



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

IN THE MATTER OF THE EMERGENT PETITION OF) ENERGY
ATLANTIC CITY ELECTRIC COMPANY FOR AUTHORITY)
TO ISSUE DEBT SECURITIES FOR THE PURPOSE OF) ORDER
FUNDING ITS CONSTRUCTION PROGRAM AND FOR)
GENERAL CORPORATE PURPOSES)
) DOCKET NO. EF08080643

(SERVICE LIST ATTACHED)

BY THE BOARD:

Atlantic City Electric Company ("Petitioner", "Company" or "ACE"), a public utility of the State of New Jersey, by Emergent Petition filed August 29, 2008, has requested authority pursuant to N.J.S.A. 48:3-9 to: (i) not later than December 31, 2008, at its option, issue and sell in one or more series up to \$250 million in aggregate of New Debt Securities (as defined below) and (ii) take any other action which may be necessary or desirable in connection therewith. The Order requested herein is intended to replace the Order issued by the Board on June 20, 2007 (the "2007 Order") in Docket No. EF07010064 effective as of the date of this Order.

On or about January 30, 2007, the Company filed a Petition with the Board pursuant to N.J.S.A. 48:3-9 (the "2007 Petition"), requesting Board authorization to issue and sell, through one or more transactions and from time to time, but not later than December 31, 2008, long-term debt securities (the "New Debt Securities") in an aggregate principal amount of not more than \$150 million to fund its anticipated 2007–2008 construction program and to refund the Maturing Securities as that term was defined in the 2007 Order.

Petitioner has requested emergent relief because it has been funding all expenses through its commercial paper program which has a limit of \$250 million. The weighted average short term debt as of early September is \$146.3 million. For reasons outlined below, associated with Fossil Asset Sale Credit and for Non Utility Generation and Societal Benefits charges and higher than anticipated capital charges, the Company is asking for approval to issue long-term debt which is needed to fund the items listed above at a time when, according to the Petitioner,

rates for an offering in this size range are attractive, and before Petitioner is in jeopardy of reaching its maximum short-term debt limit of \$250 million.

Petitioner is engaged in a construction program designed to improve and extend its facilities so as to enable it to better serve the public. At the time the 2007 Petition was filed, Petitioner's cash requirements associated with its 2007-2008 construction program approximated \$84,000,000. In addition, in 2007-2008, debt securities previously issued by the Petitioner totaling in an aggregate principal amount of \$66,000,000, and with an average weighted interest rate of 6.93% were scheduled to mature (the "Maturing Securities").

On June 20, 2007, the Board issued the 2007 Order. The 2007 Order authorized Petitioner to "issue and sell, from time to time, the New Debt Securities in an aggregate principal amount not to exceed \$150 million" and to "take any action which may be necessary or desirable in connection with the above transactions."

Since issuance of the 2007 Order, the Company's 2008 construction plan has increased by approximately \$47.5 million in capital expenditures. In addition, as a result of two prior Board Orders in Docket Nos. EM05121058 and EM06090638, the Company has established a Fossil Asset Sale Credit related to the Keystone & Conemaugh ("K&C") and B. L. England ("BLE") asset sales, crediting approximately \$63.5 million to ratepayers for the period of June 1, 2008 through May 31, 2009. Moreover, on May 20, 2008, the Board issued an Order in connection with BPU Docket No. ER07060356, authorizing the Petitioner to credit approximately \$117 million to ratepayers over a 48 month period related to the reconciliation and update of the Company's Non-Utility Generation Charge and its Societal Benefit Charge (the "SBC/NGC Update Proceeding"). The Company's credit obligation commenced on or about June 1, 2008.

Based upon the changed circumstances and obligations outlined above which have resulted in higher capital expenditures that are required to fund ACE's obligations including customer credits required pursuant to the K&C, BLE and the SBC/NGC Update Proceeding, Petitioner seeks authorization to issue and sell an additional \$100 million of New Debt Securities. Approval of this request would raise Petitioner's total authorization for New Debt Securities to \$250 million.

