



Agenda Date: 4/16/09

Agenda Item: 2A

**STATE OF NEW JERSEY**

**Board of Public Utilities**

**Two Gateway Center**

**Newark, NJ 07102**

[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PROCEEDING )	DECISION AND ORDER
FOR INFRASTRUCTURE INVESTMENT )	APPROVING STIPULATION
AND A COST RECOVERY MECHANISM )	
FOR ALL GAS AND ELECTRIC UTILITIES )	DOCKET NO. EO09010049
IN THE MATTER OF THE PETITION )	
OF ATLANTIC CITY ELECTRIC )	
COMPANY FOR APPROVAL OF CERTAIN )	
ENERGY INFRASTRUCTURE INVESTMENTS )	
AND APPROVAL OF COST RECOVERY FOR )	
SUCH PROJECTS AND RELATED TARIFF )	DOCKET NO. GO09010054
MODIFICATIONS ASSOCIATED THEREWITH )	
PURSUANT TO <u>N.J.S.A. 48:2-21</u> AND <u>N.J.S.A.</u> )	
48:2-21.1 )	

(SERVICE LIST ATTACHED)

BY THE BOARD:

**Background:**

On October 16, 2008 in response to the worldwide economic downturn and seeking to mitigate its effects on New Jersey, Governor Jon Corzine announced plans to provide immediate assistance for New Jersey residents and long term economic growth options through an "Economic Stimulus Plan." Governor Corzine called on the New Jersey Board of Public Utilities ("BPU" or "Board") and the State's public utilities to aid in that plan by implementing the policy changes to be proposed in the State's about to be released Energy Master Plan ("EMP").

The EMP, issued on October 22, 2008, is the roadmap to guide the State toward a responsible energy future with adequate, reliable energy supplies that are both environmentally responsible and competitively priced<sup>1</sup>. Under the EMP, major goals for New Jersey include maximizing energy conservation and energy efficiency, and reducing energy consumption by at least 20%

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<sup>1</sup> For the full text of the EMP, see [www.nj.gov/emp](http://www.nj.gov/emp).

by 2020. The EMP also calls for upgrading energy infrastructure to ensure the continued reliability of energy supply, support increased energy efficiency, renewable energy, and reductions in peak demand.<sup>2</sup>

Public utility involvement, along with competition in the renewable energy, conservation and energy efficiency industries are essential to meeting the goals of the EMP. The Governor, together with Board President Jeanne M. Fox, encouraged New Jersey's electric and gas utilities to formulate plans for enhanced investments in infrastructure improvements during 2009. Implementation of such plans would accelerate the current schedule of the electric and gas utilities for planned capital improvements and investments, thereby creating jobs and stimulating the State's economy.

New Jersey's gas and electric utilities responded by filing petitions outlining each utility's proposed projects, and seeking the Board's approval of accelerated investments in utility infrastructure. In reviewing the utilities' petitions, the Board seeks to ensure not only that the proposals further the EMP, but also create jobs to strengthen the local economy.

By Order dated January 29, 2009, the Board determined that these petitions should be retained by the Board for review and hearing, and, as authorized by N.J.S.A. 48:2-32, designated President Fox as the presiding officer.

### **Procedural History:**

On January 30, 2009 Atlantic City Electric Company ("ACE" or the "Company") filed a petition ("Petition") requesting that the Board approve an Infrastructure Investment Program ("Infrastructure Program") pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, and simultaneously approve the recovery of costs for projects included within its proposed Infrastructure Program through the implementation of an Infrastructure Investment Surcharge ("IIS"), pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1. The Company supplemented its Petition on February 24, 2009.

The Company states that as part of its ordinary capital spending planning cycle, ACE continuously plans for the replacement, reinforcement and expansion of its infrastructure, including its property, plant, facilities and equipment, to maintain the reliability of its distribution system and to ensure the continuation of safe, adequate, proper service and the conservation and preservation of the environment. ACE has agreed to accelerate certain of its planned infrastructure capital spending from 2011 through 2013 to 2009 and 2010. The specific projects selected, more fully described in Appendix A of the attached stipulation (the "Stipulation"), were chosen by the Company because in its estimation they both enhance the reliability of its system and support economic development and job growth in New Jersey in the near term.

ACE originally proposed twenty one (21) projects for inclusion in its Infrastructure Program, seeking to recover the costs and revenue requirements associated with the IIS on a dollar per kilowatt-hour ("kWh") basis, applicable equally to all Rate Schedules for those projects initiated within a period of approximately two years from the date of final Board approval of the Infrastructure Program. After consultation with the Board's Staff and Rate Counsel, ACE modified its proposal to include the sixteen (16) projects identified on Appendix A of the proposed Stipulation.

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<sup>2</sup> EMP at 75.

On January 29, 2009, the Board issued an Order retaining this matter for its consideration and designating BPU President Jeanne M. Fox as the Presiding Officer.<sup>3</sup> On February 11, 2009, the New Jersey Large Energy Users Coalition (“NJLEUC”) filed a Motion to Intervene in this proceeding. The Motion was unopposed, and was granted on February 25, 2009.<sup>4</sup>

Public notice was provided by ACE through publication in newspapers in general circulation in the Company’s service territory, and two (2) public hearings on the Company’s Infrastructure Program filing were held at 3:30 p.m. and 5:30 p.m. on Thursday, March 5, 2009 at Mays Landing, New Jersey in ACE’s service territory. Approximately 130 discovery questions in this matter were propounded by Board Staff and Rate Counsel, and responded to by the Company.

Subsequent to the completion and review of discovery and the two public hearings, representatives of ACE, Board Staff, Rate Counsel, and NJLEUC met to discuss the issues in this case. The Company, Rate Counsel and Board Staff (the “Parties”) agreed that the Infrastructure Program proposal and associated interim cost recovery mechanism as modified are reasonable and in the public interest.<sup>5</sup>

ACE represents that the Company’s proposal is consistent with and meets the goals of the comprehensive Economic Stimulus Plan for New Jersey proposed by Governor Jon Corzine to create new jobs and to stimulate the New Jersey economy. According to the Company, the infrastructure investment projects set forth in the Stipulation will enhance service, reliability, and energy efficiency and provide for the creation of incremental jobs as identified in Appendix A.

In this Order, the Board considers the proposed Stipulation, with key provisions described below.

## **The Proposed Stipulation**<sup>6</sup>

### **Qualifying Projects**

Based upon the discovery and settlement discussions, and subject to further prudence review in the context of the Company’s next base rate proceeding, the Company represents that the sixteen (16) projects identified in Appendix A (“Qualifying Projects” or “QP”) will assist the Company in providing safe, adequate and proper service to its customers; are incremental in nature, and will create jobs in support of the Governor’s Economic Stimulus Plan. Based upon these representations and the record developed to date, the Parties have agreed that the projects appear to be reasonable, prudent and consistent with the Governor’s Economic Stimulus Plan, and that the costs associated with the Qualifying Projects may be recovered through the implementation of an IIS charge, subject to review, as set forth below.

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<sup>3</sup> In anticipation of the filings by the utilities, the Board assigned a generic docket number to facilitate the individual utility proceedings, i.e. BPU Docket No. EO09010049, as noted above.

<sup>4</sup> By order dated March 6, 2009, Bluewater Wind LLC was granted intervenor status, but did not actively participate in the proceedings.

<sup>5</sup> NJLEUC did not sign the Stipulation, but submitted a letter (attached to the Stipulation) indicating that it does not formally support or oppose the settlement.

<sup>6</sup> Although 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.

Appendix A contains a detailed description of each Qualifying Project, the projected annual calendar year and aggregate cost for each Qualifying Project, the estimated number of jobs created as a result of each Qualifying Project, and the projected timeline and completion date for each Qualifying Project.

The Company anticipates that the design and construction work associated with the Qualifying Projects will generate incremental jobs as identified on Appendix A in its service territory. The Company has agreed that it will endeavor, to the best of its ability, to employ contractors and engineering firms located in New Jersey. The Company's estimate of the workforce hours necessary for the Qualifying Projects does not include any ancillary job impacts that will increase the overall benefits generated from the Qualifying Projects.

The work associated with the Qualifying Projects will commence concurrent with the effective date of the IIS upon receipt of a written Board Order in this proceeding, and will reflect the estimated construction start and completion dates set forth in Appendix A.

The Parties stipulated that the Board should approve on an interim basis, subject to refund, the sixteen (16) Qualifying Projects set forth on Appendix A as being in conformance with the goals and objectives of the Governor's Economic Stimulus Plan, with cost recovery through the implementation of the IIS for the sixteen (16) Qualifying Projects listed on Appendix A, totaling \$27.613 million, subject to prudence review in the Company's next base rate case. In any such prudency review, the record of this proceeding, including the Petition in this matter and the Stipulation, shall be fully incorporated and considered.

If it is necessary for the Company to eliminate or substitute another project for any of the Qualifying Projects during the term of its Infrastructure Program, notice of any such changes and an opportunity for review and comment shall be provided to the Parties and any substitutions shall only be made with Board approval. Before seeking such approval, the Company will consult with the Parties to the Stipulation, and seek their consent to the modifications. The Company shall not be required to seek any further prior approval(s) from the Parties or the Board with respect to a substituted project(s) that is similar to, in both character and projected cost, the project being eliminated.

#### Cost Recovery Mechanism

The Parties have stipulated that the revenue requirement recovered through the IIS will be calculated to include a return on investment and a return of investment through depreciation, which investment will include capitalized costs related to the Qualifying Projects. The Parties further stipulated that this calculation will use the depreciation rates and methodology and the cost of capital utilized to set rates in the Company's most recent base rate case, dated May 26, 2005, BPU Docket No. ER03020110, which was 8.14%, based upon a return on equity of 9.75%. The Parties further stipulated that the initial revenue requirement and resulting IIS rate will be calculated utilizing projected cost data subject to annual adjustments. The calculation of the revenue requirement for the purpose of setting the initial IIS rate is set forth in Appendix B of the Stipulation.

The Board shall set the effective date of the initial IIS rate consistent with the initial start date for the first of the sixteen (16) Qualifying Projects.

Under the terms of the Stipulation, the annual revenue requirement calculation for the Qualifying Projects will commence during the month in which the IIS charge is implemented, and will be based upon projected expenditures for the Qualifying Projects. The monthly over- and under-recovery calculation will be based on actual revenues received under the IIS clause and actual expenses for Qualified Projects in each month. A sample calculation is set forth in Appendix C. The annual revenue requirement calculation will follow the methodology set forth in Appendix B of the Stipulation.

The Parties stipulated that the Company will file an annual petition ("Annual Filing") to adjust its IIS rate on a calendar basis, with copies provided to the Parties, no later than each November 1<sup>st</sup> which is two months prior to the January 1<sup>st</sup> date proposed for the implementation of the revised IIS rate each year. Each Annual Filing will contain a reconciliation of its projected IIS costs and recoveries and actual revenue requirements for the initial period, as well as the items in the minimum filing requirements ("MFRs") in Appendix D of the Stipulation. The Company agreed that it will not seek to recover incremental operation and maintenance expenses in its future Annual Filings.

In calculating the monthly interest on net over- and under- recoveries, the interest rate shall be based upon the Company's interest rate obtained on its commercial paper and/or bank credit lines. If both commercial paper and bank credit lines have been utilized the weighted average of both sources of capital shall be used. The interest amount charged to the IIS will be computed using the methodology described in Appendix C of the Stipulation. The true-up calculation of over- and under- recoveries shall be included in the Company's Annual Filing.

According to the Stipulation, the Qualifying Projects and associated investment costs included in the Annual Filing, as well as the level of the proposed IIS rate, will be subject to review by the Parties, with opportunity for discovery and filed comments, prior to the issuance of a Board Order establishing the Company's proposed new annual IIS rate adjustment.

#### Base Rate Case Requirement

The Parties have stipulated that the Company shall file a base rate petition on or before April 1, 2011. The Parties further stipulated that, in the context of the Company's next base rate case, the Qualifying Projects and the IIS rate will be subject to a full and thorough examination. The Parties further stipulated that, if required, full evidentiary hearings with respect to the Qualifying Projects and related costs will take place in that base rate case proceeding.

The Parties further stipulated that, during the Company's next base rate case, the net capitalized amounts of the Qualifying Projects, if deemed to be reasonable and prudent, will be rolled into the Company's rate base and the related IIS charges will be terminated. Any Qualifying Project expenditures and IIS charges not known and measurable at the conclusion of the required base rate case may be considered in a subsequent Phase Two proceeding, at which time the IIS rate and tariff will terminate.

#### Minimum Filing Requirements

Under the terms of the Stipulation, the Company will provide the information set forth in the MFR described in Appendix D to the Stipulation, in its Annual Filing and as part of its required base rate case filing. The Company will also provide in each filing a detailed description, along

with corresponding plant accounts, of the expenditures that are reflected in each blanket project in Appendix A, if any.

### Rate Design

The Parties stipulated that rate recovery through the IIS rate will be non-bypassable and implemented on a per-kWh basis, adjusted for voltage level, for each rate class using the rate design proposed by the Company in this proceeding. The calculation of the initial IIS rate is set forth in Appendix B of the Stipulation.

### Rate Impact

The Parties stipulated to an initial IIS rate as set forth in Appendix B, which would result in \$323,750 in revenue for the initial 7-month period, effective June 1, 2009. The IIS rate will result in a rate increase for a typical residential customer using 1,000 kWhs per month of \$0.06 or 0.04% during the initial 7-month period. The impact on a typical commercial customer on Monthly General Service using 2,000 kWhs in a month would be an increase of \$0.11 or 0.04%. The rate impact of the implementation the proposed IIS rate for each customer class is set forth in Appendix E to the Stipulation.

