred to an available Supervisor. If, after speaking with a Supervisor, the customer wishes to escalate the matter further, the customer is immediately transferred to a customer service Operations Manager. Finally, if, after speaking with the Operations Manager, the customer remains dissatisfied and wishes to escalate the matter even further, the customer is transferred to either the Manager of Customer Operations or the Customer Relations Research and Resolution group.

It should be noted that if the customer complaint is in relation to a Deferred Payment Arrangement (“DPA”), the Company’s first-line Customer Service Representative is authorized to offer a DPA up to 12 months, without Supervisor approval. If a customer is requesting a DPA over 12 months, then the escalation process detailed above is followed and Supervisor approval is required. According to ACE’s independent research on this matter with three other New Jersey utilities, the Company’s offer of a DPA up to 12 months is either consistent with or better than the practices of the three other utilities.

3.4 Customer Courtesy Center Staffing

ACE currently has five Customer Courtesy Centers located throughout its service territory in New Jersey. The Company currently provides at each site a toll-free telephone that connects customers directly to ACE’s customer service call center. However, the current phone system routes the customer’s call from the Courtesy Center into the same call center queue along with all of ACE’s other customer service calls.

The Company has analyzed its phone system at the Customer Courtesy Centers and has concluded that the system needs to be enhanced. The Company, therefore, has implemented enhanced information technology changes that will route customer calls from the Courtesy Center directly into a separate priority queue that will be answered by a customer service representative. Due to the location of its Customer Courtesy Centers, and specifically the absence of on-site security, the Company is concerned about potential safety and security issues associated with staffing each Customer Courtesy Center with a customer service representative. The Company believes that this change to the Courtesy Center phone system for all of its Customer Courtesy Centers will more effectively assist in reducing complaints to the BPU staff. Prior to implementing this change on a permanent basis, ACE proposes to implement this change on a pilot program basis that will be implemented for one year during calendar year 2011 in order to ascertain the benefits of the new phone system and its effectiveness in reducing BPU complaints. If significant benefits are not realized as a result of this program, ACE will consider additional steps to improve customer experience at its Courtesy Centers. In discussions with Rate Counsel and Staff, the parties have agreed to this phone implementation on a pilot program basis as long as customer call statistics are being tracked and reported to the parties on a monthly basis.

3.5 Slow and Non-registering Meter Accounts

Following up ACE's October 15, 2010 meeting with the Board's Division of Customer Assistance regarding the high level of BPU complaints received in 2009, the Company was asked to investigate its slow and non-registering meters in relation to back-billing adjustments. The billing investigations are "back office" functions that are performed as a result from inquiries from customers, control reports from the billing systems, alert notifications from field personnel, and investigations from the Company's revenue protection program.

During 2009, over 29,000 ACE and Delmarva Power & Light Company ("Delmarva") accounts were reviewed for potential meter issues regarding slow, stopped and damaged conditions. During 2010, over 18,000 ACE and Delmarva accounts were

reviewed and investigated. Although the billing investigation data is not segregated by Company (ACE and Delmarva), the Company believes that the resulting data is equally representative for both ACE and Delmarva's service territories, and serves as a reasonable benchmark for ACE's billing investigations relating to slow and non-registering meters.

After the investigations were completed, the findings indicated that approximately 2% of all accounts are non-registering meters and require meter changes. The other 98% are related to vacant premises, seasonal service and temporary shut offs.

Based on the investigations conducted, it was determined that the accounts resulting in extended back-billing were not being detected in a timely manner due to internal process errors. As a result, ACE developed the following process improvement plan that is being implemented by year-end 2010:

- implement a communication plan with the Company's meter reading personnel to enhance the awareness of reporting stopped meters immediately when identified in order to expedite the remediation process;
- develop enhancements within the Company's electronic system program to re-establish parameters that better identify possible stopped/low usage meters;
- implement a communication plan with field operations personnel to improve the time frame for completion of meter changes when these service orders are issued; and
- take a more proactive approach during the research and investigation of slow and non-registering meters by enhancing the communication with the customer regarding the meter results.

Following up on a request from the Division of Rate Counsel, ACE made an attempt to benchmark the 2% findings of the ACE/Delmarva data to Potomac Electric Power Company ("Pepco") and confirmed that Pepco does not collect comparable data. It is anticipated that, in the future, comparable data may be further clouded as Delmarva completes conversion to new metering technologies (AMI). In addition, the Company

inquired with Edison Electric Institute (“EEI”) and confirmed that EEI does not track or have any such comparable data of billing investigations relating to slow or non-registering meters. Moreover, the Company is unaware of any other compilation of such data.

4. DEFERRED PAYMENT ARRANGEMENTS (“DPA”)

In order to lower delinquencies, ACE offers its customers fair and reasonable payment arrangements that assist customers in payment of their past due balances. When formulating a payment arrangement, the Company considers factors such as total balance, payment history, return bank items, previous payment arrangements and fraud. The following issues were specifically identified by Rate Counsel and/or Staff regarding the Company's DPAs:

- identify and provide statistics on the number of customers on payment arrangements, including delinquent and broken payment arrangements;
- provide information on how LIHEAP payments are applied and appear on customer bills; and
- review the Company's policy that post-bankruptcy customers are not entitled to payment arrangements.

4.1 Deferred Payment Arrangement Statistics

As of December 31, 2010, ACE had 67,674 residential customers who are delinquent on their utility account with 42,383 of these customers on payment arrangements. See Attachment 1, NJ Residential Delinquent and DPA Summaries, Attachment 2, New Jersey Residential Deferred Payment Arrangements, and Attachment 3, New Jersey DPA Completion Analysis for additional statistics of customers on payment arrangements, a customer breakdown of DPA's by number of months, and the completion analysis of the DPA's. Also, see Attachment 4, Deferred Payment Arrangement Script (Revised).

4.2 LIHEAP Payments

LIHEAP payments are applied differently depending on the status of a customer's account. For a customer without a DPA, the LIHEAP amount received is applied to the customer's balance due. For a customer with a DPA, the LIHEAP amount received posts against the customer's current balance due, then is applied to the installment due on the DPA, and then posts to the outstanding deferred balance. See Attachment 5, Customer Bill (DPA and LIHEAP Credit), for information on how LIHEAP payments appear on customer bills. As discussed with Rate Counsel and Staff, the Company will continue to apply LIHEAP payments in this manner and believes that it is compliant with the current New Jersey LIHEAP state plan, which does not directly address how LIHEAP payments should be applied to a customer's account.

4.3 Post-bankruptcy Customers

ACE has reviewed its policy that post-bankruptcy customers are not entitled to payment arrangements. The Company is in agreement to reverse this policy going forward. Under the Company's new policy regarding DPAs, post-bankruptcy customers will have the ability to enter into DPAs. ACE's credit personnel will review the account with the customer and offer the opportunity for a deferred payment option based on the length of time from post-bankruptcy.

5. DISCONNECT FOR NONPAYMENT ("DNP")

Rate Counsel identified one issue regarding the Company's disconnection processes for nonpayment relating to seniors age 65 or older and asked the Company to consider additional ways to identify senior accounts (see Section 5.1). Rate Counsel also requested that the Company file its tenant-identification notification process and the procedure the Company uses to provide service to a tenant directly in the event where the Company disconnects a master meter (see Section 5.2).

5.1 Identification of Senior Citizen Customers

N.J.A.C. 14:3-3A.4(c) requires each public utility to make a good faith effort to determine which of their residential customers are over 65 years of age and make a good faith effort to notify such customers of discontinuance of service by telephone in addition to notice by regular mail. In addition, the regulation states that the over 65 years of age provision shall not apply to utilities that make a good faith effort to contact all residential customers by telephone prior to discontinuance of service.