The New Debt Securities will consist of First Mortgage Bonds, which may be designated Secured Medium Term Notes, issued under the Company's Mortgage and Deed of Trust dated January 15, 1937 to The Bank of New York, as successor trustee; Senior Notes issued under the Company's Indenture (for Senior Debt Securities) dated as of April 1, 2004 to The Bank of New York, as trustee; or unsecured Medium Term Notes issued under the Company's Indenture dated March 1, 1997 to The Bank of New York, as trustee.

The New Debt Securities may be sold pursuant to a registration statement filed with the United States Securities and Exchange Commission ("SEC") under the Securities Act of 1933. The New Debt Securities will be issued and sold publicly or in private placements directly to prospective purchasers through one or more underwriters or placement agents to be selected by the Petitioner. The arrangements between the Company and the underwriters or placement agents, if any, regarding the sale of the New Debt Securities will be set forth in one or more agreements to be executed at the time of issuance.

The New Debt Securities may be issued in one or more series and will have maturities between 5 years and 40 years from the date of issuance. Other terms of the New Debt Securities, including call provisions and interest rates, will be determined depending on the

maturities selected and market conditions at the time such terms and rates are set. At the time this petition was filed, the Company included a market yield spread table that was appropriate for the market conditions that existed at that time. Since then, the capital markets have changed dramatically. By letter dated October 8, 2008, the Company submitted the following updated market yield spread table to be the basis for any issuance by ACE for the remainder of 2008.

MARKET YIELD SPREAD TABLE		
Range of Maturities	Maximum Coupon Spread (Basis Points) July 31, 2008 Proposed	Maximum Coupon Spread (Basis Points) October 8, 2008 Proposed
	5 years to less than 7 years	215
7 years to less than 10 years	220	600
10 years to less than 15 years	220	600
15 years to less than 20 years	225	600
20 years to less than 30 years	230	650
30 years to 40 years	230	650

The coupon spreads are based upon the difference between the market yield of corporate debt securities having ratings comparable to Petitioner’s First Mortgage Bonds and U.S. Treasury securities with like maturities. If market conditions change materially, Petitioner has acknowledged that it will seek Board approval for an updated yield spread schedule. The prices to be paid to Petitioner, the interest rates, the maturity dates, the redemption premium and the public offering price of any New Debt Securities have not yet been determined. These determinations are dependent upon the results of the proposed offering(s) to be made at future date(s) but not later than December 31, 2008.

The Division of Rate Counsel (“Rate Counsel”) by a letter dated October 15, 2008 has reviewed the Petition and supporting documents. Rate Counsel does not object to granting the requested authorization subject to certain recommendations and conditions included herein.

The Board, after investigation and review of Petitioner’s representations and the recommendation of Board Staff, FINDS that the purposes of the issuance of the New Debt Securities are necessary, reasonable and proper, that the proposed issuance and sale of the New Debt Securities is in accordance with the law, is in the public interest, and the Board HEREBY APPROVES the purposes thereof.

The Board, being satisfied with the actions as proposed by Petitioner as indicated above, and approving the purposes thereof, HEREBY ORDERS that Atlantic City Electric Company be and the same is HEREBY AUTHORIZED, from time to time, and not later than December 31, 2008, to:

- (i) issue and sell, from time to time, New Debt Securities in an aggregate principal amount not to exceed \$250 million; and
- (ii) take any other action which may be necessary or desirable in connection with the above transactions.