### Quarterly Reporting

The Parties have stipulated that the Company will provide the Board and Rate Counsel with a quarterly report ("Quarterly Report"), detailing capital expenditures individually for each Qualifying Project identified in Appendix A and the job growth in the form of "man hours" expended resulting from the implementation of each Qualifying Project on a quarterly basis, in the format described in Appendix F. The Quarterly Report should also include a Gantt Chart (or similar tracking chart) showing the status of each project, tasks completed, percentage of projects completed, the actual money spent to date, etc. This reporting will begin thirty days after the end of the first calendar quarter following the issuance of a Board Order in this proceeding.

The Company agreed to track the number of incremental contractor or other positions associated with the Qualifying Projects by "man hours" incurred, and will include that information with each Quarterly Report and Annual Filing submitted to the Board Staff and Rate Counsel, in the format shown in Appendix F.

### Calculation of Jobs Created

The Parties have agreed that job creation is an integral part of the Economic Stimulus Plan underlying the Qualified Projects. For purposes of reporting jobs associated with the Qualifying Projects, the Company will define a Full-Time Equivalent ("FTE") job as 1,820 hours per year.

### Government Funding

On February 17, 2009, the Federal American Recovery and Reinvestment Act of 2009 ("ARRA") (Pub. L. No. 111-5) was signed into law by President Barack Obama. Subject to any restrictions set forth in the ARRA and other applicable law, if the Company receives federal funds or credits directly related to the Qualifying projects through the ARRA, the Company agrees to utilize that money to offset the Qualifying Projects' costs. If funding or credits from the ARRA or any

subsequent state or federal action becomes available to the Company through the State of New Jersey, a county or municipality for project reimbursement, the Company agrees that any such funds or credits directly applicable to work related to the Qualifying Projects will be used to benefit customers by offsetting the costs for which recovery will be sought to the extent permitted by law.

### **Discussion and Findings**

The Board recognizes that the acceleration of utility infrastructure projects and the treatment of capital expenses on an expedited schedule outside the purview of a rate case is not part of the normal course of utility regulation. However, these are not ordinary times.

In his address to the Legislature on October 16, 2008, the Governor called upon the Board to help facilitate job growth and assist in New Jersey's economic stimulus program. The Board, in turn, called upon the State's public utilities to formulate plans for enhanced investments in infrastructure that would both increase reliability and promote employment.

The Board takes notice of the fact that the financial markets remain volatile, affecting the utilities' ability to fund incremental infrastructure projects within the usual framework which requires that capital expenditures be recovered through a rate case only after projects are completed. N.J.S.A. 48:2-21. It is within a rate case that the property that is used and useful in the utility's provision of service is evaluated, and the expenses that can become components of just and reasonable rates are determined. In re Investigation of Tele. Cos., 66 N.J. 476 (1975). These difficult economic times require creative responses that respect the law but adapt to extraordinary circumstances. In the past, the Board has found that it has the power to act to meet such challenges. N.J.S.A. 48:2-13; In re Implementation of the Two Bridges/Ramapo Water Diversion Project, BPU Docket No. 8011-870 (March 17, 1981). The Board continues to have that power.

Looking generally at all of the infrastructure settlements before the Board, and at ACE's in particular, the Board FINDS that the infrastructure programs reviewed today, if successfully executed, will both increase employment in the State and reliability of the utilities' distribution systems. Only capital projects which enhance the reliability, safety and security of each utility's distribution system are eligible under these programs as Qualifying Projects. These are projects originally scheduled for future years which can be brought forward into the 2009-2010 time period because they have already been researched and planned by the companies. In the absence of this program, most of the projects would be completed, but only in future years.

In identifying projects to be included in their infrastructure programs, projects using New Jersey-based employees were strongly favored; in contrast, projects not expected to affect employment in New Jersey, such as replacement of vehicles or computers, were eliminated from utility proposals. Projects without an obvious benefit to justify their costs were excluded as well.

Staff engineers reviewed the projects proposed by the utilities to establish that the projects would make the distribution systems more reliable, safer, or more secure, or would provide a combination of these benefits. Rate Counsel also conducted its own review, with substantial input from contracted professional consultants. Based on its review of the information provided, the Board is satisfied that the projects will positively contribute to the reliability, safety and security of utility service.

In addition to providing positive benefits to the provision of safe, adequate, and proper service, the proposed Qualifying Projects are designed to create direct jobs. Evidence presented to the Board during the overall proceedings indicate that the full impact of the overall accelerated infrastructure programs will create approximately 1,302 direct jobs in the private sector – without the use of additional government funding. The Qualifying Projects associated with this particular Order are expected to generate 92 direct jobs over the next two years, primarily in the construction industry. These are actual incremental private sector jobs which would not be created in the absence of these programs. The companies have provided an initial estimate of the incremental jobs to be created by these projects, and as part of the mandatory reporting requirements, will report the actual jobs created on a quarterly basis. Furthermore, the companies will provide reports on capital spending other than for the Qualifying Projects in order to identify any possible shifting of spending and assure that these are actually new jobs which would not have been created without these programs. Without question, the Board FINDS that the accelerated infrastructure programs will have a significant and real benefit on employment in the State.

The estimate of jobs to be created includes only the direct impact of the proposed projects on employment – the employees working on the utility projects themselves. It does not include the indirect impacts with respect to jobs created in other sectors of the state economy for labor, materials, and services needed for the utility projects. Neither does it include what is known as the “induced” impacts resulting from spending by the added employees for local goods and services. These “ripple” effects are difficult to quantify, but they clearly exist. Rate Counsel’s consultants estimated that an additional 14,100 direct, indirect and induced jobs will be created by the accelerated infrastructure program. The multiplier calculation is based on the RIMS II Regional Input-Output Model, produced by the Bureau of Economic Affairs, US Department of Commerce, and has not been contradicted by any of the evidence provided during these proceedings. The Board therefore FINDS that the overall estimate of 1,302 direct jobs created is a relatively small fraction of the total jobs to be created as a result of the programs that the Board is approving today.

The Board also notes that current economic conditions have reduced commodity and other input costs, making this a propitious time to pursue capital investment on cost-effective terms. For example, the federal Bureau of Labor Statistics stated that the producer price index (“PPI”) for the primary products of iron and steel mills dropped nearly 20% from March 2008 to March 2009; the PPI of iron and steel pipe and tube made from purchased iron and steel dropped nearly 7% over the same period; and the PPI for communication and energy wire and cable manufacturing dropped more than 19%.<sup>7</sup> The price of iron and steel scrap dropped by nearly half over the same period.<sup>8</sup> In addition, the prudence of the projects and reasonableness of the amounts actually spent on the projects will be subject to a base rate review – either within a current reopened or to be filed rate case. This review assures that the projects included in this program will receive the same level of scrutiny as any project undertaken by a New Jersey utility where the resulting costs become part of the rate base used to calculate rates.

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<sup>7</sup> Bureau of Labor Statistics, “Table 5 - Producer price indexes for the net output of selected industries and their products,” <http://www.bls.gov/ppi/ppitable05.pdf>.

<sup>8</sup> Bureau of Labor Statistics, “Table 2 - Producer price indexes and percent changes for selected commodity groupings by stage of processing,” <http://www.bls.gov/news.release/ppi.t02.htm>.

Likewise, the Stipulations require that each company use the Weighted Average Cost of Capital (“WACC”) determined in its last rate case, which provides significant financial advantages to ratepayers because the cost of debt and common equity have risen substantially in recent months. The companies originally proposed two much less attractive approaches for determining the WACC for use with the stimulus program: (1) the embedded cost of debt currently on the utility’s books plus the cost of equity which the Board awarded to New Jersey Natural Gas Company in its recently completed rate case, i.e., 10.30 percent; or (2) the expected future cost of debt to finance the projects and the expected cost of equity if the Board were making that decision today, possibly as high as 10.50 percent. In rejecting that, and instead negotiating a WACC from each utility’s last base rate proceedings, the Board has ensured a significant saving that further solidifies the foundation of approving these accelerated infrastructure programs.

On a net present value basis, the Board FINDS that the cost of these accelerated infrastructure programs to ratepayers is essentially the same as it would be through conventional ratemaking. In the short term, the cost may be less than under conventional ratemaking because the cost of capital used in the clauses, as discussed above, is somewhat below the current market rate. Therefore, the Board FINDS that these additions to rate base are being financed between program inception and the next base rate case at a more attractive cost from a ratepayer perspective.

The federal stimulus package, enacted as the American Recovery and Reinvestment Act of 2009 (“ARRA 2009”), included funding to enhance energy independence and modernize infrastructure. It does not currently appear that the ARRA 2009 includes funding for the types of projects included in the accelerated infrastructure development programs. Should such funds become available under the ARRA 2009, the Stipulations provide that ARRA 2009 funding would be used to reduce the cost of the accelerated infrastructure development programs to ratepayers. The Board notes that the accelerated infrastructure programs eliminate the lag associated with waiting for ARRA 2009 funding to be available for implementing these projects while still preserving for ratepayers any benefits from ARRA 2009 should benefits become available later.

In summary, the Boards FINDS that the overall infrastructure improvement program, and the projects proposed by the utilities under it, are reasonable and in the public interest because of the positive impact they are expected to have on the reliability, safety and security of utility service. These infrastructure investment programs are timely given the drop in commodity prices, the attractive cost of capital, and the impact on both direct employment and the positive ripple effect on the New Jersey economy. All of these factors make this an appropriate time to proceed with these programs, which enhance and support Governor Corzine’s Economic Stimulus Program.

Turning to the ACE Stipulation that is under review, the Board FINDS that it meets the tests articulated above. The Company will invest an estimated \$27.6 million over the next two years creating an estimated 92 direct jobs over that period. The projects, totaling 16 in all, will include the installation of various feeder improvements and upgrades focusing on new conductor, reclosures, tree wire and other equipment to improve overall reliability. A typical residential customer using 1,000 kWhs per month will see an increase of \$0.06 or 0.04% during the initial 7-month period, while a typical commercial customer on Monthly General Service using 2,000 kWhs in a month will see an increase of \$0.11 or 0.04%.

Accordingly, the Board will, in this case, allow the Company to begin recovery of capital expenses for these Qualifying Projects through the IIS on an interim basis subject to refund pending the filing of the Company's base rate case as contemplated by Paragraph 21 of the Stipulation. This authorization in no way sets a new framework for future actions; instead, it reflects the realities of today's economic situation.

Therefore, the Board, having reviewed the complete record in this proceeding including the attached Stipulation, HEREBY FINDS the Stipulation to be reasonable, in the public interest, and in accordance with law and HEREBY APPROVES the attached Stipulation in its entirety and HEREBY INCORPORATES its terms and conditions as though fully set forth herein.

Furthermore, the Board HEREBY DIRECTS the Company to commence the design and construction of the Qualifying Projects identified in Appendix A of the attached Stipulation; and FURTHER DIRECTS the Company to file its first annual cost recovery filing no later than November 1, 2009, all as more fully set forth in the Stipulation.

The Board HEREBY SETS the effective date of the initial IIS rate as the date of this Order written below. Finally, the Board HEREBY RATIFIES all provisional ruling by President Fox for the reasons stated in her Orders.

The Company's base rates will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

DATED: 4/28/09

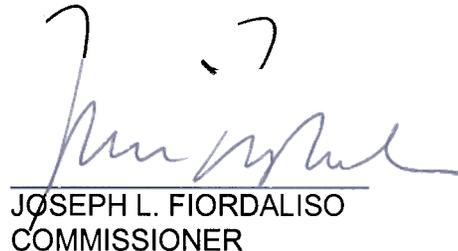
BOARD OF PUBLIC UTILITIES  
BY:



JEANNE M. FOX  
PRESIDENT



FREDERICK F. BUTLER  
COMMISSIONER



JOSEPH L. FIORDALISO  
COMMISSIONER



NICHOLAS ASSELTA  
COMMISSIONER

## DISSENT OF COMMISSIONER ELIZABETH RANDALL

These five (5) requests were filed by the utilities in response to Governor Corzine's October 16, 2008 proposal to help revive the State's economy through the acceleration of capital spending projects. In his speech to the New Jersey Legislature on October 16, 2008, the Governor said:

"First and most practically, I have instructed all Commissioners, most particularly the Commissioners and Directors of the Department of Transportation, New Jersey Transit, the Toll Authorities, the Schools Development Authority, the Board of Public Utilities and the Department of Environmental Protection, to accelerate where feasible all currently funded spending projects."

Although not "currently funded," the utilities are asking the Board to fund these improvements with rate increases which will take effect no later than May 1, 2009. It is my opinion that the projected economic stimulus from these petitions is not sufficient to justify the cost to New Jersey customers.

As discussed below, my decision is based upon two factors: (1) the unprecedented infusion to the State of New Jersey of an anticipated \$17.5 billion in federal stimulus monies pursuant to the American Reinvestment Recovery Act (ARRA), and (2) the comparatively small number of new jobs which would be created under these proposals relative to the total cost to New Jersey utility customers.<sup>9</sup>

On February 17, 2009, President Obama signed the ARRA which will inject \$787 billion into the U.S. economy. New Jersey is expected to receive \$17.5 billion.<sup>10</sup> An additional \$240 billion will be available in tax benefits and competitive grants, of which New Jersey hopes to receive \$7.2 billion, bringing New Jersey's total of anticipated federal stimulus dollars to \$24.7 billion.

Based on estimates from the White House, these dollars will create or save 100,000 New Jersey jobs over the next two years.<sup>11</sup>

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<sup>9</sup> The five (5) stipulations indicate the following costs and projected new jobs:

<u>Utility</u>	<u>Projected Cost</u>	<u>Projected Jobs</u>	<u>Customers</u>
NJNG Co.	\$70.8 Million	75 – 100	485,000
PSE&G Co.	\$694.0 Million	933	2.1M Elec./1.7M Gas
SJG Co.	\$103.0 Million	127	335,000
Elizabethtown Gas Co.	\$60.4 Million	65	274,000
Atlantic City Electric Co.	\$27.6 Million	92	544,000
<b>TOTALS</b>	<b>\$955.8 Million</b>	<b>1292-1317</b>	<b>5,438,000</b>

<sup>10</sup> See <http://www.recovery.nj.gov>

<sup>11</sup> See <http://www.recovery.nj.gov>

Some four months before President Obama signed the federal stimulus bill, Governor Corzine addressed the New Jersey Legislature and proposed a New Jersey Economic Assistance and Recovery Plan.