ACE has analyzed its customer service database. Due to limitations with the database's ability to identify only customers over 65 years of age, the Company is agreeable to implementing a procedure to make a good faith effort to contact all residential customers with disconnect notices by telephone prior to discontinuance of service. This will require ACE to make approximately 200 additional automated outbound calls per day. The automated outbound calls will be made to customers on the 10th day after the mailing of the disconnect notice. ACE provides customers at least 15 days to respond to a disconnect notice prior to a service person being dispatched to disconnect. ACE believes that this outbound call will ensure that the customer is aware of the pending disconnection and has ample time before the disconnection actually occurs to make payment or contact the Company for payment arrangements. However, ACE is concerned that the outbound calls to all residential customers receiving a discontinuance of service notice may prompt additional customer complaints to the Board. Prior to implementing such a change on a permanent basis, ACE suggests that a pilot program be implemented for a limited period of time to ascertain the benefits of notifying all customers subject to discontinuance by phone and the impact of doing so on the number of complaints received by Staff.

5.2 Tenant Identification Notification Process

In the case where the Company disconnects a master meter or house meter and there is no evidence of fraud or unauthorized use of electric from the tenant or landlord, the Company addresses these issues on a case by case basis and uses every effort to provide service directly to the tenant. See Attachment 6, Tenant Posting Process for

the State of New Jersey. In discussion with Rate Counsel and Staff, the Company has agreed to revise its Final Disconnect Notice. See Attachment 7, Final Disconnect Notice (Revised).

6. SERVICE APPOINTMENTS

In the course of a year, the Company responds to approximately 600 “time coded” customer service appointment orders included in the Company’s Service Level Guarantee. Rate Counsel has identified an issue with the Company’s service appointments performance and has requested a root cause analysis of why ACE’s performance relative to keeping customer service appointments appears to have declined over the past few years.

The Company is currently focusing on its Service Level Guarantee performance related to service appointments and has identified several areas in that process for improvement. ACE is committed to improving its performance in this area and expects that the 2011 Service Level Guarantee report with respect to service appointments will show significant improvement. In particular, the Company is doing the following:

- renewing ACE’s focus on these types of service orders by re-training employees involved in the process to ensure they are aware of the Company’s obligations and how these type of service orders need to be handled;
- being more deliberate on how ACE initiates these types of service orders to ensure they are appropriate for the work being requested, in accordance with the regulations;
- being more deliberate on how ACE schedules this work on a daily basis to ensure the service orders are given high priority and that the service codes are shown correctly in the Company’s work order system;
- assigning personnel to track these orders on a daily basis to ensure that all regional supervision and field scheduling personnel are aware of pending appointment orders for their service areas; and

- monitoring performance on a weekly and monthly basis to ensure compliance and address any shortcomings, via feedback to the appropriate individuals.

Due to the above efforts, the Company has seen an improvement of its service appointments performance for each of the past three months. ACE further anticipates that the 2011 Service Level Guarantee report will show significant improvement in this area.

7. WINTER TERMINATION PROGRAM (“WTP”)

Rate Counsel has requested that the Company review its customer service training document titled New Jersey Winter Protection Plan, which was provided to Rate Counsel in the Company’s response to data request RCR-CSVC-90 in BPU Docket No ER09080664, OAL Docket No. PUCRL 06643-2009N. The training document is used to educate ACE’s customer service representatives on the WTP, and provides the basis for placing eligible customers on a Winter Protection Plan budget.

The Company has performed the requested review and believes that its customer service training document and its administration of the WTP is in accordance with NJAC 14:3-3A.5. The issues raised by Rate Counsel with regard to the Company’s administration of the WTP focused primarily on down payments and deposit requirements. As explained by the Company during the September 15, 2010 and October 21, 2010 discussion meetings between ACE, Rate Counsel and Staff, the Company administers the WTP similar to its other DPAs. The Company does take into account financial circumstances of customers when requiring down payments and deposit requirements, believes that down payments and deposits are essential to establishing a payment arrangement, and believes that customers should be allowed to pay more than 25% towards a down payment if they want to keep their monthly installment amount lower. However, the Company has agreed to revise its customer service training document per Rate Counsel’s recommended changes. See Attachment 8, Winter Termination Program Script (Revised).

8. CONCLUSION

As detailed in the above Plan, ACE is committed to enhancing its customer service processes and procedures in the areas that were recommended by the Rate Counsel and/or Staff. In some of the customer service areas described above, the Company has already undertaken steps to implement the required enhancements or process improvements. These enhancements and/or process improvements have already improved ACE's customer service and the Company is confident that Rate Counsel and Staff will notice this improvement when ACE files its 2011 reports.

Exhibit B
Attachment 1

Delinquent Residential Customers

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Monthly Average
2009	56,518	58,259	55,108	52,944	53,639	49,857	55,468	62,284	74,342	70,749	64,956	61,294	59,618
2010	68,415	68,688	68,975	69,195	69,769	70,099	69,893	69,738	69,509	73,508	72,949	67,674	69,868

Average Delinquent Balance for Residential Customers

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Monthly Average
2009	\$ 417	\$ 418	\$ 419	\$ 413	\$ 430	\$ 403	\$ 393	\$ 418	\$ 440	\$ 441	\$ 451	\$ 445	\$ 424
2010	\$ 436	\$ 459	\$ 460	\$ 445	\$ 441	\$ 451	\$ 452	\$ 519	\$ 542	\$ 559	\$ 547	\$ 555	\$ 489

Newly Established Residential Deferred Payment Arrangements

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Monthly Average
2009	1,583	1,280	2,027	3,241	2,876	3,547	3,724	4,240	5,243	6,251	3,449	1,491	3,246
2010	1,331	1,241	3,143	3,679	3,447	2,972	3,549	5,288	6,506	6,758	3,768	1,699	3,615

Defaulted Residential Deferred Payment Arrangements

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Monthly Average
2009	3,269	2,248	1,836	1,763	1,989	3,078	2,819	3,297	3,602	3,719	4,465	4,469	3,046
2010	3,181	2,288	1,941	2,133	2,703	3,548	4,149	4,927	6,671	4,365	4,646	4,475	3,752

Average Residential Deferred Payment Arrangement Balance

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Monthly Average
2009	\$ 631	\$ 671	\$ 690	\$ 763	\$ 868	\$ 947	\$ 855	\$ 881	\$ 898	\$ 845	\$ 748	\$ 622	\$ 785
2010	\$ 641	\$ 647	\$ 802	\$ 819	\$ 918	\$ 892	\$ 959	\$ 994	\$ 1,038	\$ 730	\$ 682	\$ 570	\$ 808

Senior Residential Deferred Payment Arrangements (Total senior customers identified = 19,893)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Monthly Average
2009	31	25	86	69	74	85	62	83	97	81	24	22	62
2010	33	56	137	148	114	96	141	212	286	263	133	44	139

Exhibit B
Attachment 2

Atlantic City Electric Company

New Jersey Residential Deferred Payment Arrangements (DPA)

Number of Months of DPA	DPA Customer Count
1 to 3	5,673
4 to 6	8,808
7 to 9	2,665
10 to 12	21,886
Over 12	3,351
Total	42,383

The data above includes all Deferred Payment Arrangements established for Atlantic City Electric's New Jersey residential customers from January 1, 2010 to December 10, 2010.

