



A PHI Company

January 30, 2009

**VIA ELECTRONIC MAIL and  
FEDERAL EXPRESS**

Kristi Izzo  
Secretary to the Board  
State of New Jersey  
Board of Public Utilities  
Two Gateway Center  
Newark, New Jersey 07102

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**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 N.J.S.A. 48:2-21 and N.J.S.A. 48: 2-21.1  
BPU Docket No. \_\_\_\_\_

Dear Secretary Izzo:

Enclosed please find an original and eleven (11) copies of the Verified Petition and accompanying exhibits of Atlantic City Electric Company ("ACE" or the "Company") in the above-entitled matter. In order to expedite distribution of this submission, the Company is providing Board Staff and representatives of the Division of Rate Counsel with electronic copies of this filing.

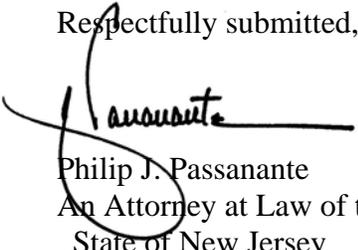
Although a Procedural Schedule for this matter has not been finalized, ACE respectfully submits that evidentiary hearings are not necessary in order for the Board to approve the Infrastructure Investment Program outlined in the attached Petition. The Company will work diligently with all parties to this proceeding in order to achieve a mutually agreeable result -- and implement a resolution that is consistent with Governor Corzine's Economic Assistance and Recovery Plan.

Kindly file the Petition and return a time-stamped and docketed copy to the undersigned in the enclosed postage-prepaid, self-addressed envelope.

Kristi Izzo  
January 30, 2009  
Page 2

ACE looks forward to working with the Board and all interested stakeholders to bring this proposal to a prompt and successful conclusion.

Respectfully submitted,

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

Enclosures

cc: Service List

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**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. 48: 2-  
21.1**

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

**BPU Docket No. \_\_\_\_\_**

**VERIFIED PETITION**

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**ATLANTIC CITY ELECTRIC COMPANY** (hereinafter referred to as “Petitioner,” “ACE,” “Atlantic” or the “Company”), a public utility corporation of the State of New Jersey (the “State”), respectfully requests that the Board of Public Utilities (“BPU” or the “Board”) accept this Petition in response to the October 16, 2008 proposal of Governor Jon S. Corzine to have certain State agencies, including the Board, where appropriate and feasible, approve the acceleration of capital spending programs in order to enhance economic activity in the State and, in turn, foster economic growth and employment opportunities in the State. The Company hereby seeks approval by the Board of the proposed implementation authorizations and cost recovery mechanisms contained herein. In support thereof, Petitioner states as follows:

1. The Company is engaged in the purchase, transmission, distribution and sale of electric energy to residential, commercial and industrial customers. The Company’s service territory comprises eight (8) counties located in southern New Jersey and includes approximately 544,000 customers.<sup>1</sup>

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<sup>1</sup> Atlantic is part of the Pepco Holdings, Inc. (“PHI”) family of companies. It is a wholly-owned subsidiary of Conectiv, a Delaware corporation, which is, in turn, a wholly-owned subsidiary of PHI, a Delaware corporation. PHI is an energy holding company engaged in regulated utility operations and sale of competitive energy products and services to residential and commercial customers. PHI companies deliver electricity and natural gas to more than 1.8 million customers in Delaware, the District of Columbia, Maryland and New Jersey.

2. In an effort to further the articulated goals of Governor Corzine to stimulate the State's economy by accelerating the implementation of previously-identified utility infrastructure improvements and additions, as well as the creation of related new employment opportunities in Petitioner's service territory, the Company has identified approximately 21 capital infrastructure projects which are discussed herein and are more fully described in **Exhibit A**. These projects have been identified by the Company as necessary for it to continue to provide safe, adequate and proper service to its customers, and were scheduled for implementation by the Company within the next five years. ACE will manage the infrastructure investments in an efficient manner. As a result, it may be necessary to add, remove or substitute particularly listed projects from the proposed investments. All such additions or substitutions will be the same types of projects listed in **Exhibit A** to the filing.

3. Petitioner seeks the cost recovery authorizations requested herein to enable the Company to commit the financial and capital resources necessary to accelerate the implementation of certain capital infrastructure investments and to make the potential benefits of such a program a reality for the State and Atlantic's customers. As described in summary fashion below, the Company is seeking authorization to recover its infrastructure investment program costs through an Infrastructure Investment Surcharge ("IIS"), the details of which are attached hereto and incorporated herein as **Exhibit B**.

4. This Petition respectfully requests Board authorization to implement the Company's Infrastructure Investment Program ("IIP"), as more fully described herein, and to authorize a new surcharge to recover IIP costs as detailed further herein. Such authorization will enable the Company to implement the Board's objective for accelerating recovery of system

capital infrastructure investments, and concurrently achieve the desired customer and State economic goals and benefits as outlined in Governor Corzine's October 16, 2008 address.

## **I. STATUTORY AUTHORIZATION**

5. Petitioner proposes to implement an IIS pursuant to N.J.S.A. 48:2-21.1 upon the issuance of an Order by the Board granting ACE authorization to do so. The IIS will operate as a rate adjustment charge during the initial term of the IIP and continuing until such time as the Board approves new rates for the Company pursuant to Atlantic's next filed base rate adjustment petition. At that time, the net un-recovered Infrastructure Investment will be rolled into rate base and the IIS will be reset. In that regard, in order for the IIS to be sufficiently tied to a comprehensive Board review of the Company's overall revenues, rates and charges, Petitioner hereby commits that it will file a base rate adjustment petition within 24 months following the date of filing of this Petition, but no later than December 31, 2010. Thus, the necessary nexus between the approval of a rate adjustment provision, such as the IIS, and a base rate proceeding, as required by *In Re Intrastate Industrial Sand Rates*, 66 N.J. 12 (1974), will be maintained.