The five matters before the Board are a direct result of the call to identify job-creation proposals. Specifically, the Executive branch sought company-specific program proposals with associated cost recovery and rate mechanisms, broken down into the following categories:

1. Infrastructure programs that will effectively spur an increase in construction employment, while increasing the reliability of the electric and gas distribution system.
2. Infrastructure programs that will improve energy efficiency of the electric or gas distribution system.
3. Statewide energy efficiency programs scaled down from the menu of programs submitted by the energy utilities.

Collectively, these five utilities seek permission to spend \$955.8 Million (See Footnote 9), all of which will be recovered from customers through increases in utility rates.<sup>12</sup> The language used to describe the method of cost-recovery varies from utility to utility, with one company proposing an “Economic Stimulus Surcharge,” and another calling it an “Infrastructure Investment Surcharge.”

Terminology aside, while it is true that customers will benefit from these infrastructure investments, it is equally true that these improvements do not need to be completed within the next 24 months. None of the filings indicates that the delivery of safe and adequate service will be at risk if these requests are denied. Indeed, the petitions are replete with references to ongoing capital projects which are already planned and which will be funded by ratepayers.<sup>13</sup>

The number of new jobs to be created through approval of the accelerated projects is estimated at 1292-1317. Given the cost which customers will bear, I am persuaded that the cost of this job creation is too high. While it is true that the average bill will not go up by more than 1%, this amount will remain as part of the customer’s bill for as long as it takes to repay the funds being borrowed by the utilities, which is approximately forty years.

Moreover, while some New Jerseyans would be put to work, there is no guarantee that the construction and engineering jobs created by these projects would go to companies based in New Jersey.<sup>14</sup> Regardless, the jobs created will be temporary in nature, and do not reflect permanent job creation with the utility companies.

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<sup>12</sup> Also recoverable from customers is a profit for each company. In these cases, the utilities will make a profit of approximately 10%.

<sup>13</sup> Illustrative of this point is paragraph 14 of the Stipulation with New Jersey Natural Gas Company (NJNG) which refers to ongoing infrastructure costs unrelated to this matter and states: “14. NJNG’s current capital budgets contemplate the following levels of capital expenditures for non-qualifying projects: \$64,563,000 in fiscal year 2009, \$51,985,000 in fiscal year 2010 and \$51,951,000 in fiscal year 2011. NJNG represents that the expenditures related to the qualifying projects will be incremental to such planned levels of expenditures for 2009, 2010 and 2011.”

<sup>14</sup> Each of the stipulations simply states that the utilities will “endeavor to employ contractors and engineering firms located in New Jersey.”

Contrast the efficiency of the BPU's job-creation effort with one recently announced by the Governor and the New Jersey Department of Transportation.

For a cost of \$67 million and a promise of 500 jobs, a bridge upgrade will be done on Route 46 in Bergen County. Moreover, federal funds from the American Recovery and Reinvestment Act will pay for \$47.6 million of this project, leaving New Jersey taxpayers paying only \$19.4 million for 500 jobs.

In sum, the promise and benefits of the federal stimulus program are extraordinary. Were it not for the federal money, we would need to rely on New Jersey taxpayers and ratepayers to shoulder the burden of job creation through increased taxes and rates. Fortunately, this burden need not be increased at this time.

  
ELIZABETH RANDALL  
COMMISSIONER

ATTEST:

  
CARMEN D. DIAZ  
ACTING SECRETARY

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

**IN THE MATTER OF PROCEEDING FOR  
INFRASTRUCTURE INVESTMENT AND A  
COST RECOVERY MECHANISM FOR  
ALL ELECTRIC & GAS UTILITIES**

**BPU DOCKET NO. EO09010049**

**IN THE MATTER OF THE PETITION OF  
ATLANTIC CITY ELECTRIC COMPANY  
FOR APPROVAL OF CERTAIN ENERGY  
INFRASTRUCTURE INVESTMENTS AND  
APPROVAL OF COST RECOVERY FOR  
SUCH PROJECTS AND RELATED TARIFF  
MODIFICATIONS ASSOCIATED  
THEREWITH PURSUANT TO *N.J.S.A. 48:2-  
21 AND N.J.S.A. 2-21.1***

**BPU DOCKET NO. EO09010054**

**STIPULATION**

**APPEARANCES:**

**Philip J. Passanante, Esq.**  
Assistant General Counsel

**and**

**Nicholas W. Mattia, Jr., Esq.**  
Dickstein Shapiro LLP

for the Petitioner, Atlantic City Electric Company

**Paul Flanagan, Ami Morita**, Deputy Public Advocates and **James Glassen**, Assistant  
Deputy Public Advocate,

for the Department of the Public Advocate, Division of Rate Counsel (**Ronald K. Chen**,  
Public Advocate, **Stefanie A. Brand**, Director)

**Alex Moreau, Caroline Vachier, Jessica L. Campbell, Kerri Kirschbaum** and **Anne  
M. Shatto**, Deputy Attorneys General

for the Staff of the New Jersey Board of Public Utilities (**Anne Milgram**, Attorney General of New Jersey)

**Steven S. Goldenberg, Esq.**  
Fox Rothschild LLP

and

**Paul F. Forshay, Esq.**  
Sutherland Asbill & Brennan LLP

for the Intervenor, New Jersey Large Energy Users Coalition

**TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES**

### **BACKGROUND**

1. On January 30, 2009 Atlantic City Electric Company ("ACE" or the "Company") filed a Petition ("Petition") in Docket Nos. EO09010049 and EO0910054 requesting that the New Jersey Board of Public Utilities ("BPU" or the "Board") approve an Infrastructure Investment Program ("Infrastructure Program") pursuant to *N.J.S.A. 48:2-21* and *N.J.S.A. 48:2-21.1* and simultaneously approve the recovery of costs for projects included within its proposed Infrastructure Program through the implementation of a Infrastructure Investment Surcharge ("IIS") charge, pursuant to *N.J.S.A. 48:2-21* and *N.J.S.A. 48:2-21.1*. The Company supplemented its Petition with a supplemental filing ("Supplement") on February 24, 2009.

2. As part of its ordinary capital spending planning cycle, ACE continuously plans for the replacement, reinforcement and expansion of its infrastructure, including its property, plant, facilities and equipment, to maintain the reliability of its distribution system and to ensure the continuation of safe, adequate, proper service and the conservation and preservation of the

environment. ACE has agreed to accelerate certain of its planned infrastructure capital spending from 2011 through 2013 to 2009 and 2010. The specific projects selected, more fully described on Appendix A hereto, were chosen by the Company because they both enhance the reliability of its system and support economic development and job growth in New Jersey in the near term.

3. ACE originally proposed twenty one (21) projects for inclusion in its Infrastructure Program, seeking to recover the costs and revenue requirements associated with the IIS on a dollar per kilowatt-hour (“kWh”) basis, applicable equally to all Rate Schedules for those projects initiated within a period of approximately two years from the date of final Board approval of the Infrastructure Program. After consultation with the Board’s Staff and Rate Counsel, ACE modified its proposal to include the sixteen (16) projects identified on Appendix A.

4. On January 29, 2009, the Board issued an Order retaining this matter for its consideration and designating BPU President Jeanne M. Fox as the Presiding Officer. By Order dated February 25, 2009, the New Jersey Large Energy Users Coalition (“NJLEUC”) was granted Intervenor status.<sup>1</sup>

5. Public Notice was provided by ACE and two (2) public hearings on the Company’s Infrastructure Program filing were held at 3:30 p.m. and 5:30 p.m. on Thursday, March 5, 2009 at Mays Landing, New Jersey in ACE’s service territory.

6. Approximately 130 discovery questions in this matter were propounded by Board Staff and Rate Counsel, and responded to by the Company.

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<sup>1</sup> In anticipation of the filings by the utilities, the Board assigned a generic docket number to facilitate the individual utility proceedings, i.e. BPU Docket No. EO09010049, as noted above.

7. Subsequent to the completion and review of discovery and the two public hearings, representatives of ACE, Board Staff, Rate Counsel, and New Jersey Large Energy Users Coalition (“NJLEUC”) (the “Parties”), the only Parties to this proceeding, met to discuss the issues in this case and agreed that the Infrastructure Program proposal and associated interim cost recovery mechanism, as amended by the Parties and set forth herein, are reasonable and in the public interest.

8. ACE represents that the Company’s proposal, as amended below, is consistent with and meets the goals of the comprehensive Economic Stimulus Plan for New Jersey proposed by Governor Jon Corzine to create new jobs and to stimulate the New Jersey economy. The infrastructure investment projects set forth herein will enhance service, reliability, and energy efficiency and provide for the creation of incremental jobs as identified in Appendix A.

### **STIPULATED MATTERS**

Specifically, the Parties hereby **STIPULATE AND AGREE** to the following:

#### **Projects**

9. Based upon the discovery and settlement discussions conducted to date, and subject to prudence review in the context of the Company’s next base rate proceeding, the Company represents that the sixteen (16) projects identified in Appendix A (“Qualifying Projects” or “QP”) will assist the Company in providing safe, adequate and proper service to its customers; are incremental in nature, and will create jobs in support of the Governor’s Economic Stimulus Plan. Based upon these representations and the record developed to date, the Parties agree that the projects appear to be reasonable, prudent and consistent with the Governor’s

Economic Stimulus Plan, and that the costs associated with the Qualifying Projects may be recovered through the implementation of an IIS charge, subject to review, as set forth below.

10. Appendix A contains a detailed description of each Qualifying Project, the projected annual calendar year and aggregate cost for each Qualifying Project, the estimated number of jobs created as a result of each Qualifying Project, and the projected timeline and completion date for each Qualifying Project.

11. The Company anticipates that the design and construction work associated with the Qualifying Projects will generate incremental jobs as identified on Appendix A in its service territory. The Company agrees that it will endeavor, to the best of its ability, to employ contractors and engineering firms located in New Jersey. The Company's estimate of the workforce hours necessary for the Qualifying Projects does not include any ancillary job impacts that will increase the overall benefits generated from the Qualifying Projects.

12. The work associated with the Qualifying Projects will commence concurrent with the effective date of the IIS upon receipt of a written Board Order in this proceeding, and will reflect the estimated construction start and completion dates set forth in Appendix A.

13. The Parties stipulate that the Board should approve on an interim basis, subject to refund, the sixteen (16) Qualifying Projects set forth on Appendix A as being in conformance with the goals and objectives of the Governor's Economic Stimulus Plan, cost recovery through the implementation of the IIS for the sixteen (16) Qualifying Projects listed on Appendix A, totaling \$27.613 million, subject to prudence review in the Company's next base rate case. In any such prudency review, the record of this proceeding, including the Company's Petition in this matter and this Stipulation, shall be fully incorporated and considered.

### **Substitution of Projects**

14. If it is necessary for the Company to eliminate or substitute another project for any of the Qualifying Projects during the term of its Infrastructure Program, notice of any such changes and an opportunity for review and comment shall be provided to the Parties and any substitutions shall only be made with Board approval. Before seeking such approval, the Company will consult with the Parties to this Stipulation, and consent to the modifications may be manifested in filings with the Board. The Company shall not be required to seek any further prior approval(s) from the Parties or the Board with respect to a substituted project that falls within the “Description of Project” being eliminated as set forth in Appendix A.

### **Cost Recovery Mechanism**

15. The Parties stipulate that the revenue requirement recovered through the IIS will be calculated to include a return on investment and a return of investment through depreciation, which investment will include capitalized costs related to the Qualifying Projects. The Parties further stipulate that this calculation will use the depreciation rates and methodology and the cost of capital utilized to set rates in the Company’s most recent base rate case, dated May 26, 2005, BPU Docket No. ER03020110, which was 8.14%, based upon a return on equity of 9.75%. The Parties stipulate that the initial revenue requirement and resulting IIS rate will be calculated utilizing projected cost data subject to annual adjustments. The calculation of the revenue requirement for the purpose of setting the initial IIS rate for the period ending December 31, 2009 is set forth in Appendix B attached hereto and made a part of this Stipulation.

16. The Board shall set the effective date of the initial IIS rate consistent with the initial start date for the first of the sixteen (16) Qualifying Projects.

17. The annual revenue requirement calculation for the Qualifying Projects will commence during the month in which the IIS charge is implemented and will be based upon projected expenditures for the Qualifying Projects. The monthly over and under recovery calculation will be based on actual revenues received under the IIS clause and actual expenses for Qualified Projects in each month. A sample calculation is set forth in Appendix C. The annual revenue requirement calculation will follow the methodology set forth in Appendix B attached hereto and made a part of this Stipulation.

18. The Parties stipulate that the Company will file an annual petition (“Annual Filing”) to adjust its IIS rate on a calendar basis, with copies provided to the Parties, no later than sixty (60) days prior to the date proposed for the implementation of the revised IIS rate, which shall be January 1<sup>st</sup> of each year. Each Annual Filing will contain a reconciliation of its projected IIS costs and recoveries and actual revenue requirements for the initial period, as well as the items set forth in the minimum filing requirements (“MFRs”) set forth in Appendix D attached hereto and made a part of this Stipulation. The Company agrees that it will not seek to recover incremental operation and maintenance expenses in its future Annual Filings.

19. In calculating the monthly interest on net over and under recoveries, the interest rate shall be based upon the Company’s interest rate obtained on its commercial paper and/or bank credit lines. If both commercial paper and bank credit lines have been utilized the weighted average of both sources of capital shall be used. The interest amount charged to the IIS will be computed using the following methodology set forth in Appendix C, which was approved by the Board Order dated July 8, 2004 in BPU Docket No. ER02080510, attached hereto and made a

part of this Stipulation. The true-up calculation of over- and under- recoveries shall be included in the Company's Annual Filing.