Exhibit B
Attachment 3

2010 Deferred Payment Arrangements (DPA's)

Number of Months	Total DPA's	Satisfied DPA's	% Successful	Current DPA's	% Current	Defaulted DPA's	% Defaulted
1 to 3	5,673	1,725	30.4%	567	10.0%	3,381	59.6%
4 to 6	8,808	589	6.7%	2,137	24.3%	6,082	69.1%
7 to 9	2,665	95	3.6%	726	27.2%	1,844	69.2%
10 to 12	21,886	302	1.4%	5,629	25.7%	15,955	72.9%
> 12	3,351	55	1.6%	786	23.5%	2,510	74.9%
Total	42,383	2,766	6.5%	9,845	23.2%	29,772	70.2%

2009 Deferred Payment Arrangements (DPA's)

Number of Months	Total DPA's	Successfully completed	% Successful	Current DPA's	% Current	Defaults	% Defaulted
1 to 3	7,247	2,710	37.4%	-	0.0%	4,537	62.6%
4 to 6	8,005	1,330	16.6%	6	0.1%	6,669	83.3%
7 to 9	3,166	317	10.0%	2	0.1%	2,847	89.9%
10 to 12	17,589	705	4.0%	4	0.0%	16,880	96.0%
> 12	2,945	89	3.0%	37	1.3%	2,819	95.7%
Total	38,952	5,151	13.2%	49	0.1%	33,752	86.7%

Exhibit B
Attachment 4

Atlantic City Electric Company
Customer Negotiated Arrangement Guidelines - Residential (NJ)
March 2011

Deferred Payment Arrangement Script
(Proposed)

- Advise the customer of their total accounts receivable balance and collectable balance.
- If the customer states that they cannot pay their full collectable balance, then ask if they would like to enter into a payment arrangement.
- Ask the customer how much they can pay, which can range *up to 25%* of their total balance.
- If the customer can afford to pay 25%, explain the benefit, i.e. lower future payment obligation, associated with paying more than the 25% of the full balance, if the customer is financially able to do so. If not, proceed with setting up the deferred payment arrangement at 25% of the full balance.
- If the customer can not afford to pay 25% of their total balance, ask what amount they can afford to pay.
- Negotiate an initial payment for the arrangement that is less than 25% of their total balance.

Exhibit B
Attachment 5

G010
300010035

PAGE 2
Account Number:

Service Location:

Electric Meter Information

Meter Number 31369601
 Current Meter Reading, Mar 8 (actual) 053194
 Last Meter Reading, Feb 4 (actual) 050296
 Total KWHs Used 2800

Your Next Scheduled Meter Reading is Apr 7, 2010

Electric Charges

Current charges for 32 days - Winter Rates in Effect - Residential Service

For Account 0373 2549 9996, the class average annual price to compare is 12.94 cents per kWh

Delivery Charges:

Customer Charge	\$0.083750 each day	\$	2.68
Distribution Charge: First	533 kWhs X \$0.031689 each kWh	\$	16.89
Next	2287 kWhs X \$0.026206 ea kWh	\$	59.41
Market Transition: First	533 kWhs X \$0.002083 each kWh	\$	1.11
Next	2267 kWhs X \$0.002078 ea kWh	\$	4.71
Transition Bond Charge	\$0.005918 each kWh	\$	16.57
Non-Utility Generation Charge	\$0.004025- each kWh	\$	11.27
Societal Benefits Charge	\$0.008154 each kWh	\$	22.83
Infrastructure Investment Surcharge	\$0.000254 each kWh	\$	0.71
System Control Charge	\$0.000064 each kWh	\$	0.18
Regulatory Assets Recovery	\$0.000632 each kWh	\$	1.77
Total Electric Delivery Charges		\$	115.59

Supply Charges:

Transmission Service Charge	\$0.007746 each kWh	\$	21.89
Basic Generation Serv: First	533 kWhs X \$0.105272 ea kWh	\$	56.11
Next	2267 kWhs X \$0.105276 ea kWh	\$	238.68
Total Electric Supply Charges		\$	316.68

Total Electric Charges		\$	432.05
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300010037

PAGE 3
Account Number:

██████████
██████████
██████████

Service Location:
██████████
██████████

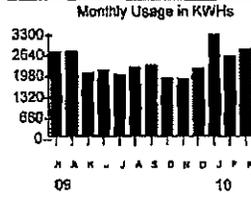
Electric Deferred Payment Agreement

Deferred Payment Agreement Terms:		Agreement Status as of: Mar 2010	
Agreement Start Month	Feb 2010		
Deferred Amount	\$ 654.82	Billed Against Deferred Amount	\$ 108.00
11 Deferred Installments	\$ 54.00	Remaining Agreement Balance	\$ 546.82
1 Final Deferred Installment	\$ 60.82	Total to Pay Account in Full	\$ 1,032.87

Your Electric Energy Comparison

Daily Averages:

	Mar 09	Mar 10
Temp:	39°	35°
KWH:	90.3	87.5



G2U0
300010531

PAGE 2
Account Number:

[REDACTED]
[REDACTED]

Service Location:
[REDACTED]

Electric Meter Information

Meter Number 31389801
Current Meter Reading, Apr 7 (actual) 055653
Last Meter Reading, Mar 8 (actual) 053194
Total kWh Used 2459

Your Next Scheduled Meter Reading is May 6, 2010

Electric Charges

Current charges for 30 days - Winter Rates in Effect - Residential Service

For Account 0373 2549 9996, the class average annual price to compare is 12.94 cents per kWh

Delivery Charges:

Customer Charge	\$0.083867 each day	\$	2.51
Distribution Charge: First	500 kWhs X \$0.031700 each kWh	\$	15.85
Next	1959 kWhs X \$0.026207 ea kWh	\$	51.34
Market Transition: First	500 kWhs X \$0.002080 each kWh	\$	1.04
Next	1959 kWhs X \$0.002078 ea kWh	\$	4.07
Transmission Bond Charge	\$0.005917 each kWh	\$	14.65
Non-Utility Generation Charge	\$0.004026 each kWh	\$	9.90
Societal Benefits Charge	\$0.008154 each kWh	\$	20.05
Infrastructure Investment Surcharge	\$0.000252 each kWh	\$	0.82
System Control Charge	\$0.000005 each kWh	\$	0.18
Regulatory Assets Recovery	\$0.000830 each kWh	\$	1.55
Total Electric Delivery Charges		\$	101.84

Supply Charges:

Transmission Service Charge	\$0.007747 each kWh	\$	19.05
Basic Generation Serv: First	500 kWhs X \$0.105280 ea kWh	\$	52.64
Next	1959 kWhs X \$0.105278 ea kWh	\$	206.24
Total Electric Supply Charges		\$	277.93

Total Electric Charges \$ **379.77**

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303010532

PAGE 3
Account Number:

Service Location:

Electric Deferred Payment Agreement

Deferred Payment Agreement Terms:		Agreement Status as of: Apr 2010	
Agreement Start Month.	Feb 2010		
Deferred Amount	\$ 321.82	Billed Against Deferred Amount	\$ 54.00
5 Deferred Installments	\$ 54.00	Remaining Agreement Balance	\$ 267.82
1 Final Deferred Installment	\$ 51.82	Total to Pay Account In Full	\$ 551.59

Your Electric Energy Comparison

Daily Averages.

	Apr 09	Apr 10
Temp:	46°	51°
KWH:	94.3	82.0

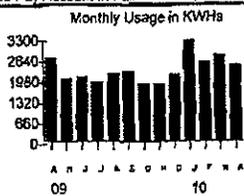


Exhibit B
Attachment 6

Atlantic City Electric Company
Final Disconnect Notice – Revised
January 2011

Final Disconnect Notice

(Current)

Our records show a Past Due balance of \$1,234.56 on your account. Unless payment is received we will terminate your electric service on or after 05/20/2009

TO PREVENT DISCONNECTION please contact us at (800) 642-3780 (7 am to 7 pm Mon-Fri) to confirm that you've paid or to arrange payment. Payments can also be made online at www.atlanticcityelectric.com

Once disconnected, service will not be restored without full payment, and a restoration charge of up to \$30.00. A deposit will be billed. If there is a deposit on file, it may be increased.

Further action could include reporting your delinquent account to a national credit bureau. Your credit rating could be affected. Once again, please call us.

Si necesita esta informacion en espanol, llame al departamento de credito inmediatamente 1-800-642-3780 y pida hablar con un representante en espanol. (Lunes – Viernes 7 am – 7pm) Gracias

(Proposed)

Our records show a Past Due balance of \$1,234.56 on your account. Unless payment is received we will terminate your electric service on or after 05/20/2009

TO PREVENT DISCONNECTION please contact us at (800) 642-3780 (7 am to 7 pm Mon-Fri) to confirm that you've paid or to arrange payment. Payments can also be made online at www.atlanticcityelectric.com

Once disconnected, service will not be restored without payment of \$1,234.56 and a restoration charge of up to \$30.00. A deposit will be billed. If there is a deposit on file, it may be increased.