This Order is subject to the following provisions:

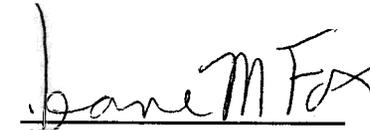
1. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
2. This Order shall not be construed as certification that the New Debt Securities herein authorized will be represented by tangible or intangible assets of commensurate value or investment cost.
3. Except as previously set forth herein, this Order shall neither affect nor in any way limit the exercise of the authority of this Board or of the State in any future Petition or in any future proceeding with respect to rates, franchises, services, financing (including method of sale of securities), accounting, capitalization or any other matters affecting Petitioner. Rate Counsel, Board Staff and any other parties reserve the right to examine this transaction and its impact on rates in the Company's next base rate case.
4. This Order shall not constitute pre-approval or presumed approval of any costs associated with the New Debt Securities. All such costs shall be subject to review for reasonableness in Petitioner's next base rate case.
5. This Order shall not affect or in any way limit the manner in which the Petitioner registers its securities with the SEC.
6. Petitioner shall provide Rate Counsel and the Board with a copy of its SEC registration statement for this debt issue, upon request.
7. Petitioner shall furnish the Board with copies of all executed indentures.
8. The New Debt Securities authorized herein shall not be redeemed at a premium prior to maturity without further Board approval.
9. If Medium Term Notes are sold pursuant to competitive bidding, Petitioner shall furnish this Board in writing, as soon as practicable after accepting the bids for Medium Term Notes, the names of all principal bidders together with the interest rate, the annual cost of money to Petitioner, the price to the public, the percentage yield and the price to Petitioner applicable to each bid. Petitioner shall telephonically notify the Chief Economist prior to its issuance of New Debt Securities, whether issued in an offering registered under the Securities Act or not, and will supply the following for informational purposes only: (i) principal amounts or amounts of the Medium Term Notes proposed to be sold; (ii) anticipated maturity ranges; (iii) actual current yields of U.S. Treasury securities; (iv) range of estimated coupon spreads over U.S. Treasury securities; (v) data, as available, with respect to the recent sale of comparable Medium Term Notes of other utilities; and (vi) such other information as Petitioner shall deem relevant to assess the reasonableness of the expected sale of the Medium Term Notes.
10. Whether the New Debt Securities are sold in an offering that is registered under the Securities Act or sold on a competitively bid basis, Petitioner shall not issue New Debt Securities at coupon rates in excess of those that would result from the Market Yield Spread Table set forth in this Order. In the event that market conditions change, Petitioner may submit to the Board for approval a request to issue New Debt Securities

at coupon rates in excess of those that would result from the Market Yield Spread Table. Any such request submitted by Petitioner for approval of the Board shall be accompanied by Petitioner's statement of the basis or the rationale therefore. If the Board approves a different Market Yield Spread table proposed by Petitioner, Petitioner may then issue the New Debt Securities.

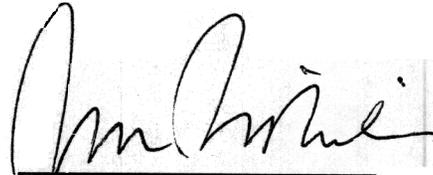
11. The authority granted in this Order shall become null and void and of no effect with respect to any portion thereof which has not been exercised by December 31, 2008.

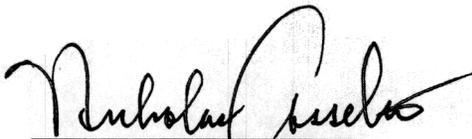
DATED: 10/23/08

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT

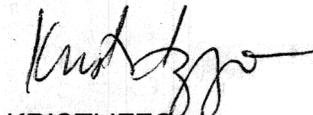

FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

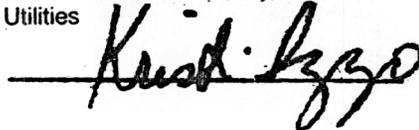

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANC
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



SERVICE LIST

In the Matter of the Petition of Atlantic City Electric Company for Approval to Issue Debt Securities for the Purpose of Funding the Construction Program and Refunding Maturing Long-Term Debt

Docket No. EF08080643

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