20. The Qualifying Projects and associated investment costs included in the Annual Filing, as well as the level of the proposed IIS rate, will be subject to review by the Parties, with opportunity for discovery and filed comments, prior to the issuance of a written Board Order establishing the Company's proposed new annual IIS rate adjustment. The issuance of a written Board Order will be preceded by adequate Public Notice and Public Hearing(s) if required by law.

#### **Base Rate Case Requirement**

21. The Parties stipulate that the Company shall file a base rate petition on or before April 1, 2011. The Parties further stipulate that, in the context of the Company's next base rate case, the Qualifying Projects and the IIS rate will be subject to a full and thorough examination. The Parties further stipulate that, if required, full evidentiary hearings with respect to the Qualifying Projects and related costs will take place in that base rate case proceeding.

22. The Parties further stipulate that, during the Company's next base rate case, the net capitalized amounts of the Qualifying Projects, if deemed to be reasonable and prudent, will be rolled into the Company's rate base and the related IIS charges will be terminated. Any Qualifying Project expenditures and IIS charges not known and measurable at the conclusion of the required base rate case may be considered in a subsequent Phase Two proceeding, after which time the IIS rate and tariff will terminate.

### **Minimum Filing Requirements**

23. The Company will provide the information set forth in the MFR attached hereto as Appendix D and made a part of this Stipulation, in its Annual Filing and as part of its required base rate case filing. The Company will also provide in each filing a detailed description, along with corresponding plant accounts, of the expenditures that are reflected in each blanket project in Appendix A, if any.

### **Rate Design**

24. The Parties stipulate that rate recovery through the IIS rate will be non-bypassable and implemented on a per kWh basis, adjusted for voltage level, for each rate class using the rate design proposed by the Company in this proceeding. The calculation of the initial IIS rate is set forth in Appendix B attached hereto and made a part of this Stipulation.

### **Rate Impact**

25. The Parties stipulate to an initial IIS rates as set forth in Appendix B, which would result in \$323,750 in revenue for the initial 7-month period, effective June 1, 2009. The IIS rate will result in a rate increase for a typical residential customer using 1,000 kWhs per month of \$0.06 or 0.04% during the initial 7-month period. The impact on a typical commercial customer on Monthly General Service using 2,000 kWhs in a month would be an increase of \$0.11 or 0.04%. The rate impact of the implementation the proposed IIS rate for each customer class is set forth in Appendix E attached hereto and made a part of this Stipulation.

### **Quarterly Reporting**

26. The Parties stipulate that the Company will provide the Board and Rate Counsel with a quarterly report (“Quarterly Report”), detailing capital expenditures individually for each Qualifying Project identified in Appendix A and the job growth in the form of “man hours” expended resulting from the implementation of each Qualifying Project on a quarterly basis, in the format attached hereto as Appendix F and made a part of this Stipulation. The Quarterly Report should also include a Gantt Chart (or similar tracking chart) showing the status of each project, tasks completed, percentage of projects completed, the actual money spent to date, etc. Additionally, the Company will include in the Quarterly Reports budgeted capital expenditures for Non-Qualifying distribution related budget categories for comparison to the actual costs incurred for such Non-Qualifying distribution related categories. This reporting will begin 30 (thirty) days after the end of the first calendar quarter following the issuance of a Final Board Order in this proceeding.

27. The Company agrees to track the number of incremental contractor or other positions associated with the Qualifying Projects by “man hours” incurred, and will include that information with each Quarterly Report and Annual Filing submitted to the Board Staff and Rate Counsel, in the format set forth in Appendix F.

### **Calculation of Jobs Created**

28. The Parties agree that job creation is an integral part of the Economic Stimulus Plan underlying the Qualified Projects. For purposes of reporting jobs associated with the Qualifying Projects, the Company will define a Full-Time Equivalent (“FTE”) job as 1,820 hours per year.

### **Government Funding**

29. On February 17, 2009, the Federal American Recovery and Reinvestment Act of 2009 (“ARRA”) (Pub. L. No. 111-5) was signed into law by President Barack Obama. Subject to any restrictions set forth in the ARRA and other applicable law, if the Company receives any federal funds or credits directly related to the Qualifying Projects through the ARRA, the Company agrees to utilize such funds or credits to offset the Qualifying Projects’ costs. If funding or credits from the ARRA or any subsequent state or federal action become available to the Company through the State of New Jersey, a County or Municipality for project reimbursement, the Company agrees that any such funds or credits directly applicable to work related to the Qualifying Projects will be used to benefit customers by offsetting the costs for which recovery will be sought to the extent permitted by law.

### **FURTHER PROVISIONS**

30. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board, in any applicable Order(s), then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

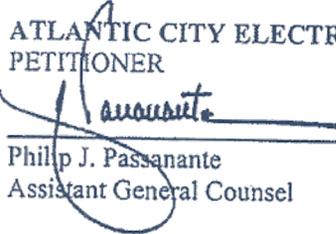
31. It is the intent of the Parties that the provisions hereof be approved by the Board as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

32. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings except that the Stipulation may be used in the context of the next base rate case contemplated. Except as expressly provided herein, ACE, the Board Staff, Intervenors, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein and, in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

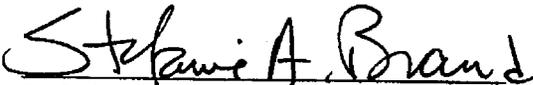
ATLANTIC CITY ELECTRIC COMPANY  
PETITIONER

By:

  
Philip J. Passanante  
Assistant General Counsel

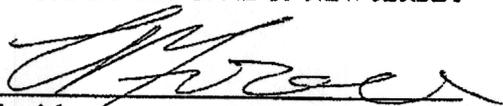
DEPARTMENT OF THE PUBLIC ADVOCATE  
RONALD K. CHEN, PUBLIC ADVOCATE

By:

  
Stefanie A. Brand, Director  
Division of Rate Counsel

STAFF OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES  
ANNE MILGRAM  
ATTORNEY GENERAL OF NEW JERSEY

By:

  
Alex Moreau  
Deputy Attorney General

NEW JERSEY LARGE ENERGY USERS COALITION  
INTERVENOR

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April \_\_\_\_\_, 2009

Atlantic City Electric Company

Project Name: Replace Mercury Vapor Street Lights

Project Number: 1

<b>Description of Project</b>	Replacement of mercury vapor lights with higher efficiency high pressure sodium lights. Reduces mercury waste and reduces energy required to operate lights.				
<b>Sub-Project Breakdown</b>	District	Description of Work	Incremental Projects 2009	Incremental Projects 2010	Reason for Work
					Federal legislation has prohibited the manufacture or import of mercury vapor lamp ballasts since January 2008. As a result of the Federal legislation, we anticipate that suppliers will phase out mercury vapor street light fixtures over time. High pressure sodium lights use less energy but produce more light(lumens) than mercury vapor devices.
	Glassboro	Replace 2134 Mercury Vapor Street Lights	640		Same as Above
	Winslow	Replace 1199 Mercury Vapor Street Lights	360		Same as Above
	Cape May	Replace 490 Mercury Vapor Street Lights		147	Same as Above
	Glassboro	Replace 2842 Mercury Vapor Street Lights		853	Same as Above
		NOTE: All dollars amounts shown are preliminary estimates. Detailed engineering reviews need to be completed to produce final project estimates			
<b>Estimated Total Cost</b>	2009- \$1,000,000 2010- \$1,000,000				
<b>Estimated Project Start</b>	June 1, 2009 Date assumes Board Approval on 4/3/09 and preliminary engineering and design, where needed, start 6/1/09. Start Dates represent company's good faith estimate on when actual field workers will begin the construction work. All dates are approximate.		<b>Estimated Project Completion</b>	December 1, 2010	
<b>Estimated Number of Incremental Jobs Created</b>	2009 – 10,000 man-hours (1,820 per job = 5.5 jobs) 2010 – 10,000 man-hours (1,820 per job = 5.5 jobs)				

Atlantic City Electric Company

Project Name: Atlantic Region: Distribution Automation

Project Number: 2

<b>Description of Project</b>	Installation of equipment that is capable of automated operation to reduce outage time, increase speed of restoration and provide field data to allow system operators to make decisions and evaluate operational conditions remotely. Expansion of the smart grid into regions that experience higher than normal outage rates and are more exposed to outages during storms.							
<b>Sub-Project Breakdown</b>	Circuit #	Substation	Feeder Name	District	Work Request Description	Incremental Projects 2009	Incremental Projects 2010	Reliability Issue
					As part of our overall upgrades for Distribution Automation across the Atlantic region. Will be adding the following types of equipment to the feeders noted: Substation Automatic Sectionizing/Restoration Relay Scheme, Smart Relays, Switchgear Enclosures Relay Doors (for Absecon and Marven feeders only), Overhead Lines Sectionalizing Switches, Capacitor VAR Controllers, Capacitor Banks, Line Voltage Regulators, Automatic circuit Recloser, Communication Infrastructure (broadband radio, mesh radio and integration with Fiber/PHI network)			Installations are part of Distribution Automation which supports a Smart Grid
	NJ0993	Absecon	Whitehorse	Pleasantville	Smart Relays, New Switchgear Door Panels, (3) Overhead Motor Operated Gand Switches, (5) Capacitor Controllers, Capacitor Bank, Line Voltage Regulator	700		
	NJ0994	Absecon	Morton	Pleasantville	Smart Relays, New Switchgear Door Panels, (3) Overhead Motor Operated Gand Switches, (5) Capacitor Controllers, Capacitor Bank, Line Voltage Regulator	700		
	NJ0995	Absecon	HighLand	Pleasantville	Smart Relays, (3) Overhead Motor Operated Gand Switches, (5) Capacitor Controllers, Capacitor Bank, Line Voltage Regulator	400		
	NJ1354	Marven	#4	Pleasantville	Smart Relays, New Switchgear Door Panels, (3) Overhead Motor Operated Gand Switches, (5) Capacitor Controllers, Capacitor Bank, Line Voltage Regulator	1200		
	NJ1355	Marven	#5	Pleasantville	Smart Relays, New Switchgear Door Panels, (3) Overhead Motor Operated Gand Switches, (5) Capacitor Controllers, Capacitor Bank, Line Voltage Regulator		700	
	NJ1358	Marven	#1	Pleasantville	Smart Relays, (3) Overhead Motor Operated Gand Switches, (5) Capacitor Controllers, Capacitor Bank, Line Voltage Regulator		300	
	NJ0482	Rio Grande	Delsea	Cape May	Smart Relays, (3) Overhead Motor Operated Gand Switches, (5) Capacitor Controllers, Capacitor Bank, Line Voltage Regulator		800	
	NJ0483	Rio Grande	Erna	Cape May	Smart Relays, (3) Overhead Motor Operated Gand Switches, (5) Capacitor Controllers, Capacitor Bank, Line Voltage Regulator		400	
	NJ0485	Rio Grande	Drum	Cape May	Smart Relays, (3) Overhead Motor Operated Gand Switches, (5) Capacitor Controllers, Capacitor Bank, Line Voltage Regulator		400	
	NJ0487	Rio Grande	Villas	Cape May	Smart Relays, (3) Overhead Motor Operated Gand Switches, (5) Capacitor Controllers, Capacitor Bank, Line Voltage Regulator	3000	400 3000	
					NOTE: All dollars amounts shown are preliminary estimates. Detailed engineering reviews need to be completed to produce final project estimates			
<b>Estimated Total Cost</b>	2009- \$3,000,000 2010- \$3,000,000							
<b>Estimated Project Start</b>	October 1, 2009 Date assumes Board Approval on 4/3/09 and preliminary engineering and design, where needed, start 6/1/09. Start Dates represent company's good faith estimate on when actual field workers will begin the construction work. All dates are approximate.					<b>Estimated Project Completion</b>	December 31, 2010	
<b>Estimated Number of Incremental Jobs Created</b>	2009 – 17,143 man-hours (1,820 per job = 9.4 jobs) 2010 – 17,143 man-hours (1,820 per job = 9.4 jobs)							

Atlantic City Electric Company

Project Name: Atlantic Region: Motor Operated/Gang Switch Upgrades  
 Project Number: 3