Further action after disconnection could include reporting your delinquent account to a national credit bureau by a collection agency. Your credit rating could be affected. Once again, please call us

Si necesita esta informacion en espanol, llame al departamento de credito inmediatamente 1-800-642-3780 y pida hablar con un representante en espanol. (Lunes – Viernes 7 am – 7 pm) Gracias

Exhibit B
Attachment 7

Tenant Posting Process for the State of New Jersey

Description: A tenant posting is necessary when all collection efforts fail on an account that is coded as a “housemeter.” A “housemeter” account is one in which multiple customers will be effected if service to one meter is terminated. Example -- An apartment complex where each tenant apartment is not individually metered, so all electric is funneled through one master meter – the “housemeter.” Shutting off service to the “housemeter” will leave numerous tenants without heat and/or electricity.

Importance: To comply with the New Jersey Administrative Code, section N.J.A.C. 14:3-3A.6(b), which states the following:

- (a) Electric, gas, water and wastewater public utilities shall make every reasonable attempt to determine when a landlord-tenant relationship exists at premises being serviced. If such a relationship is known to exist, and if the tenants are not the customers of record but are end-users, as these terms are defined at N.J.A.C. 14:3-1.1, discontinuance of service is prohibited unless the utility has, notwithstanding the time periods in N.J.A.C. 14:3-3A.5, given a fifteen-day written notice to the owner of the premises or to the customer of record to whom the last preceding bill was rendered. Further, the utilities shall use their best efforts to determine the names and addresses of each tenant, in order to provide such notice, for example, through mailings to landlords requesting a list of tenants. The utility shall use its best efforts to provide copies of the discontinuance notice to all tenants. In addition, the utility shall provide the tenant(s) with a fifteen-day written notice which shall be hand delivered, mailed, or posted in a conspicuous area of the premises and in the common areas of multiple family premises.

Contents: The procedure used to initiate a tenant posting once all other collection efforts have failed, in compliance with the New Jersey Administrative Code, section N.J.A.C. 14:3-3A.6(b).

Procedure: Once all reasonable attempts have been made with the customer to collect the debt via written communication and by phone, the tenant posting process is initiated as follows:

- Identify whether or not the account is assigned to a specific account manager. If so, the account manager is notified that collection efforts have not been successful, and a tenant posting is necessary. This allows the account manager one last attempt at reaching the customer to negotiate payment. If not assigned to a manager, the process continues.
- One last contact via phone will be made to the customer to advise them that payment is due immediately in order to avoid the posting process.
- If the final attempt for collection is not successful (i.e. collecting payment equal to the delinquent balance), a survey of the property is conducted to determine the specifics of the premise such as:
 - how many buildings/apartments within complex
 - whether or not complex appears fully occupied
 - condition of buildings
 - type of heating and/or cooling
 - whether or not meters are accessible
 - common areas where posting notices may be placed
- Once all survey information is received, the account is noted with all acquired property details, in addition to the following:
 - total account balance
 - delinquent balance
 - last payment received
 - number of prior payment arrangements made on the account
 - number of returned checks, if applicable
- An email is then sent to the manager of the Customer Relations Research and Resolution team detailing all account information as described above, and notifying of our intent to post the property and terminate service, if necessary.
- The manager then notifies the Board of Public Utilities, advising them of our intent to post the property specified for lack of payment, and providing them with tentative dates on when the property will be posted, and the service terminated.

- Once the Board of Public Utilities gives their approval, a “Final Notice” is issued to the customer of record via mail (see attached), notifying them of the delinquent balance, and advising that service termination will occur on or after the specified date. The specified date will be no less than 15 days from the date the letter was sent.
- When the “Final Notice” is mailed to the customer of record, a posting notice(s) (see attached) is then drafted and placed in all common areas of the building(s) scheduled for discontinuance of electric service. Concurrently, an effort is made to determine the names and addresses of any inhabitants of the property, and copies of the posting notice are mailed to each individual. The notice will indicate the scheduled date of termination, and gives tenants or other inhabitants of the premise 15 days to vacate, if necessary. It also refers them to the property management for questions concerning the scheduled termination.
- If appropriate payment equal to the amount of delinquency is not made prior to the scheduled date of termination, the electric service is terminated on the date specified.



Amount Past Due
\$ 1234.56

Place "X" in the box for address corrections.
Print corrections on reverse side.

1111 2222 9999

JOHN Q PUBLIC
123 MAIN STREET
ANYTOWN, NJ 08999

FILL IN AMOUNT PAID
\$.

PO Box 4875
Trenton, NJ 08650

Please return this portion with your payment made payable to Atlantic City Electric.

1111 2222 9999 05/05/09

JOHN Q PUBLIC
123 MAIN STREET
ANYTOWN, NJ 08999

*****FINAL NOTICE*****
Our records show a PAST DUE BALANCE of \$1234.56 on your account. Unless payment is received we will terminate your electric service on or after 05/20/09.

TO PREVENT DISCONNECTION, please contact us at (800) 642-3780 (7am-7pm Mon-Fri.) to confirm that you've paid or to arrange payment. Payments can also be made online at www.atlanticcityelectric.com.

Once disconnected, service will not be restored without full payment, and a restoration charge of up to \$30.00. A deposit will be billed. If there is a deposit on file, it may be increased.

Further action could include reporting your delinquent account to a national credit bureau. Your credit rating could be affected. Once again, please call us.

Si necesita esta informacion en espanol, llame al departamento de credito inmediatamente 1-800-642-3780 y pida hablar con un representante en espanol. (Lunes - Viernes 7:00 am - 7:00 pm) Gracias.



A PHI Company

**NOTICE
TO THE OWNER, MANAGER, TENANTS, AND
OCCUPANTS OF**

123 Smith Ave.

Atlantic City Electric hereby provides notice that on February 8, 2010, electric service to 123 Smith Ave., Wildwood, NJ 08260 will be suspended, unless the past due balance in electric charges has been paid in full, or an agreement has been made between the owner and Atlantic City Electric. Any inquiry in regard to this suspension of service should be directed to the property management of this location.

Exhibit B
Attachment 8

Atlantic City Electric Company
Winter Termination Program Script – Revised
March 2011

Winter Protection Plan Script
(Current)

- Advise customer of their full uncollectible balance.
- If the customer states they cannot pay their full collectible balance, then ask if they are able to pay 25% of the collectible balance
- If the customer states that they cannot pay the collectible balance, then ask if they can pay a roll- in budget installment payment
- If the customer cannot pay a budget installment, then ask “*How much can you pay?*”
- Accept the amount as the initial “good faith payment” for the customer’s account.

(Proposed)

- Advise the customer of their full collectible balance and ask if the customer can pay 25% of that amount.
- Advise customer that there is no obligation to pay more than 25% of the full balance.
- If the customer can afford to pay 25%, explain the benefit, i.e. lower future payment obligation, associated with paying more than the 25% of the full balance, if the customer is financially able to do so.
- If the customer cannot afford to pay 25%, ask what amount he or she can afford to pay
- The amount that the customer agrees to pay will be considered the initial "good faith payment”

Exhibit C



Exhibit C

Atlantic City Electric Company

Reliability Improvement Plan

for

Cape May, Glassboro, Pleasantville and Winslow Districts

Including

Distribution System Overview and Reliability Initiatives

March 2011

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1. EXECUTIVE SUMMARY

Atlantic City Electric (ACE or Company) is committed to providing safe and reliable service at a reasonable cost. This requires the Company and utility regulators to balance the cost of various system designs and equipment replacement strategies with the increased reliability that these designs will provide so as to demonstrate reasonableness. It also requires balancing the effectiveness of these investments relative to the additional cost to our customers. In support of this business objective, ACE's goal is to have a "robust" system with adequate systems and practices in place to assure continued reliable performance for a median range of operating conditions and the ability to respond to events that are in excess of the design of the system.