Description of Project	Proactive replacement of installed switches that are experiencing aging or have demonstrated an increasing failure rate. These switches also may show signs of deterioration due to salt corrosion, all of which will lead to reduced reliability. If a switch fails to operate when called upon to open, customer load could be lost or the Company may not be able to restore customers after an outage occurs. New switches will include automation devices and will be able to leverage the communication and automation activities that are being installed on other initiatives.							
Sub-Project Breakdown	Circuit	Substation	Feeder Name	Voltage	Work Request Description	Incremental Projects 2009	Incremental Projects 2010	Reliability Issue
NJ0993	Absecon	White Horse	12kv	At Pole P12573 install motor operated switch to tie to NJ0933 (Lenox Sub,Pomona Fdr)	50		Installations are part of Distribution Automation which supports a Smart Grid and improves reliability	
NJ0992	Absecon	Delilah	12kv	At Pole P19336 install motor operated switch to tie to NJ0429 Pleasantville, Central Fdr)	50			
NJ0995	Absecon	Absecon	12kv	At Pole P10522 install motor operated switch to tie to NJ0861 (Chestnut Neck Sub,Nacote Fdr)	50			
NJ0994	Absecon	Norton	12kv	At Pole P16743 install motor operated switch to tie to NJ0933 (Absecon Sub,Highland Fdr)	50			
NJ0991	Absecon	Downtown	12kv	At Pole P3902 install motor operated switch to tie to NJ0429 Pleasantville Sub,Central Fdr)	50			
NJ0995	Absecon	Highland	12kv	At Pole P14728 install motor operated switch to tie to NJ0934 (Lenox Sub,Stockton Fdr)	50			
NJ0481	Rio Grande	Marlyn	12kv	At Pole W47862 install motor operated switch to tie to NJ0488 (Rio Grande Sub,Burleigh Fdr)	50			
NJ0484	Rio Grande	Rio Grande	12kv	At Pole W47259 install motor operated switch to tie to NJ0484 (Rio Grande Sub,Ferry Fdr)	50			
NJ0486	Rio Grande	Ferry	12kv	At Pole W11813 install motor operated switch to tie to NJ0264 (Cape May Sub,Point Fdr)	50			
NJ0488	Rio Grande	Burleigh	12kv	At Pole W10658 install motor operated switch to tie to NJ03836 (Court Sub,South Fdr)	50			
NJ 0487	Glassboro	South	12kv	At Pole G16157 install motor operated switch to tie to NJ2351 (Upper Pittsgrove Sub,Palatine Fdr)		50		
NJ0748	Glassboro	Wilmer	12kv	At Pole PN20237 install motor operated switch to tie to NJ2094 (Washington Sub,Bunker hill Fdr)		50		
NJ1358	Marven	#1	12kv	At Pole A15195 install motor operated switch to tie to NJ1357 (Marven Sub,#3 Fdr)		50		
NJ1359	Marven	#2	12kv	At Pole A10696 install motor operated switch to tie to NJ1357 (Marven Sub,#3 Fdr)		50		
NJ1357	Marven	#3	12kv	At Pole A2512 install motor operated switch to tie to NJ0426 (Pleasantville Sub,East Fdr)		50		
NJ1354	Marven	#4	12kv	At Pole A1306 install motor operated switch to tie to NJ1352 (Marven Sub,#8 Fdr)		50		
NJ1355	Marven	#5	12kv	At Pole A15195 install motor operated switch to tie to NJ1357 (Marven Sub,#1 Fdr)		50		
NJ1356	Marven	#6	12kv	At Pole A15195 install motor operated switch to tie to NJ1357 (Marven Sub,#3 Fdr)		50		
NJ1351	Marven	#7	12kv	At Pole A15195 install motor operated switch to tie to NJ1357 (Marven Sub,#1 Fdr)		50		
NJ1352	Marven	#8	12kv	At Pole A2305 install motor operated switch to tie to NJ1355 (Marven Sub,#5 Fdr)		50		
NOTE: All dollars amounts shown are preliminary estimates. Detailed engineering reviews need to be completed to produce final project estimates								

## APPENDIX A

<b>Estimated Total Cost</b>	2009- \$500,000 2010- \$500,000		
<b>Estimated Project Start</b>	November 1, 2009 Date assumes Board Approval on 4/3/09 and preliminary engineering and design, where needed, start 6/1/09. Start Dates represent company's good faith estimate on when actual field workers will begin the construction work. All dates are approximate.	<b>Estimated Project Completion</b>	November 1, 2010
<b>Estimated Number of Incremental Jobs Created</b>	2009 – 2,857 man-hours (1,820 per job = 1.6 jobs) 2010 – 2,857 man-hours (1,820 per job = 1.6 jobs)		

Atlantic City Electric Company

Project Name: Install Tree Wire/Spacer Cable - Cape May

Project Number: 4

<b>Description of Project</b>	Replacement of existing bare wire in areas that have demonstrated higher than normal outages during storms due to trees. Replacement of bare wire with wire or cable that is designed to withstand tree contact, without resulting in outages, will improve reliability and reduce customer outages.							
<b>Sub-Project Breakdown</b>	Circuit #	Substation	Feeder Name	District	Work Request Description	Incremental Projects 2009	Incremental Projects 2010	Reliability Issue
	<b>Install Tree Wire/Spacer Cable - Cape May</b>							
	NJ0482	Rio Grande	Delsea	Cape May	Replace 2600' of #4 Cu with Tree Wire/Spacer Cable on Millman Blvd E/Delaware Ave		85	Mitigate outages caused by tree and animal contact.
	NJ0482	Rio Grande	Delsea	Cape May	Replace 5300' of #4 Cu with Tree Wire/Spacer Cable on 10th St to 16 St N/Millman Blvd.		170	Mitigate outages caused by tree and animal contact.
	NJ0482	Rio Grande	Delsea	Cape May	Replace 1050' of #4 Cu with Tree Wire/Spacer Cable on Park Ave. N/Millman Blvd.		35	Mitigate outages caused by tree and animal contact.
	NJ0482	Rio Grande	Delsea	Cape May	Replace 3350' of #4 Cu with Tree Wire/Spacer Cable on Genuva Ave & Bucknell Ave E/Bayshore Rd		100	Mitigate outages caused by tree and animal contact.
	NJ0482	Rio Grande	Delsea	Cape May	Replace 1700' of #4 Cu with Tree Wire/Spacer Cable on Lehigh Ave. E/6th St.		130	Mitigate outages caused by tree and animal contact.
	NJ0482	Rio Grande	Delsea	Cape May	Replace 2950' of #4 Cu with Tree Wire/Spacer Cable on Lafayette Ave & Lehigh Ave. E/Bayshore Rd		80	Mitigate outages caused by tree and animal contact.
	NOTE: All dollars amounts shown are preliminary estimates.							
	Detailed engineering reviews need to be completed to produce final project estimates							
<b>Estimated Total Cost</b>	2009- \$0 2010- \$600,000							
<b>Estimated Project Start</b>	January 1, 2010 Date assumes Board Approval on 4/3/09 and preliminary engineering and design, where needed, start 6/1/09. Start Dates represent company's good faith estimate on when actual field workers will begin the construction work. All dates are approximate.					<b>Estimated Project Completion</b>	June 30, 2010	
<b>Estimated Number of Incremental Jobs Created</b>	2009 –0 man-hours 2010 – 3,429 man-hours (1,820 per job = 1.9 jobs)							

Atlantic City Electric Company

Project Name: Install Tree Wire/Spacer Cable - Glassboro  
 Project Number: 5

Description of Project	Replacement of existing bare wire in areas that have demonstrated higher than normal outages during storms due to trees. Replacement of bare wire with wire or cable that is designed to withstand tree contact, without resulting in outages, will improve reliability and reduce customer outages.							
	Circuit #	Substation	Feeder Name	District	Work Request Description	Incremental Projects 2009	Incremental Projects 2010	Reliability Issue
<b>Sub-Project Breakdown</b>	<b>Install Tree Wire/Spacer Cable - Glassboro</b>							
	NJ1463	Carrl Corner	East	Glassboro	Install Tree Wire - Carlls Corner East 12 kV Fdr Rosenhayn	365		Mitigate outages caused by tree and animal contact.
	NJ0183	Williamstown	South	Glassboro	Install Tree Wire - Williamstown South, Shore Rd	250		Mitigate outages caused by tree and animal contact.
	NJ0183	Williamstown	South	Glassboro	Install Tree Wire - Williamstown South, Sunset Rd		225	Mitigate outages caused by tree and animal contact.
	NJ0183	Williamstown	South	Glassboro	Install Tree Wire - Williamstown South, Sunset Rd	235	0	Mitigate outages caused by tree and animal contact.
	NJ0183	Williamstown	South	Glassboro	Install Tree Wire - Williamstown South, Sunset Rd		230	Mitigate outages caused by tree and animal contact.
	NJ0183	Williamstown	South	Glassboro	Install Tree Wire - Williamstown South, Sunset Rd		250	Mitigate outages caused by tree and animal contact.
	NJ0202	Woodstown	North	Glassboro	Reconductor - Woodstown North Feeder Woodstown(Seven Stars)		300	Mitigate outages caused by tree and animal contact.
	NJ0202	Woodstown	North	Glassboro	Reconductor - Woodstown North Feeder Woodstown(Seven Stars)		110	Mitigate outages caused by tree and animal contact.
	NJ0202	Woodstown	North	Glassboro	Reconductor - Woodstown North Feeder Woodstown(Seven Stars)		310	Mitigate outages caused by tree and animal contact.
	NJ0202	Woodstown	North	Glassboro	Reconductor - Woodstown North Feeder Woodstown(Holly Ave)		250	Mitigate outages caused by tree and animal contact.
	NJ0747	Glassboro	West	Glassboro	Replace 9300' of #4 Cu with Tree Wire/Spacer Cable on Harrisonville Ferrell Rd		300	Mitigate outages caused by tree and animal contact.
	NJ0747	Glassboro	West	Glassboro	Replace 2200' of #4 Cu with Tree Wire/Spacer Cable on Commissioner's Pike		70	Mitigate outages caused by tree and animal contact.
	NJ0747	Glassboro	West	Glassboro	Replace 100' of #4 Cu with Tree Wire/Spacer Cable on Clayton Williamstown Rd, Service		3	Mitigate outages caused by tree and animal contact.
	NJ0747	Glassboro	West	Glassboro	Replace 1250' of #4 Cu with Tree Wire/Spacer Cable on Cedar Ave S/Clayton Williamstown		42	Mitigate outages caused by tree and animal contact.
	NJ0747	Glassboro	West	Glassboro	Replace 530' of #4 Cu with Tree Wire/Spacer Cable on Star Ave crossing Cedar Ave.		18	Mitigate outages caused by tree and animal contact.
	NJ0747	Glassboro	West	Glassboro	Replace 1100' of #4 Cu with Tree Wire/Spacer Cable on Corbin Ave SE/Star Ave.		37	Mitigate outages caused by tree and animal contact.
	NJ0747	Glassboro	West	Glassboro	Replace 1200' of #4 Cu with Tree Wire/Spacer Cable on Tanger Ave S/Clayton Williamstown		40	Mitigate outages caused by tree and animal contact.
	NJ0747	Glassboro	West	Glassboro	Replace 700' of #4 Cu with Tree Wire/Spacer Cable on Kessel Ave E/Tanger Ave.		24	Mitigate outages caused by tree and animal contact.
	NJ0747	Glassboro	West	Glassboro	Replace 900' of #4 Cu with Tree Wire/Spacer Cable on Vicotry Ln		28	Mitigate outages caused by tree and animal contact.
	NJ0747	Glassboro	West	Glassboro	Replace 375' of #4 Cu with Tree Wire/Spacer Cable on Colin Powell Dr		12	Mitigate outages caused by tree and animal contact.
	NJ0747	Glassboro	West	Glassboro	Replace 1200' of #4 Cu with Tree Wire/Spacer Cable on Evergreen Pky W/Kentucky Ave		38	Mitigate outages caused by tree and animal contact.
	NJ0747	Glassboro	West	Glassboro	Replace 1200' of #4 Cu with Tree Wire/Spacer Cable on Honeymoon Rd. W/Kentucky Ave		38	Mitigate outages caused by tree and animal contact.
	NJ0747	Glassboro	West	Glassboro	Replace 1300' of #4 Cu with Tree Wire/Spacer Cable on Valley Rd. S/Ellis Mill Rd		45	Mitigate outages caused by tree and animal contact.
	NJ0747	Glassboro	West	Glassboro	Replace 2000' of #4 Cu with Tree Wire/Spacer Cable on Valley Rd. Northeast		65	Mitigate outages caused by tree and animal contact.
	NJ0747	Glassboro	West	Glassboro	Replace 3500' of #4 Cu with Tree Wire/Spacer Cable on Lovers Ln/King Dr. E/Georgia Ave		110	Mitigate outages caused by tree and animal contact.
	NJ0747	Glassboro	West	Glassboro	Replace 1900' of #4 Cu with Tree Wire/Spacer Cable on Evergreen Pky SW/King Dr		60	Mitigate outages caused by tree and animal contact.
NJ0747	Glassboro	West	Glassboro	Replace 2150' of #4 Cu with Tree Wire/Spacer Cable on Kentucky Ave		65	Mitigate outages caused by tree and animal contact.	
NJ0747	Glassboro	West	Glassboro	Replace 9900' of #4 Cu with Tree Wire/Spacer Cable on Ewan-Aura Rd		317	Mitigate outages caused by tree and animal contact.	
NOTE: All dollars amounts shown are preliminary estimates. Detailed engineering reviews need to be completed to produce final project estimates								

## APPENDIX A

<b>Estimated Total Cost</b>	2009- \$850,000 2010- \$3,000,000		
<b>Estimated Project Start</b>	June 1, 2009 Date assumes Board Approval on 4/3/09 and preliminary engineering and design, where needed, start 6/1/09. Start Dates represent company's good faith estimate on when actual field workers will begin the construction work. All dates are approximate.	<b>Estimated Project Completion</b>	December 31, 2010
<b>Estimated Number of Incremental Jobs Created</b>	2009 – 4,857 man-hours (1,820 per job = 2.7 jobs) 2010 – 17,069 man-hours (1,820 per job = 9.4 jobs)		

Atlantic City Electric Company

Project Name: Install Tree Wire/Spacer Cable - Pleasantville

Project Number: 6

<b>Description of Project</b>	Replacement of existing bare wire in areas that have demonstrated higher than normal outages during storms due to trees. Replacement of bare wire with wire or cable that is designed to withstand tree contact, without resulting in outages, will improve reliability and reduce customer outages.							
<b>Sub-Project Breakdown</b>						Incremental Projects	Incremental Projects	Reliability Issue
	Circuit #	Substation	Feeder Name	District	Work Request Description	2009	2010	
	<b>Install Tree Wire/Spacer Cable - Pleasantville</b>							
	NJ0991				Install Tree Wire - Section #3 Sooy La, Absecon	105		Mitigate outages caused by tree and animal contact.
	NJ1602				Install Tree Wire - Panama Road, Chatsworth	45		Mitigate outages caused by tree and animal contact.
						150		Mitigate outages caused by tree and animal contact.
	NOTE: All dollars amounts shown are preliminary estimates. Detailed engineering reviews need to be completed to produce final project estimates							
<b>Estimated Total Cost</b>	2009- \$150,000 2010- \$0							
<b>Estimated Project Start</b>	September 1, 2009 Date assumes Board Approval on 4/3/09 and preliminary engineering and design, where needed, start 6/1/09. Start Dates represent company's good faith estimate on when actual field workers will begin the construction work. All dates are approximate.					<b>Estimated Project Completion</b>	December 1, 2009	
<b>Estimated Number of Incremental Jobs Created</b>	2009 – 857 man-hours (1,820 per job =.5 jobs) 2010 – 0 man-hours							

Atlantic City Electric Company

Project Name: Install Tree Wire/Spacer Cable - Winslow

Project Number: 7

<b>Description of Project</b>	Replacement of existing bare wire in areas that have demonstrated higher than normal outages during storms due to trees. Replacement of bare wire with wire or cable that is designed to withstand tree contact, without resulting in outages, will improve reliability and reduce customer outages.							
<b>Sub-Project Breakdown</b>	Circuit #	Substation	Feeder Name	District	Work Request Description	Incremental Projects 2009	Incremental Projects 2010	Reliability Issue
<b>Install Tree Wire/Spacer Cable - Winslow</b>								
	NJ1142	Pine Hill	Erial	Winslow	Replace 400' of #4 Cu with Tree Wire/Spacer Cable on Grove St		14	Mitigate outages caused by tree and animal contact.
	NJ1142	Pine Hill	Erial	Winslow	Replace 575' of #4 Cu with Tree Wire/Spacer Cable on Erial Clementon W of Erial		22	Mitigate outages caused by tree and animal contact.
	NJ1142	Pine Hill	Erial	Winslow	Replace 625' of #4 Cu with Tree Wire/Spacer Cable on Erial Clementon E of Erial		24	Mitigate outages caused by tree and animal contact.
							60	
NOTE: All dollars amounts shown are preliminary estimates. Detailed engineering reviews need to be completed to produce final project estimates								
<b>Estimated Total Cost</b>	2009- \$0 2010- \$60,000							
<b>Estimated Project Start</b>	February 1, 2010 Date assumes Board Approval on 4/3/09 and preliminary engineering and design, where needed, start 6/1/09. Start Dates represent company's good faith estimate on when actual field workers will begin the construction work. All dates are approximate.					<b>Estimated Project Completion</b>	May 31, 2010	
<b>Estimated Number of Incremental Jobs Created</b>	2009 – 0 man-hours 2010 – 343 man-hours (1,820 per job =.2 jobs)							

Atlantic City Electric Company

Project Name: Winslow: Planned URD Cable Replacement

Project Number: 8

<b>Description of Project</b>	Planned replacement of underground cable that is approaching the end of its useful life and is experiencing an increasing number of failures. Planned replacement will focus on areas that have been identified with increasing failures and replace this aging cable with new underground cable that will improve customer performance and reduce customer outages. For 2009 and 2010, the Company will focus on replacing cable within the Winslow District, which has a high amount of underground cable, and some of the first cable installed in underground residential areas.								
<b>Sub-Project Breakdown</b>	Circuit #	Substation	Feeder Name	District	Work Request Description	Incremental Projects 2009	Incremental Projects 2010	Reliability Issue	
	NJ1145	Pine Hell	Cheerywood	Winslow	Woodshire Mews --Replace approximately 2900' of URD cables between 12 pad mount transformers	75		Cable has reached the end of its useful life	
	NJ10533	Tansboro	Cedarbrook	Winslow	Leigh Manor Estates --Replace approximately 1000' of URD cables between 6 pad mount transformers	25		Cable has reached the end of its useful life	
					Additional Projects are currently being defined based on our outage data and age and condition analysis	400		Cable has reached the end of its useful life	
					Additional Projects are currently being defined based on our outage data and age and condition analysis		500	Cable has reached the end of its useful life	
	NOTE: All dollars amounts shown are preliminary estimates. Detailed engineering reviews need to be completed to produce final project estimates								
<b>Estimated Total Cost</b>	2009- \$475,000 2010- \$500,000								
<b>Estimated Project Start</b>	August 1, 2009 Date assumes Board Approval on 4/3/09 and preliminary engineering and design, where needed, start 6/1/09. Start Dates represent company's good faith estimate on when actual field workers will begin the construction work. All dates are approximate.					<b>Estimated Project Completion</b>	May 31, 2010		
<b>Estimated Number of Incremental Jobs Created</b>	2009 – 2,845 man-hours (1,820 per job = 1.6 jobs) 2010 – 2,897 man-hours (1,820 per job = 1.6 jobs)								

Atlantic City Electric Company

**Project Name: Distribution Misc. Substation Relay Replacement –Atlantic**  
**Project Number: 9**

<b>Description of Project</b>	Planned replacement of substation relays with new state of the art electronic relays. These new relays have far greater capabilities than the older mechanical relays and will replace equipment that is in excess of 40 years old. The newer electronic relays are micro processor based and will assist in establishing the smart grid. Substation electronic relays serve as the basis for many advanced distribution automation activities and automated detection of wires that come down during storms. These devices are also needed to allow for the automated restoration of customers without manual field switching and automated control of distribution devices needed to regulate voltages across the distribution system.							
<b>Sub-Project Breakdown</b>	Circuit	Substation	Feeder Name	Voltage	Work Request Description	Incremental Projects 2009	Incremental Projects 2010	Reliability Issue
	NJ0486	Rio Grande	Ferry	12kv	Install Smart RealyS	60		Age >25 Years
	NJ0484	Rio Grande	Rio Grande	12kv	Install Smart RealyS		60	Age >25 Years
	NOTE: All dollars amounts shown are preliminary estimates. Detailed engineering reviews need to be completed to produce final project estimates							
<b>Estimated Total Cost</b>	2009- \$60,000 2010- \$60,000							
<b>Estimated Project Start</b>	October 1, 2009 Date assumes Board Approval on 4/3/09 and preliminary engineering and design, where needed, start 6/1/09. Start Dates represent company's good faith estimate on when actual field workers will begin the construction work. All dates are approximate.				<b>Estimated Project Completion</b>	April 30, 2010		
<b>Estimated Number of Incremental Jobs Created</b>	2009 – 556 man-hours (1,820 per job = .3 jobs) 2010 – 556 man-hours (1,820 per job = .3 jobs)							

Atlantic City Electric Company

Project Name: Atlantic Distribution Substation Battery and Charger Replacement

Project Number: 10

<b>Description of Project</b>	Planned replacement of battery systems that are approaching the end of their useful lives. These battery systems are needed to control the operation of the substations and provide the power to perform switching and control functions at the substation. Without these systems, the substation equipment would not function and during system outages, all operations would have to be performed manually and not remotely, as currently performed. This would extend the length of outages and reduce the reliability of the electric system.					
<b>Sub-Project Breakdown</b>				Incremental Projects	Incremental Projects	Reliability Issue
	Substation	Voltage	Work Request Description	2009	2010	
	Scull	48v DC	Replace Station DC Battery	15		Age > 17 years
	Mullica Hill	48v DC	Replace Station DC Battery	15		Age > 17 years
	Glassboro	48v DC	Replace Station DC Battery	15		Age > 17 years
	Atco	48v DC	Replace Station DC Battery	15		Age > 17 years
	Newport	48v DC	Replace Station DC Battery		15	Age > 17 years
	Mantua	48v DC	Replace Station DC Battery		15	Age > 17 years
	Beckett	48v DC	Replace Station DC Battery		15	Age > 17 years
	Rio Grande	48v DC	Replace Station DC Battery		15	Age > 17 years
	NOTE: All dollars amounts shown are preliminary estimates. Detailed engineering reviews need to be completed to produce final project estimates					
<b>Estimated Total Cost</b>	2009- \$60,000 2010- \$60,000					
<b>Estimated Project Start</b>	September 1, 2009 Date assumes Board Approval on 4/3/09 and preliminary engineering and design, where needed, start 6/1/09. Start Dates represent company's good faith estimate on when actual field workers will begin the construction work. All dates are approximate.			<b>Estimated Project Completion</b>	August 31, 2010	
<b>Estimated Number of Incremental Jobs Created</b>	2009 – 448 man-hours (1,820 per job = .2 jobs) 2010 – 448 man-hours (1,820 per job = .2 jobs)					

Atlantic City Electric Company

Project Name: Beesley Sub: Install 23/4 x 12 MVA Transformer

Project Number: 11

<b>Description of Project</b>	Advance the replacement of a substation transformer that is approaching the end of useful life and needs to be replaced to maintain the reliability of the system.					
<b>Sub-Project Breakdown</b>				Incremental Projects 2009	Incremental Projects 2010	Reliability Issue
	Substation	Voltage	Work Request Description			
	Beesley	23/4kv	Replace the existing substation primary distribution transformer and associated equipment	36	550	Main Transformer is >30 years old
	NOTE: All dollars amounts shown are preliminary estimates. Detailed engineering reviews need to be completed to produce final project estimates					
<b>Estimated Total Cost</b>	2009- \$36,000 2010- \$550,000					
<b>Estimated Project Start</b>	August 1, 2009 Date assumes Board Approval on 4/3/09 and preliminary engineering and design, where needed, start 6/1/09. Start Dates represent company's good faith estimate on when actual field workers will begin the construction work. All dates are approximate.			<b>Estimated Project Completion</b>	June 30, 2010	
<b>Estimated Number of Incremental Jobs Created</b>	2009 – 360 man-hours (1,820 per job = .2 jobs) 2010 – 2,960 man-hours (1,820 per job = 1.6 jobs)					



Atlantic City Electric Company

Project Name: Atlantic City: Upgrade Primary Network

Project Number: 13

<b>Description of Project</b>	Proactive replacement of underground cable within the 23,000 volt cable system in Atlantic City. This replacement activity will focus on the testing and replacement of cable sections that indicate a potential for failure or show signs of mechanical damage. This project will improve the reliability of the underground cable system in Atlantic City and reduce the failure rate of the existing cables.								
<b>Sub-Project Breakdown</b>	Circuit #	Substation	Feeder Name	District	Work Request Description	Incremental Projects 2009	Incremental Projects 2010	Reliability Issue	
	NJ9230	Ontario	#2 Network	Pleasantville	Replace approximately 800' (5 sections) of parallel 4/0 PILC w/ 500 EPR on Kentucky Ave between Bacharach Blvd & Atlantic Ave - \$300,000	300		PILC cable over 30 years averging 2-5 faults per year	
	NJ9230	Ontario	#2 Network	Pleasantville	Replace approximately 800' (8 sections) of 4/0 PILC w/ 2/0 EPR on several branches on Atlantic Ave - including branch joints to transformers	400		PILC cable over 30 years averging 2-5 faults per year	
	NJ9230	Ontario	#2 Network	Pleasantville	Replace 2 Network Transformers & Protectors	300		transformers over 30 years old deteriorated and corroded	
	NJ9201	Ontario	#1 Network	Pleasantville	Replace approximately 2,000' (10-12 sections) of various size cables with 2/0 EPR - including branch joints to transformers		700	PILC cable over 30 years averging 2-5 faults per year	
	NJ9201	Ontario	#1 Network	Pleasantville	Replace 2 Network Transformers & Protectors		300	network transformers over 30 years old deteriorated and corroded	
	NOTE: All dollars amounts shown are preliminary estimates. Detailed engineering reviews need to be completed to produce final project estimates								
<b>Estimated Total Cost</b>	2009- \$1,000,000 2010- \$1,000,000								
<b>Estimated Project Start</b>	October 1, 2009 Date assumes Board Approval on 4/3/09 and preliminary engineering and design, where needed, start 6/1/09. Start Dates represent company's good faith estimate on when actual field workers will begin the construction work. All dates are approximate.					<b>Estimated Project Completion</b>	May 31, 2010		
<b>Estimated Number of Incremental Jobs Created</b>	2009 – 5,480 man-hours (1,820 per job = 3.0 jobs) 2010 – 5,480 man-hours (1,820 per job = 3.0 jobs)								



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<b>Estimated Total Cost</b>	2009- \$3,500,000 2010- \$3,500,000		
<b>Estimated Project Start</b>	July 1, 2009 Date assumes Board Approval on 4/3/09 and preliminary engineering and design, where needed, start 6/1/09. Start Dates represent company's good faith estimate on when actual field workers will begin the construction work. All dates are approximate.	<b>Estimated Project Completion</b>	December 31, 2010
<b>Estimated Number of Incremental Jobs Created</b>	2009 – 20,203 man-hours (1,820 per job = 11.1 jobs) 2010 – 20,203 man-hours (1,820 per job = 11.1 jobs)		

Atlantic City Electric Company

Project Name: Salem: Retire 4 kV, Upgrade 34 kV and Relay Enclosure  
 Project Number: 15

<b>Description of Project</b>	Conversion of the existing 4,000 volt system to 12,000 volt operation. The existing 4 kV system is in excess of 40 years old and the associated equipment is nearing the end of its useful life. Replacement of this system will improve the reliability for the customers supplied from the 4 kV system and will allow for continued growth in the region.						
<b>Sub-Project Breakdown</b>	Substation	Voltage	Work Request Description	Incremental Projects 2009	Incremental Projects 2010	Reliability Issue	
	Salem	34kv & 4kv	Install New Relay Enclosure and move all Relays from old Relay Enclosure to new encloeuere.	500		Present Relay Enclosure is >40 years old	
	NOTE: All dollars amounts shown are preliminary estimates. Detailed engineering reviews need to be completed to produce final project estimates						
<b>Estimated Total Cost</b>	2009- \$500,000 2010- \$0						
<b>Estimated Project Start</b>	August 1, 2009 Date assumes Board Approval on 4/3/09 and preliminary engineering and design, where needed, start 6/1/09. Start Dates represent company's good faith estimate on when actual field workers will begin the construction work. All dates are approximate.				<b>Estimated Project Completion</b>	November 30, 2009	
<b>Estimated Number of Incremental Jobs Created</b>	2009 – 5,256 man-hours (1,820 per job = 2.9 jobs) 2010 –0 man-hours						