For daily operations, ACE maintains sufficient staffing of utility employees and contractor resources to address routine maintenance and construction activities, and most storm events, on our distribution system. In the event of significant outages, resource requirements may exceed normal staffing levels. For such events, the Company follows accepted business practices and participates in several state, regional and national mutual assistance groups that pool resources during significant outage events and allocates them, by mutual agreement, for the most effective deployment. Periodically, member utilities meet to review restoration procedures, mutual assistance and operating best practices.

This report provides an overview of ACE's distribution system and the efforts under way or planned to increase reliability of the distribution system, all of which support ACE's goal to provide safe and reliable service to its customers.

2. INTRODUCTION

ACE delivers electricity to more than 547,000 customers throughout the Company's service territory. ACE's customer base is comprised of approximately 87% Residential and the remaining 13% is Commercial, Industrial and other services.

Reflective of its commitment to continuous improvement, ACE has been proactive in supporting or commissioning various studies internally and from independent external sources to assess its system performance and response to outages.

Combined, the system design and performance review constitute a model for evaluating ACE's distribution system robustness with the purpose of understanding its impact on the Company's ability to provide safe and reliable service. In particular, the Company is evaluating those aspects and characteristics of the distribution system design which have a direct impact upon an electric distribution system's reliability. This Reliability Enhancement Plan for ACE (Plan) has therefore been developed to focus on those attributes of the Company's system.

System Overview

ACE's service territory includes 2,767 square miles. Within this service territory, there are:

- 12 transmission substations
- 80 distribution substations
- 7,451 circuit miles of overhead distribution
- 1,104 circuit miles of overhead transmission
- 2,844 circuit miles of underground distribution
- 11 circuit miles of underground transmission
- 2,652 trench miles of underground conduit

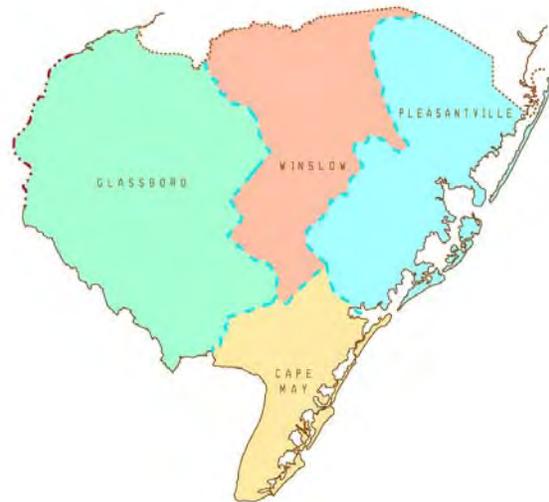


Figure 1 - ACE Service Territory

Overhead and Underground Network Configuration

A review of ACE's overhead and underground infrastructure shows that a majority of customers within the Company's service territory are currently served by overhead circuits. Within the Cape May, Glassboro, Pleasantville and Winslow Districts, there are 291 distribution circuits of which 52 have greater than 50% underground construction and 130 have greater than 25% underground construction. Therefore, many customers supplied from an underground circuit may also have significant exposure to the overhead system. Many studies have been performed to evaluate the feasibility of converting overhead facilities to underground in order to improve reliability during storms. However, the cost of undergrounding large portions of the overhead system would place ACE outside of industry norms from a cost standpoint and would not meet the test of reasonableness to impose additional costs on customers for the return in increased reliability.

System Design

The Company's practices surrounding placement and maintenance of system design components such as substations, transformers and feeders are well within industry practices; there are, however, some areas of opportunity. ACE is taking advantage of current technologies that will improve service reliability. For instance, ACE continues to install state-of-the-art micro-processor controlled line reclosers on its system replacing mechanical switches and one-time fuses. Reclosers can often clear temporary faults avoiding outages altogether or limit permanent faults to smaller line segments. Reclosers can significantly improve reliability during lightning and wind storms where a large number of momentary faults typically occur.

In addition, ACE is actively building out a new wireless network that will enable automation of the distribution system. Distribution Automation or DA, is typically comprised of a master logic controller, a communication system, and the actual distribution switching devices. Upon operation of a device due to a detected fault on a feeder, the master logic controller analyzes system conditions and determines which automated switches to open and which ones to close in order to safely and effectively isolate the faulted line segment and restore service to the maximum number of customers. Since the faulted line segment is now readily identified, Line Workers can quickly locate and effect repairs to damaged or failed equipment. The DA communications network will also enable future real time communication with other line devices (line reclosers, line voltage regulators, capacitors, switches), thus providing status, alarming, and control capability enabling system optimization and decreased response time to problems on the distribution system.

Load Modeling

ACE uses the industry best practices of load modeling and forward load forecasting in order to identify loads which are at, or near, limits, and corrects them by the adding or up-rating feeders where required. The Company's state-of-the-art, software-based process allows the company to model system loading to ensure that the system is not unduly overloaded and that the provision of contingency also does not overload the system.

3. SYSTEM DESIGN

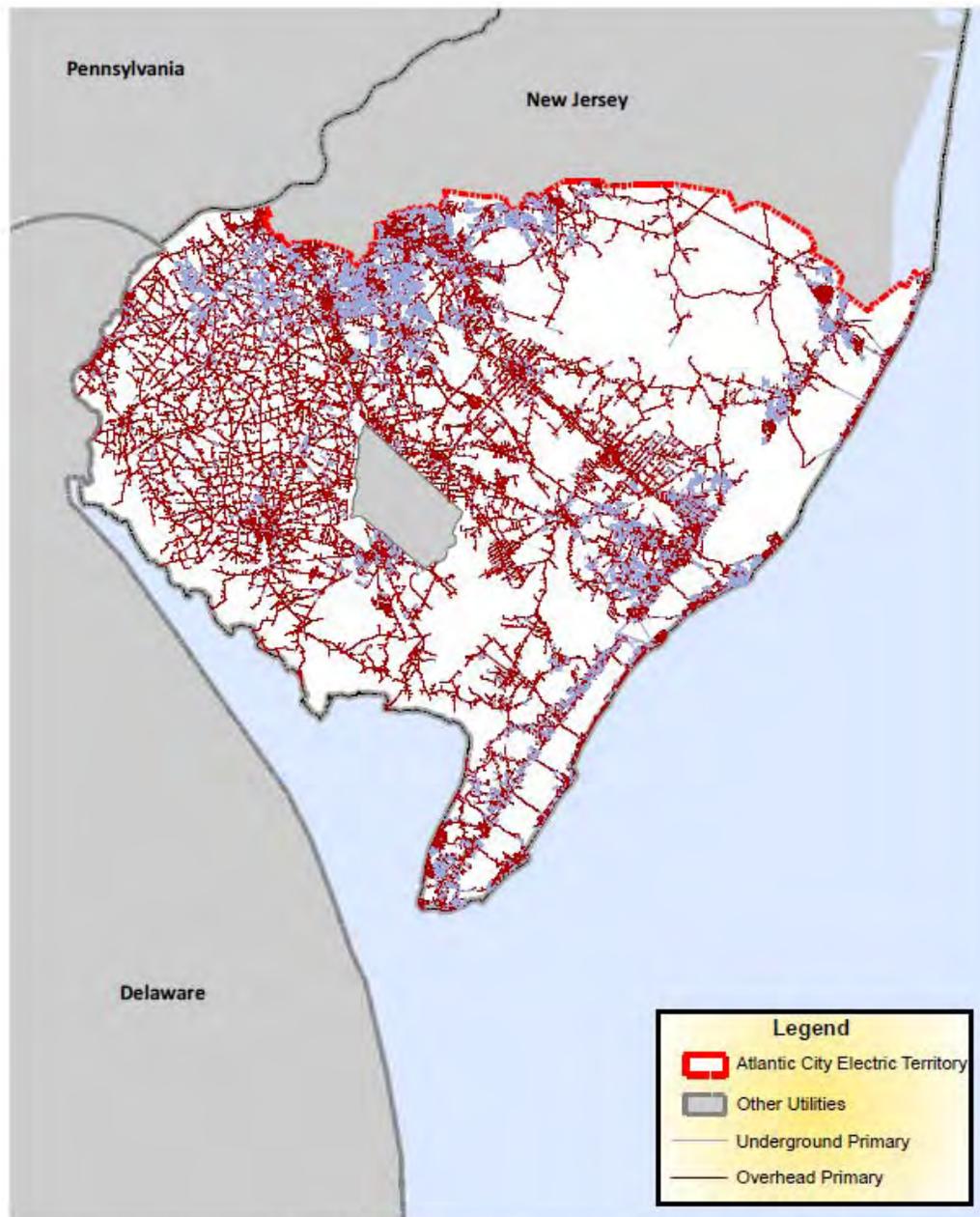
The reliability of an electrical system is directly related to implementing the appropriate design principles and construction practices, along with the proper deployment of distribution assets and equipment comparable to the demands placed upon the system by its users. ACE is sensitive to evolving trends in the industry and employs best practices in planning, design and operation of the system.