Atlantic City Electric Company

Project Name: SPCC Plans: Install Oil Containment  
 Project Number: 16

Description of Project	Installation of oil containments around equipment that is in close proximity to rivers or other waterways. These devices will ensure that in the unlikely event of an oil spill or leakage from an oil filled transformer or breaker, that the oil will not enter the waterway. In this way, the oil will be contained within the substation and will be able to be cleaned up without any environmental impact. SPCC plans are detailed plans for each substation that outline the equipment contained within the station and our plan to control any oil released from that station.					
Sub-Project Breakdown	Substation	Equipment	Voltage	Work Request Description	Incremental Projects 2009	Incremental Projects 2010
	Mantua	Transformer T-1	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit	70	
	Quinton	Transformer T-1	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit	70	
	Terrace	Transformer T-1	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit	70	
		Transformer T-2	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit	70	
	Berlin	Transformer T-2	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit	70	
	Greenwich Pumphouse	Transformer T-1	34/2.4kv	Install Special Fiber Walls to contain potential oil spill from unit	70	
		Transformer T-2	34/2.4kv	Install Special Fiber Walls to contain potential oil spill from unit	70	
	River	Transformer T-1	69/34kv	Install Special Fiber Walls to contain potential oil spill from unit	70	
	Salem	Transformer T-3	69/34kv	Install Special Fiber Walls to contain potential oil spill from unit	70	
		Transformer T-4	69/34kv	Install Special Fiber Walls to contain potential oil spill from unit	70	
	Tabernacle	Transformer T-1	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit	70	
		Transformer T-2	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit	70	
	Pine Hill	Transformer T-3	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit	70	
		Transformer T-4	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit	70	
	Harbor Beach	Transformer T-1	23/12kv	Install Special Fiber Walls to contain potential oil spill from unit		70
		Transformer T-2	23/12kv	Install Special Fiber Walls to contain potential oil spill from unit		70
		Transformer Spare	23/12kv	Install Special Fiber Walls to contain potential oil spill from unit		70
	Marven	Transformer T-1	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit		70
		Transformer T-2	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit		70
	Newport	Transformer T-1	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit		70
	Searstown	Transformer T-1	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit		70
		Transformer T-2	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit		70
	South Millville	Transformer T-1	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit		70
	Absecon	Transformer T-1	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit		70
		Transformer T-2	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit		70
	Chestnut Neck	Transformer T-1	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit		70
	Union	Transformer T-1	138/12kv	Install Special Fiber Walls to contain potential oil spill from unit		70
	Cedar	Transformer T-6	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit		70
		Transformer T-7	69/12kv	Install Special Fiber Walls to contain potential oil spill from unit		70
					980	1050
	NOTE: All dollars amounts shown are preliminary estimates. Detailed engineering reviews need to be completed to produce final project estimates					

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<b>Estimated Total Cost</b>	2009- \$1,000,000 2010- \$1,000,000		
<b>Estimated Project Start</b>	July 1, 2009 Date assumes Board Approval on 4/3/09 and preliminary engineering and design, where needed, start 6/1/09. Start Dates represent company's good faith estimate on when actual field workers will begin the construction work. All dates are approximate.	<b>Estimated Project Completion</b>	December 31, 2010
<b>Estimated Number of Incremental Jobs Created</b>	2009 – 5,600 man-hours (1,820 per job = 3.1 jobs) 2010 – 6,000 man-hours (1,820 per job = 3.3 jobs)		

		<u>May-09</u>	<u>Jun-09</u>	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>FY 2009</u>
<b>Rate Base</b>										
CWIP										
Beg of period		0	0	264,286	1,014,286	1,241,486	1,507,436	2,992,969	4,375,169	
Activity										
Capex		0	264,286	1,014,286	1,241,486	1,375,236	2,728,569	2,978,569	2,853,569	
Closings to Plant		0	0	(264,286)	(1,014,286)	(1,109,286)	(1,243,036)	(1,596,369)	(1,846,369)	
End of period		0	264,286	1,014,286	1,241,486	1,507,436	2,992,969	4,375,169	5,382,369	
Average		0	132,143	639,286	1,127,886	1,374,461	2,250,202	3,684,069	4,878,769	
Plant in Service										
Beg of period		0	0	0	264,286	1,278,571	2,387,857	3,630,893	5,227,262	
Activity		0	0	264,286	1,014,286	1,109,286	1,243,036	1,596,369	1,846,369	
End of period		0	0	264,286	1,278,571	2,387,857	3,630,893	5,227,262	7,073,631	
Average		0	0	132,143	771,429	1,833,214	3,009,375	4,429,077	6,150,446	
Depreciation Reserve										
Beg of period		0	0	0	306	2,093	6,340	13,312	23,573	
Activity		0	0	306	1,787	4,247	6,972	10,261	14,249	
End of period		0	0	306	2,093	6,340	13,312	23,573	37,821	
Average		0	0	153	1,353	5,263	12,996	25,098	42,483	
Deferred Tax Balance										
Beg of period		0	0	0	100	683	2,068	4,343	7,690	
Activity		0	0	100	583	1,385	2,274	3,347	4,648	
End of period		0	0	100	683	2,068	4,343	7,690	12,338	
Average		0	0	50	441	1,717	4,240	8,187	13,859	
Net Rate Base - Average		0	0	131,940	769,635	1,826,234	2,992,139	4,395,792	6,094,105	
<b>Earnings</b>										
Expenses										
	<u>Rate</u>									
Book Depreciation	2.78%	0	0	306	1,787	4,247	6,972	10,261	14,249	
Current Taxes (1)	40.85%	0	0	(225)	(1,313)	(3,120)	(5,122)	(7,539)	(10,469)	
Deferred Taxes (1)	40.85%	0	0	100	583	1,385	2,274	3,347	4,648	
Total Expenses		0	0	181	1,057	2,512	4,124	6,069	8,428	
Earnings		0	0	(181)	(1,057)	(2,512)	(4,124)	(6,069)	(8,428)	
<b>Revenue Requirement</b>										
Rate Base + CWIP		-	132,143	771,226	1,897,520	3,200,695	5,242,342	8,079,861	10,972,874	
ROE	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	
ROR	6.66%	6.66%	6.66%	6.66%	6.66%	6.66%	6.66%	6.66%	6.66%	
Earnings - Rate Base		-	734	4,281	10,533	17,766	29,099	44,850	60,908	
Earnings - Expense		-	-	(181)	(1,057)	(2,512)	(4,124)	(6,069)	(8,428)	
Total Earnings Effect		-	(734)	(4,462)	(11,590)	(20,279)	(33,223)	(50,919)	(69,336)	
Revenue Conversion Factor		1.6991	1.6991	1.6991	1.6991	1.6991	1.6991	1.6991	1.6991	
Revenue Requirement		-	1,246	7,581	19,692	34,455	56,449	86,516	117,809	323,750

(1) Tax depreciation assumes 20 yr tax life

1 Total Projected Revenue Requirement Deficiency \$ 323,750

2 **Table 1 IIS Rate with Voltage Level Loss Adjustment**

3 Voltage Level	Loss Factor
4 Secondary (120 - 480 Volts)	1.08544
5 Primary (4,000 & 12,000 Volts)	1.05345
6 Subtransmission (23,000 & 34,500 Volts)	1.03381
7 Transmission (69,000 Volts)	1.02951

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	
8			= Col. 1 x Col. 2	= Col. 3 Lines 19 - 26 / Col. 3 Line 27	= Col. 4 x Line 10	= Col. 5 / Col. 2	= Col. 3 x ((1/(1-0.005))-1)	= Col. 6 + Col. 7	= Col. 8 x 1.07	
9	Rate Class	Loss Factor	Sales @ Customer (kWh)	Including Losses	Allocation Factor	Requirements	IIS Rate (\$/kWh)	BPU Assessment (\$/kWh)	Final IIS Rate (\$/kWh)	Final IIS Rate w/ SUT(\$/kWh)
10	RS	1.08544	2,691,775,000	2,921,760,256	0.4405	\$ 142,598	\$ 0.000053	\$ 0.000000	\$ 0.000053	\$ 0.000057
11	MGS Secondary	1.08544	921,286,810	1,000,001,555	0.1508	\$ 48,806	\$ 0.000053	\$ 0.000000	\$ 0.000053	\$ 0.000057
12	MGS Primary	1.05345	16,041,986	16,899,430	0.0025	\$ 825	\$ 0.000051	\$ 0.000000	\$ 0.000052	\$ 0.000055
13	AGS Secondary	1.08544	1,110,867,423	1,205,779,935	0.1818	\$ 58,849	\$ 0.000053	\$ 0.000000	\$ 0.000053	\$ 0.000057
14	AGS Primary	1.05345	296,367,989	312,208,858	0.0471	\$ 15,238	\$ 0.000051	\$ 0.000000	\$ 0.000052	\$ 0.000055
15	TGS	1.02951	1,085,400,674	1,117,430,848	0.1685	\$ 54,537	\$ 0.000050	\$ 0.000000	\$ 0.000050	\$ 0.000054
16	SPL/CSL	1.08544	47,020,966	51,038,437	0.0077	\$ 2,491	\$ 0.000053	\$ 0.000000	\$ 0.000053	\$ 0.000057
17	DDC	1.08544	7,703,152	8,361,310	0.0013	\$ 408	\$ 0.000053	\$ 0.000000	\$ 0.000053	\$ 0.000057
18	Total		6,176,464,000	6,633,480,629	1.0000	\$ 323,750				

ACE INFRASTRUCTURE INVESTMENT PROGRAM

CALCULATION OF INTEREST CHARGES

Year 1 Assumptions:	Projected Annual	Projected Monthly	Actual Annual
Total Capital Expenditures	\$28,500,000		\$26,000,000
Revenue Requirement - Year 1	\$4,000,000	\$444,444	\$3,650,000
Total Sales (KWh)	4,000,000,000		4,200,000,000
Recovery Rate	\$0.0010		\$0.0010
Total Amount Actually Collected			\$4,200,000

Revenue Breakdown:	Jan	Feb	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
Year 1				8.50%	9.00%	13.00%	16.00%	16.00%	13.00%	8.50%	8.00%	8.00%	100.00%
Interest Rate (Annual - Assuming Fixed Rate)													
Year 1				5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	

Year 1 - As Projected Initially Based on Uniform Monthly Rev. Req.	April '09	May '09	June '09	July '09	Aug. '09	Sept. '09	Oct. '09	Nov. '09	Dec. '09	Total
Revenue Requirement	\$444,444	\$444,444	\$444,444	\$444,444	\$444,444	\$444,444	\$444,444	\$444,444	\$444,444	\$4,000,000
Monthly Recoveries	(340,000)	(360,000)	(520,000)	(640,000)	(640,000)	(520,000)	(340,000)	(320,000)	(320,000)	(\$4,000,000)
(Over)/Under Recovery	\$104,444	\$84,444	(\$75,556)	(\$195,556)	(\$195,556)	(\$75,556)	\$104,444	\$124,444	\$124,444	\$0
Beginning Balance - (Over)/Under Recovery	\$0	\$104,444	\$188,889	\$113,333	(\$82,222)	(\$277,778)	(\$353,333)	(\$248,889)	(\$124,444)	
Ending Balance (Over)/Under Recovery	\$104,444	\$188,889	\$113,333	(\$82,222)	(\$277,778)	(\$353,333)	(\$248,889)	(\$124,444)	\$0	
Average Balance (Over)/Under	\$52,222	\$146,667	\$151,111	\$15,556	(\$180,000)	(\$315,556)	(\$301,111)	(\$186,667)	(\$62,222)	
Average Balance (Over)/Under - Net of Tax	\$30,889	\$86,753	\$89,382	\$9,201	(\$106,470)	(\$186,651)	(\$178,107)	(\$110,413)	(\$36,804)	
Interest Rate (Monthly)	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	
Interest (To Customer) /To Company	\$129	\$361	\$372	\$38	(\$444)	(\$778)	(\$742)	(\$460)	(\$153)	(\$1,676)

Year 1 - Actual	April '09	May '09	June '09	July '09	Aug. '09	Sept. '09	Oct. '09	Nov. '09	Dec. '09	Total
Revenue Requirement	\$0	\$200,000	\$350,000	\$400,000	\$400,000	\$500,000	\$600,000	\$600,000	\$600,000	\$3,650,000
Monthly Recoveries	(357,000)	(378,000)	(546,000)	(672,000)	(672,000)	(546,000)	(357,000)	(336,000)	(336,000)	(\$4,200,000)
(Over)/Under Recovery	(\$357,000)	(\$178,000)	(\$196,000)	(\$272,000)	(\$272,000)	(\$46,000)	\$243,000	\$264,000	\$264,000	(\$550,000)
Beginning Balance - (Over)/Under Recovery	\$0	(\$357,000)	(\$535,000)	(\$731,000)	(\$1,003,000)	(\$1,275,000)	(\$1,321,000)	(\$1,078,000)	(\$814,000)	
Ending Balance (Over)/Under Recovery	(\$357,000)	(\$535,000)	(\$731,000)	(\$1,003,000)	(\$1,275,000)	(\$1,321,000)	(\$1,078,000)	(\$814,000)	(\$550,000)	
Average Balance (Over)/Under	(\$178,500)	(\$446,000)	(\$633,000)	(\$867,000)	(\$1,139,000)	(\$1,298,000)	(\$1,199,500)	(\$946,000)	(\$682,000)	
Average Balance (Over)/Under - Net of Tax	(\$105,583)	(\$263,809)	(\$374,420)	(\$512,831)	(\$673,719)	(\$767,767)	(\$709,504)	(\$559,559)	(\$403,403)	
Interest Rate (Monthly)	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	
Interest (To Customer) /To Company	(\$440)	(\$1,099)	(\$1,560)	(\$2,137)	(\$2,807)	(\$3,199)	(\$2,956)	(\$2,331)	(\$1,681)	(\$18,211)

	Projected Annual	Projected Monthly	Actual Annual
<b>Year 2 Assumptions:</b>			
Total Cumulative Capital Expenditures	\$34,200,000		\$36,000,000
Revenue Requirement - Year 2	\$6,000,000	\$500,000	\$6,315,000
Year 1 True-Up (Over)/Under	(\$550,000)	(\$45,833)	(\$550,000)
Year 1 Interest (To Customer)/To Company	(\$18,211)	(\$1,518)	(\$18,211)
Total Amount to be Collected	\$5,431,789	\$452,649	\$5,746,789
Total Sales (KWh)	4,250,000,000		4,200,000,000
Recovery Rate	\$0.0013		\$0.0013
Total Amount Actually Collected			\$5,367,885.79

Revenue Breakdown:	Jan	Feb	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
Year 2	6.00%	6.00%	6.50%	7.00%	8.00%	10.50%	12.00%	12.00%	10.50%	7.50%	7.00%	7.00%	100.00%
<u>Interest Rate (Annual - Assuming Fixed Rate)</u>													
Year 2	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	

**Year 2 - As Projected Initially Based on Uniform Monthly Rev. Req.**

	Jan. '10	Feb. '10	March '10	April '10	May '10	June '10	July '10	Aug. '10	Sept. '10	Oct. '10	Nov. '10	Dec. '10	Total
Revenue Requirement	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$6,000,000
Interest	(18,211)												(18,211)
Monthly Recoveries	(325,907)	(325,907)	(353,066)	(380,225)	(434,543)	(570,338)	(651,815)	(651,815)	(570,338)	(407,384)	(380,225)	(380,225)	(5,431,789)
(Over)/Under Recovery	<u>\$155,882</u>	<u>\$174,093</u>	<u>\$146,934</u>	<u>\$119,775</u>	<u>\$65,457</u>	<u>(\$70,338)</u>	<u>(\$151,815)</u>	<u>(\$151,815)</u>	<u>(\$70,338)</u>	<u>\$92,616</u>	<u>\$119,775</u>	<u>\$119,775</u>	<u>\$550,000</u>
Beginning Balance - (Over)/Under Recovery	(\$550,000)	(\$394,118)	(\$220,026)	(\$73,092)	\$46,683	\$112,140	\$41,802	(\$110,013)	(\$261,827)	(\$332,165)	(\$239,550)	(\$119,775)	
Ending Balance (Over)/Under Recovery	<u>(\$394,118)</u>	<u>(\$220,026)</u>	<u>(\$73,092)</u>	<u>\$46,683</u>	<u>\$112,140</u>	<u>\$41,802</u>	<u>(\$110,013)</u>	<u>(\$261,827)</u>	<u>(\$332,165)</u>	<u>(\$239,550)</u>	<u>(\$119,775)</u>	<u>\$0</u>	
Average Balance (Over)/Under	(\$472,059)	(\$307,072)	(\$146,559)	(\$13,204)	\$79,411	\$76,971	(\$34,105)	(\$185,920)	(\$296,996)	(\$285,857)	(\$179,662)	(\$59,887)	
Average Balance (Over)/Under - Net of Tax	(\$279,223)	(\$181,633)	(\$86,689)	(\$7,810)	\$46,972	\$45,528	(\$20,173)	(\$109,972)	(\$175,673)	(\$169,085)	(\$106,270)	(\$35,423)	
Interest Rate (Monthly)	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	
Interest (To Customer) /To Company	(\$1,117)	(\$727)	(\$347)	(\$31)	\$188	\$182	(\$81)	(\$440)	(\$703)	(\$676)	(\$425)	(\$142)	<u>(\$4,318)</u>

<b>Year 2 - Actual</b>	Jan. '10	Feb. '10	March '10	April '10	May '10	June '10	July '10	Aug. '10	Sept. '10	Oct. '10	Nov. '10	Dec. '10	Total
Revenue Requirement	\$378,900	\$378,900	\$410,475	\$442,050	\$505,200	\$663,075	\$757,800	\$757,800	\$663,075	\$473,625	\$442,050	\$442,050	\$6,315,000
Interest	(18,211)												(18,211)
Monthly Recoveries	(322,073)	(322,073)	(348,913)	(375,752)	(429,431)	(563,628)	(644,146)	(644,146)	(563,628)	(402,591)	(375,752)	(375,752)	(5,367,886)
(Over)/Under Recovery	<u>\$38,616</u>	<u>\$56,827</u>	<u>\$61,562</u>	<u>\$66,298</u>	<u>\$75,769</u>	<u>\$99,447</u>	<u>\$113,654</u>	<u>\$113,654</u>	<u>\$99,447</u>	<u>\$71,034</u>	<u>\$66,298</u>	<u>\$66,298</u>	<u>\$928,903</u>
Beginning Balance - (Over)/Under Recovery	(\$550,000)	(\$511,384)	(\$454,557)	(\$392,995)	(\$326,697)	(\$250,928)	(\$151,481)	(\$37,827)	\$75,827	\$175,274	\$246,307	\$312,605	
Ending Balance (Over)/Under Recovery	<u>(\$511,384)</u>	<u>(\$454,557)</u>	<u>(\$392,995)</u>	<u>(\$326,697)</u>	<u>(\$250,928)</u>	<u>(\$151,481)</u>	<u>(\$37,827)</u>	<u>\$75,827</u>	<u>\$175,274</u>	<u>\$246,307</u>	<u>\$312,605</u>	<u>\$378,903</u>	
Average Balance (Over)/Under	(\$530,692)	(\$482,971)	(\$423,776)	(\$359,846)	(\$288,812)	(\$201,204)	(\$94,654)	\$19,000	\$125,550	\$210,791	\$279,456	\$345,754	
Average Balance (Over)/Under - Net of Tax	(\$313,904)	(\$285,677)	(\$250,663)	(\$212,849)	(\$170,832)	(\$119,012)	(\$55,988)	\$11,239	\$74,263	\$124,683	\$165,298	\$204,514	
Interest Rate (Monthly)	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	
Interest (To Customer) /To Company	(\$1,256)	(\$1,932)	(\$1,695)	(\$1,439)	(\$1,155)	(\$805)	(\$379)	\$76	\$502	\$843	\$1,118	\$1,383	<u>(\$4,738)</u>

## APPENDIX D

### MINIMUM FILING REQUIREMENTS

1. ACE's income statement for the most recent 12 month period, as filed with the New Jersey Board of Public Utilities ("BPU").
2. The Company's balance sheet for the most recent 12 month period, as filed with the BPU.
3. The Company's overall capital budget broken down by major categories, including distribution and incremental capital expenditures for the Qualifying Projects, both budgeted and actual amounts.
4. For each Qualifying Project or proposed new project:
  - a. The original project summary for each Qualifying Project;
  - b. Capital expenditures incurred to date;
  - c. Revenues collected.
  - d. Appropriate metric (e.g., poles replaced, linear feet of installed cable, etc.)
5. Anticipated project timeline with updates and expected changes.
6. A schedule detailing the Qualifying Projects and Non-Qualifying Projects to date as compared to the Company's original approved capital spending plans.
7. A summary of expenditures for each of the Qualifying Projects that identify each expenditure from project inception through the end of the current quarter.
8. A calculation of the proposed rate adjustment based on details related to Qualifying Projects included in Plant in Service.
  - a. A calculation of the associated depreciation expense, based on those projects closed to Plant in Service during the period.
9. A list of FTE equivalent jobs created and their duration associated with each Qualifying Project.
10. A list of any and all funds or credits received from the United States government, the State of New Jersey, a county or a municipality, for work related to any of the Qualifying Projects, such as relocation, reimbursement or stimulus money.
  - a. An explanation of the financial treatment associated with the receipt of the government funds or credits.
11. A monthly revenue requirement calculation based on actual capital expenditures, showing the actual monthly revenue requirement for each of the past twelve months, as well as supporting calculations.
12. Actual revenues, by month, collected from ratepayers pursuant to the tariff(s).
13. Monthly beginning and ending clause balances, as well as the average balance for the month.
13. The interest rate used each month for over/under recoveries, and all supporting documentation and calculations for the interest rate.
14. The interest expense to be charged or credited to ratepayers each month.

**Atlantic City Electric Company**

Infrastructure Investment Surcharge (IIS)

May 2009 - Dec 2009

Appendix E

Overall Monthly Class Average Per Customer

	Current Monthly Bill	Proposed Monthly Bill	Proposed % Increase
Rate Class			
Residential Service (RS)	\$ 129.30	\$ 129.34	0.03%
Monthly General Service - Secondary (MGS Secondary)	\$ 283.94	\$ 284.06	0.04%
Monthly General Service - Primary (MGS Primary)	\$ 40.17	\$ 40.19	0.04%
Annual General Service - Secondary (AGS Secondary)	\$ 7,617.25	\$ 7,620.18	0.04%
Annual General Service - Primary (AGS Primary)	\$ 49,746.48	\$ 49,766.63	0.04%
Transmission General Service (TGS)	\$ 179,282.86	\$ 179,368.74	0.05%
Direct Distribution Connection (DDC)	\$ 355.40	\$ 355.49	0.03%
Street & Area Lighting	\$ 213.12	\$ 213.17	0.02%

Atlantic City Electric Company

Quarterly Report on Capital Expenditures and Job Creation Related to Qualifying Projects

<u>Proposed Infrastructure Project</u>	<u>Project Type</u>	<u>Estimated Quantity</u>	<u>Major Tasks</u>	<u>Tasks Completed To Date</u>	<u>Quantity Completed To Date</u>	<u>Percent of Quantity/Tasks Completed To Date</u>	<u>Total Estimated Cost</u>	<u>Actual Cost To Date</u>	<u>Percent of Cost To Date</u>	<u>Project Completion Date</u>	<u>Total Jobs To Be Created</u>	<u>Jobs Created To Date</u>	<u>Traditional Actual Spending For The Budget Year</u>	<u>Budgeted Spending For The Budget Year</u>	<u>Actual Spending For The Rate Period</u>	<u>Actual Spending For The Rate Period</u>
(a)	(b)	(c)*	(d)*	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)*	(o)*	(p)*	(q)*

Notes: 1. For column c & d-If the project cannot be quantified with numbers then it should be broken down into major tasks to be completed.  
e.g. design phase, material procurement, permit gathering, phases of construction etc.

2. For column N & O the amounts includes only normal spending for the budget year and do not include any spending associated with the qualified projects in Exhibit A.

3. See Attached Gantt Charts for each project

4. For columns P & Q, the "Rate Period" is e.g., "CAC Period 1", etc.



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April 15, 2009

Kristi Izzo, Secretary  
New Jersey Board of Public Utilities  
2 Gateway Center  
Newark, NJ 07102

Re: In the Matter of the Petition of Atlantic City Electric Company for Approval of Certain Energy Infrastructure Investments and Approval of Cost Recovery for Such Projects and Related Tariff Modifications Associated Therewith Pursuant to NJSA 48:2-21 and NJSA 48:2-21.1 Docket No. EO09010054

Dear Secretary Izzo:

Please accept this letter as the New Jersey Large Energy Users Coalition's ("NJLEUC") comments in response to the proposed Stipulation filed by Atlantic City Electric Company ("ACE") in this matter. As an intervenor that has participated actively in the settlement discussions underlying the filing, NJLEUC has carefully reviewed the proposed Stipulation, and commends the parties for their concerted settlement efforts. For the reasons set forth below, NJLEUC will not sign the stipulation, and will not formally support or oppose it.

NJLEUC recognizes the economic necessity of taking prompt action to stimulate economic activity and growth in the state of New Jersey. We commend ACE, BPU Staff and Rate Counsel for working in a timely and collaborative manner to respond to Governor Corzine's call to foster economic development.

A central feature of the proposed Stipulation, however, raises a long-standing concern that, in turn, prevents NJLEUC from affirmatively supporting the Stipulation. Specifically, the volumetric allocation of project costs incorporated by the Stipulation's Infrastructure Investment Surcharge ("IIS") is inappropriate under fundamental ratemakings principles. As we have



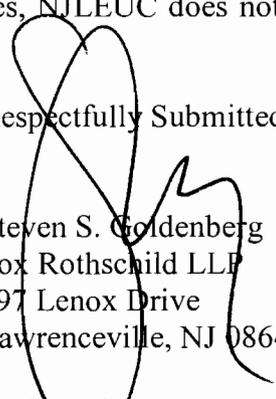
Fox Rothschild LLP  
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Kristi Izzo, Secretary  
April 15, 2009  
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pointed out numerous times in the past, such a volumetric cost allocation scheme produces an inappropriate allocation of capital costs to large commercial and industrial users, including the members of NJLEUC. Governor Corzine's call for stimulus measures like those reflected in the ACE Stipulation is intended to foster economic development in the state. A cost allocation methodology that unfairly burdens the already struggling business community with a disproportionate share of the Stipulation's projected project costs would frustrate, rather than stimulate, the economic revival that both the Governor and the Stipulation wish to encourage. A better method of allocating the Stipulation's project costs would be to base the proposed IIS on peak demand, rather than usage. Accordingly, NJLEUC will not support or sign the Stipulation as it now stands.

While NJLEUC cannot support the volumetric nature of the IIS, we recognize that the Stipulation, to some degree, seeks to ameliorate that concern. The Stipulation, for example, makes clear that the IIS is intended to serve only as an interim measure that would allow ACE to promptly implement the projects described in the Stipulation. The Stipulation also provides that the volumetric nature of the IIS is not intended to influence or govern any final determination regarding the ultimate allocation of the Stipulation's project costs among ACE rate classes. Consistent with the interim nature of the IIS, the Stipulation also preserves NJLEUC's (and all other Parties') right to address the ultimate allocation of these project costs in a base rate case to be filed by ACE. In light of these mitigating features, NJLEUC does not affirmatively oppose the Stipulation.

Respectfully Submitted,

  
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FOR ATLANTIC CITY ELECTRIC COMPANY  
BPU DOCKET NOS. EO09010049 and EO09010054  
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