3.1 System Design – Overhead vs. Underground

There are solid arguments for both underground and overhead electric distribution systems. In general, overhead systems are less costly to install, are longer-lasting, and easier to maintain, since problems are easily located and repaired. Underground systems, while more costly to install and maintain, are also less susceptible to damage from storms, falling trees, and other exposures which typically cause outages. Making the proper choices between overhead and underground facilities requires balancing cost against the amount of potential for environmental impacts on reliability.

ACE uses overhead conductors for the main trunk of its distribution feeders. This design philosophy enables faster location of faults affecting large numbers of customers and is far less expensive than fully undergrounded feeder designs, especially in long feeders such as those typically found in the ACE system. Some branch circuits and primary services for commercial customers may be underground for various reasons. For the past forty years, virtually all residential developments have been designed using underground conductors. Typically, underground residential distribution (URD) systems use loop schemes so that service can be quickly restored in the event of a primary cable failure.

The graphic below depicts the distribution of overhead and underground primary conductors on ACE's system:



Overhead & Underground Primary Feeder Overview
Atlantic City Electric Service Territory



0 5 10 20 Miles



Figure 2 – ACE Service Territory Overhead and Underground

4. RELIABILITY INITIATIVES

This section contains reliability-related initiatives in the areas of vegetation management, priority feeders, load growth, substation improvements, Distribution Automation (DA) and feeder reliability improvement.

4.1 Enhanced Integrated Vegetation Management Program

For overhead systems, vegetation management (tree trimming) is ACE's largest single preventive maintenance program. ACE has had a routine cyclical program of tree trimming in place for 4 years. This program is designed to maintain minimum clearances between vegetation and overhead facilities. Efficient implementation of this program throughout the electric distribution industry has proven to minimize incidental contact between vegetation and overhead distribution circuits and thus improve the System Average Interruption Frequency Index (SAIFI).

ACE's vegetation management program aims to provide safe and reliable electric service to its customers while maintaining the aesthetics of the environment. Vegetation management, while challenging, is essential to meeting the Company's commitment to maintaining electric reliability and is a key priority for the company. ACE places an equal amount of importance on the beauty and the environmental health of the area vegetation in its EIVM program execution. The Company's licensed and professional foresters and contract tree pruning experts perform their functions for public safety and the safety and health of the trees and in accordance with state and national standards. Tree pruning for all PHI operating companies is performed following the standards and practices as outlined in the *American National Standards Institute (ANSI) publication A300 (Part 1) – 2001: Tree, Shrub and Other Woody Plant Maintenance* and its companion best management practices publication, *Utility Pruning of Trees*. Additionally, ACE must comply with all state and local laws and regulations regarding vegetation management practices.

ACE conducts tree and vegetation maintenance, which includes trimming and/or removing branches that overhang power lines and removing dead and diseased trees that are too close to the lines. Trees located along the overhead lines are trimmed as appropriate for the specific locality and in accordance with state and local regulations. Circuits are selected for inspection and trimming according to a pre-scheduled plan, created on the basis of a prioritization process that takes into account the number of vegetation related outages and overall reliability statistics of the circuit. At a minimum, ACE inspects and mitigates imminent vegetation problems as necessary on all overhead feeder sections at least once every four years.

In addition, the Company has an Enhanced Integrated Vegetation Management program that is designed to:

- Maintain a high degree of reliability across the entire electric system;
- Target areas of the electric system found to be most susceptible to damage from trees during storms;

- Assist in the removal of trees in close proximity to ACE's electric lines;
- Perform emergency tree and limb removal from electric lines; and
- Provide support for local jurisdictions that require assistance to remove trees that are in close proximity to the electric facilities.

Beginning in 2011, in response to an increase in tree related outages, ACE will fund and add elements of its EIVM Program to the vegetation management practices currently utilized by the Company, removing more circuit overhang and off right-of-way danger trees and increasing zones of electrical clearance where possible. Reduction of vegetation-caused outages is a key driver of ACE's system reliability improvement efforts. Therefore, ACE is constantly seeking opportunities to enhance tree-trimming management to improve reliability. The application of herbicides, ground-to-sky trimming, public and private partnerships and a public education campaign are all initiatives to be actively pursued by ACE to improve the program further. Since much of this program is dependent on increased customer approvals and continued cooperative efforts with state and local jurisdictions, ACE is optimistic the EIVM program will be supported by regulators, legislators and community stakeholders.

As an interim measure, ACE has examined vegetation-related feeder performance year to date to adjust the remaining 2010 pruning schedules in order to address emergent vegetation issues in the areas that have been most impacted by outages caused by trees.

The Company has also prepared an off right-of-way vegetation management plan, which it intends to implement in calendar year 2011 (See Exhibit C, Attachment 1, Off Right-of-Way Tree Pruning and Removal Policy).

4.2 Priority Feeder Program

The objective of the Priority Feeder Program is to identify the least reliable distribution feeders in each operating district, analyze and prioritize those feeders and initiate corrective actions to improve individual and overall distribution feeder reliability. ACE conducts annual system performance reviews of its 291 distribution feeders and ranks these feeders from the most reliable to the least reliable, based on high frequency and extended duration outages, using data from a rolling 12-month period from October 1 to September 30. From each of ACE's four operating districts, five feeders are selected based on their overall reliability performance and targeted for improvements under the BPU supported program.

Based on the field inspection results and historical outage data, the information for each selected feeder is reviewed, evaluated and analyzed in order to recommend appropriate corrective actions. Proposed corrective actions may include but are not limited to the following activities:

- Perform infrared thermal scanning of lines and equipment to remediate poor connections, overloads, and defective equipment.
- Install animal guards.
- Replace blown lightning arresters and defective grounds.
- Replace deteriorated structures: poles, cross-arms, braces, down guys, etc.
- Re-tension conductors with excessive slack, re-pull guys, install conductor spacers, etc.
- Replace defective insulators.
- Replace or repair transformers and other distribution equipment based on observed condition.
- Install new lateral tap fuses.
- Install sectionalizing and reclosing devices.
- Trim trees to provide sufficient clearances to lines and equipment.
- Verify protective device coordination to ensure effective fault isolation with minimum customer impact.
- Reconfigure overhead lines to avoid or minimize physical hazards such as large trees, motor vehicle hazards, etc.

In an effort to reduce overall SAIFI, ACE is emphasizing the importance of reducing feeder lockouts with added emphasis on the priority feeders. Starting in 2011, the first feeder line segment(s), defined as the feeder segment originating at the substation feeder breaker or riser terminal pole and extending to the first major protective device (usually a recloser) will receive extra scrutiny with the objective to remediate moderate to high level outage risk factors. Additional remedial work is justified for the critical line segments of a feeder. For example, ensuring all lightning arresters are either fused or equipped with ground fault isolators may make sense for the first line segment, but perhaps not the best use of funds for the last segment.

4.3 Load Growth

The design of reliable electric systems requires a thorough understanding of load growth trends. Whenever new loads are added or systems are reconfigured to incorporate new services, it is good design and planning practice to model the addition of new load to determine its impact on the system. ACE continuously analyzes the adequacy of its electric system to ensure that the demand for energy on its system is met and that plans to meet future growth are in place. The Company maintains engineering and operating criteria to be used in the design of new and modified portions of the system as follows:

- Voltage and reactive support,
- Ratings of facilities and
- Reliability

ACE completes short-term planning studies for every area in the ACE distribution system on a biennial basis. When forecasting ACE's feeder and substation loads, System Planning begins with a close examination of the summer historical load. Engineering staff compare the peak meter readings on the summer peak day for each feeder and substation with the previous historical loads and the previously predicted load, while considering the effects of predicted new customer load, actual new customer load, planned changes in feeder configuration and emergency transfers.

Solutions to relieve equipment capacity overloads and voltage deficiencies at the feeder or substation level are developed, usually with alternatives. The alternatives are evaluated on an economic and effectiveness basis with the most effective/least cost solution being proposed into a Construction Recommendation.

Following the review of components of the existing electrical system and the requirements for new service hook-ups, system planners develop the costs and schedule for the changes to the electric system which will be taken forward as candidates for inclusion in the construction budget process.

4.4 Distribution Automation

Distribution Automation (DA) is a major component of ACE's plan for improving reliability in the future. It includes sensors and controls throughout ACE's power lines and a number of devices and technologies such as automatic sectionalizing and restoration schemes, smart relays, smart switches and a number of other intelligent devices. These sensors will help ACE Operations to identify and resolve problems with the system more quickly. As a result, benefits such as quicker restoration, improved reliability and better overall control of the system are achieved.

One of the major components of ACE's DA is Automatic Sectionalizing and Restoration (ASR) scheme. This consists of automated switches, controllers, smart sensors, and substation electronic relays that are connected to electric distribution system, allowing for continuous visibility and remote control of the system. These devices work together to identify faults, automatically isolate identified problem areas and reconfigure the controlled feeders. This reduces the number and length of electric system outages, and minimizes the impact to customers.

Twenty feeders at five substations in the Glassboro area and thirteen feeders at four substations in the Absecon area will be equipped with the appropriate equipment and control systems to provide DA on those circuits. Completion for this work is anticipated in the 2011 to 2012 time period.

Also a part of DA, ACE will upgrade the controls at 158 capacitor banks, which include replacing 41 fixed capacitor banks with switched capacitor banks. These capacitor banks will be upgraded with two-way communications and control from a state-of-the-art Volt-VAR Control Program which will maintain an acceptable voltage profile along the distribution feeders throughout the day and also reduce power losses by correcting the feeder power factor. Completion for this work is anticipated in the 2011 to 2012 time period.

ACE began piloting the use of faulted circuit indicators on its overhead distribution system in 2010. ACE will continue to install non-remote faulted circuit indicators on selected overhead portions of the distribution system in 2011. This initiative will further assist in locating faults faster, and improving restoration time. While not technically a part of ACE's distribution automation program, the purpose of utilizing faulted circuit indicators is in line with the restoration improvement goals of the DA program. Faulted Circuit Indicators are used on transmission and distribution circuits to help repair crews to faster identify the location of faulted equipment, thereby reducing outage time, operating costs, and improving overall reliability. During typical fault conditions, a large magnitude of fault current is present on the system from the source to the point of the fault. Faulted circuit indicators installed at various points on the system, sense these high currents and signal their presence by means of a local and optionally remote indication. Dispatched crews will first look for fault indicators to assist in problem location and isolation of the fault to a specific segment of the circuit. By switching out the faulted segment, service can be restored to the balance of the circuit while the faulted segment is repaired. The deployment of faulted circuit indicators will target overhead portions of feeders with higher restoration times attributable to long feeder backbones and those along heavy traffic routes or hard to patrol areas.

4.5 Feeder Reliability Improvements

ACE's feeder improvement strategy is focused on addressing equipment, vegetation, weather and animal related interruptions which negatively impact reliability performance. This effort concentrates on feeders not included in the Priority Feeder Program.

The primary goal of feeder improvement is to minimize conditions on the distribution system which could lead to interruptions of service. Equipment upgrades, line section rebuilds, conversion of spans to tree wire and installation of animal guards are several of the tactics employed by ACE to eliminate potential fault causing conditions.

The secondary goal of feeder improvement is to minimize the impact of interruptions. Minimizing the impacts of faults is accomplished by adding or improving sectionalization on distribution lines. This mitigation tactic can include significant measures such as deployment of automatic reclosing equipment when applicable.

Unlike the Priority Feeder Program, which looks at feeder performance on an operating district level, the feeder reliability improvements initiative identifies feeders which exhibit poor performance based on the feeder's individual reliability indices as well as the feeder's contribution to overall system reliability. Those feeders that exhibit the best opportunity for improvement of the overall system reliability are targeted for improvements. Additionally, sections of feeders which exhibit multiple interruptions for ostensibly avoidable causes are addressed.

While ACE has been very aggressive in utilizing main-trunk line reclosers to improve feeder reliability performance, its use of single-phase reclosers has been limited. Presently, most single-phase branch circuits and laterals are protected by fuses. Beginning in 2009, ACE began experimenting with an economical single-phase reclosing device that is designed to install in a standard type "C" cutout frame. This is a very practical and cost effective way to implement single-phase reclosing and since the device mimics standard fuse cures used by ACE, there are virtually no coordination issues. In addition, several manufacturers are now offering economical conventional single-phase recloser designs that use vacuum breaker technology and integrated controls in order to reduce the total installed cost. ACE plans to evaluate this technology as well.

Although ACE continues to register relatively low CEMI (customers experiencing multiple interruptions) statistics in its service area, ACE continues an initiative to reduce its CEMI indices further as a driver of customer satisfaction. The initiative includes improved detection and internal reporting on the operation of protective devices experiencing repeated interruptions as well as timelier investigation and remediation of conditions contributing to repetitive outages. ACE will continue to closely monitor distribution feeder performance in an effort to improve customer satisfaction and overall system reliability. As a result of increased funding for feeder reliability work, ACE is anticipating continued reductions in CEMI. This will be accomplished through better and timelier identification of these customers as well as development of a reporting mechanism to alert stakeholders when individual customer levels of interruption exceed desired set points.

4.6 Substation Improvements

ACE Substations are generally served from 69 kV or higher transmission class lines. Substations could be subjected to large customer outages when transmission supplies are lost during major storms. These substations can typically serve as many as 10,000 customers.

Problems emanating from within substations can cause a large number of customer outages. These issues range from animal incursions and equipment failures. ACE is evaluating the aggressiveness of its

substation vegetation management practices as well as the feasibility of alternative animal incursion control and security measures.

ACE is has been planning the proactive replacement of substation equipment that exhibits signs of reduced reliability. Equipment which is trending towards more maintenance would be replaced. Several substations are currently being evaluated for upgrades to infrastructure. The coastal environments age equipment and enclosures more quickly than other regions typically experience. By replacing equipment proactively that is trending towards failure, ACE will avoid potential future outages impacting large numbers of customers and improve long term reliability, especially in the beach areas such as Wildwood and Atlantic City areas.

5. CONCLUSION

Additional actions can and are being taken to further improve the reliability of ACE's distribution system. These actions include the implementation of the Enhanced Vegetation Management Program, the installation of distribution automation equipment to reduce the time required to restore customers, replacement of aging infrastructure, identification of additional reliability work on feeders that have proven to be below acceptable reliability performance, proactive management of load growth on the system, and substation reliability improvements. ACE is committed to providing safe and reliable electric service to all of our customers at a reasonable cost. Therefore, each initiative undertaken must consider the cost to obtain and the anticipated benefits to be realized. ACE renews this commitment to improving reliability to all of its customers by working together with communities, political officials and the Commission in the judicious execution of this improvement plan.

Exhibit C
Attachment 1



Off Right-of-Way Tree Pruning and Removal Policy

(February 10, 2011)

A. OFF RIGHT OF WAY TREE RISK ASSESSMENT

1. ACE shall perform periodic, limited visual assessment of all vegetation near energized conductors that are associated with transmission and distribution lines, to determine whether vegetation management is needed beyond the limits of the established right of way. ACE shall take into account the height of the vegetation, and the distance of the vegetation from the energized conductor, in determining whether vegetation management is needed.
 - ACE VM personnel or qualified representative shall determine whether tree is a hazard tree, based on established criteria. By ANSI definition, a hazard tree is a structurally unsound tree that could strike a target, in this case an ACE electric supply line or facility. ACE shall deem an otherwise healthy tree that has the potential of interfering with the electrical infrastructure as a hazard tree.
 - Decision to mitigate off right of way tree also shall be based upon applicable Federal, state, and local regulations, including NERC FAC-003-1 and NJAC 14:5-9, NJBPU Vegetation Management Standards, NJ Pinelands Commission, etc. In addition, hazard tree mitigation work shall conform to PHI TVMP and other PHI policies.
 - The ACE Electric Utility Arborist or representative shall order the mitigation of off right of way hazard tree, including tree pruning, removal, etc.

B. NOTICE PROCEDURES

1. If the ACE Electric Utility Arborist determines that vegetation described above poses an immediate safety hazard, ACE shall not be subject to the notice requirements at N.J.A.C. 14:5-9.8. However, ACE shall, to the extent practicable, make a reasonable effort to notify the customers and property owners prior to performing the vegetation management.
2. Prior to any routine tree pruning or removal of off-right of way trees or vegetation, the utility shall provide a minimum of the following notifications to residents who will have work performed on their trees;
 - ACE shall provide written notice to property owners at least seven (7) days, but not more than 45 days, prior to performing any vegetation management activities.
 - Notice shall be provided to the property owners by separate direct mailing, door hanger, or any other Board-approved method in accordance with NJAC 14:5-9.8.
 - Written notice shall be provided to all municipalities and public authorities that may be affected by vegetation management activities in accordance with NJAC 14:5-9.8.

3. ACE shall identify and obtain all required State, county, and/or local permits as required.
4. ACE shall obtain a signed notification from the person who has ownership and control over the tree before removing an off right of way tree. However, no such signed notification is necessary if the utility has clearly documented rights to manage vegetation, as in the case of certain transmission right-of-ways. This notification requirement will be waived during emergency situations, as determined by the utility or public officials. Emergencies may include, but not be limited to, falling trees, trees causing outages, trees on fire due to contact with overhead lines, or hazards with eminent potential to cause damage or harm to the public or property.

C. REFUSAL / DISPUTE RESOLUTION

1. Should a dispute arise upon receiving such notice, the property owner shall have the right to request an on-site meeting with the ACE representative to discuss the proposed work, at a time that is mutually convenient for the tree owner and ACE.
2. During these meetings, ACE shall inform the property owner of alternatives as defined in Part B of this document. ACE shall work diligently to try and reach an amicable resolution to any conflict as raised by the tree owner. Examples of potential solutions to disputes include:
 - Alternative pruning or removal methodology;
 - Tree replacement with compatible tree species;
 - Reconstruction or relocation of electric facilities at owners expense;
 - Burying facilities at owner's expense; and
 - Legal and Regulatory recourse.

D. GENERAL

1. All utility tree pruning shall be done pursuant to the pruning practices of ANSI 300 Standards, NERC FAC-003-1 standards, and the Technical Standards for Vegetation Management set forth in NJAC 14:5-9.
2. The purpose of utility tree pruning is to prevent the loss of service, comply with mandated clearance laws, prevent damage to equipment, maintain access and uphold the intended use of the facility.
3. ACE shall, at its discretion, provide tree removal services and a tree replacement option. The owner shall agree not to re-plant a tree that will encroach into the lines at a future date. Options for this include:
 - Provide replacement with a compatible tree. Small trees that grow slowly and to no more than 25 feet in height, such as Dogwood, Flowering Cherry, Crabapple, Purple Leaf Plum and Japanese Red Maple, are recommended for areas close to power lines.
 - Provide voucher for compatible tree, redeemable from local nursery.

Note: These options are contingent upon the applicable site-specific circumstances and at the discretion of ACE's trained forestry personnel.

Exhibit C
Attachment 2



A PHI Company

ATLANTIC CITY ELECTRIC COMPANY RELIABILITY ENHANCEMENT PLAN SUMMARY

Atlantic City Electric Company (ACE) has announced the development of a six-point reliability plan that advances work on existing programs as well as initiates new activities. These programs are intended to increase substantially the reliability of the distribution system across ACE's operating area by reducing both the frequency and duration of outages for our customers. The total cost of this work over the next five years is estimated to be a quarter billion dollars and increases our expenditures by \$40 million over the next five years. Improving the reliability of the electric system is critically important to everyone at ACE. We will continue to improve our performance and work with our customers to address their concerns.

Summary - Atlantic City Electric Company

Data is in millions

	Current Annual Average	Current Five-Year	Planned Annual Average	Planned Five-Year
1. Enhanced Vegetation Management	\$5.0	\$25.0	\$7.0	\$35.0
2. Priority Feeders	\$2.3	\$11.6	\$3.4	\$17.2
3. Load Growth	\$21.4	\$107.0	\$21.4	\$107.0
4. Distribution Automation	\$8.6	\$43.0	\$8.6	\$43.0
5. Feeder Improvement	\$4.4	\$21.9	\$6.9	\$34.5
6. Substation Improvements	\$7.6	\$37.8	\$10.1	\$50.3
TOTAL	\$49.3	\$246.3	\$57.4	\$287.0

Plan Description

1. Enhanced Vegetation Management

Enhanced vegetation management includes tree trimming along public rights of way to obtain increased clearance between the overhead electric wires and existing trees. In addition to tree trimming, ACE also will work with counties, communities and homeowners to remove trees that are dead, in poor health or would damage the distribution system if they were to fall.



A PHI Company

2. Priority Feeders

Each year ACE selects feeders across that operating region that we determine are the least performing feeders. We perform detailed investigations to determine the cause of outages and necessary corrective actions to reduce the number of outages. A feeder is generally one electric distribution line that supplies electric power to over to 1,000 customers within a specific geographic area.

3. Load Growth

Each year ACE evaluates the need to add or upgrade feeders in order to reliably supply new customers and support increased usage required by existing customers. This program is part of our long-established system planning process that ensures the continued availability of safe and reliable power for our customers.

4. Distribution Automation

Distribution automation involves installing advanced control systems across the distribution system to allow the electric system to identify faults and perform switching automatically. These technologies will automatically isolate the failed pieces of equipment and restore most of the affected customers within minutes of the failure. Improved Volt-VAR monitoring and control will reduce energy losses and demand on the distribution and transmission system, and reduce O&M activity

5. Feeder Improvement

Feeder improvement is focused on addressing equipment, vegetation, weather and animal related interruptions which negatively impact reliability performance. This effort concentrates on feeders not included in the Priority Feeder Program and includes minimizing the impacts of faults and addressing issues which cause multiple interruptions.

6. Substation Improvements

Problems emanating from within substations can cause a large number of customer outages. These issues can include animal incursions and equipment failures. ACE is addressing conditions and upgrading infrastructure in selected substations to reduce the impacts from substation based outages.

WHY IS ACE IMPLEMENTING THESE PROGRAMS?

- Despite the generally positive results that we have had reducing outage duration times (CAIDI), we have not had the same result reducing the frequency of outages. These programs will further reduce both the frequency and duration of outages.
- While there are state regulations specifically governing tree trimming and removal along public rights of way, we are confident that by working with state, county and community leaders we will obtain the required permission to perform more aggressive trimming and selective removal.
- ACE applies best-practice engineering and economic principles to siting and line design according to the characteristics of each project situation.
- This plan will result in substantial improvements over the next five years, and we will continue to make adjustments as necessary, as we implement the plan.

In the Matter of the Petition of Atlantic City Electric Company for Approval of Amendments to Its
Tariff to Provide for an Increase in Rates and Charges for Electric Service Pursuant to *N.J.S.A. 48:2-21*
and *N.J.S.A. 48:2-21.1* and for Other Appropriate Relief
BPU Docket No. ER09080664

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