## **II. INFRASTRUCTURE INVESTMENT PROJECT SUMMARY**

6. **Exhibit A** hereto includes a detailed description of the infrastructure capital projects that the Company proposes to include in the IIP. These projects include (but are not limited to): \$3 million for replacement of mercury vapor streetlights; \$2.6 million to construct the Company's Beach Haven Substation; \$5.6 million to construct a data network to support Smart Grid; \$5 million for the firming of a substation in Atlantic City; \$8 million for distribution automation; \$1.5 million in transmission improvements; and \$17.1 million to support aging infrastructure. These projects represent projected spending levels of \$20.7 million in 2009 and

\$22.1 million in 2010. Without the acceleration of these projects as part of the Stimulus Program, the spending level on these projects would have been \$5.4 million in 2009 and \$4.9 million in 2010. Also included in **Exhibit A** is a description of the Company's proposal to install solar panels at Company facilities at a cost of approximately \$5 million.

7. The Company has *not* included in the IIP any investments in Smart Meter technology. The Company expects that the growing recognition at the Federal level that Smart Meters are a critical component of a Smart Grid will help to build support for Atlantic's view that Smart Meters can deliver significant benefits to its customers. In that regard, the Company has recently filed with the Board a proposal to create a Smart Community Demonstration Project. That proposal is pending in connection with BPU Docket No. EO07110881.

8. In addition to the \$42.8 million in 2009 and 2010 capital projects and the \$5 million in solar installations on Company facilities included in the IIP, another \$4.2 million in additional capital expenditures on projects related to Direct Load Control ("DLC") could be undertaken if approval of the Company's August 1, 2008 filing in connection with BPU Docket Nos. EO08050326 and EO07110881 is granted. A Stipulation of the parties to that proceeding is nearing completion. Approval of the Company's filing by the end of first quarter of 2009 would permit implementation of Atlantic's DLC program to begin early in the fourth quarter of 2009.

9. In sum, these three items -- system infrastructure improvements, DLC and solar installations on Company-owned facilities -- would result in IIP capital investments totaling \$52 million during 2009 and 2010.

### **III. ACCOUNTING AND COST RECOVERY MECHANISM**

10. As noted in Paragraph 3 above, the Company is proposing to recover the revenue requirements associated with the IIP, including the solar installations on Company facilities, through a new Infrastructure Investment Surcharge or ISS. The IIS will be designed on a dollar per kilowatt-hour (“kWh”) basis, applicable equally to all Rate Schedules. The IIS will provide for full and timely recovery of the revenue requirement associated with the IIP. The IIS revenue requirement will be calculated to produce a rate of return based on the Company’s current cost of capital of 8.67% (7.17% after tax cost of capital) at September 30, 2008. This date was selected due to the fact that the existing regulatory weighted average cost of capital (“WACC”) was established nearly four years ago in 2005. As is widely understood, since the third quarter of 2008, the financial markets have experienced a period of extreme volatility. Therefore, the Company proposes that the WACC be set to reflect as nearly as possible current capital market conditions. Accordingly, the capital structure proposed by the Company:

- reflects that the incremental capital available to finance the accelerated Capital Infrastructure Investment expenditures will be a combination of new long-term debt and common equity;
- reflects an increase in the equity component of the Company’s capitalization to ACE’s target level, thereby reducing financial risk and improving credit quality;
- reflects a cost of long-term debt that:
  - utilizes the weighted embedded cost of the current actual ACE long-term debt outstanding, and

- includes a pro forma adjustment to the actual embedded cost to reflect additional long-term debt issued in November 2008; and
- reflects a cost of common equity equal to the 10.3% return on equity (“ROE”), which is the most recently adopted ROE by the Board in a major utility base rate proceeding. This higher equity return over ACE’s most recent authorized value is necessary due to the increased business risks associated with the current volatile financial markets. While ACE does not believe that this ROE adequately reflects the risks inherent in the current financial markets, ACE proposes that it is the best available proxy to be utilized at this time in order to expedite approval of its IIP.

The Company is further requesting that the IIS be subject to deferred accounting. Any differences between the monthly revenue requirement and the monthly IIS sales revenue will be tracked as a deferred balance. Interest on this balance will be calculated monthly based on the Company’s current short-term debt rate.

11. The recovery of the capital costs associated with the DLC program will be recovered through the System Control Charge (“SCC”) as proposed by the Company in BPU Docket Nos. EO08050326 and EO07110881. For the Board’s and other parties’ convenience, a copy of the proposed SCC tariff, as filed in the aforementioned dockets, is attached hereto as **Exhibit C**.

#### **IV. PROGRAM DURATION AND TIMING**

12. Petitioner recognizes the importance of moving aggressively to put the IIP, as well as similar programs filed by the other electric and gas utilities in the State, into effect in an

efficient and expedient fashion. To that end, the Company proposes a procedural schedule that targets program approval and implementation by April 2009. Atlantic is committed to working with Board Staff and the Division of Rate Counsel, as well as other affected utilities and stakeholders, to agree upon a procedural schedule and complete the regulatory review process in order to have a Board Order in place in sufficient time to meet the targeted implementation date.

## V. STATEMENT OF PUBLIC INTEREST

13. Petitioner recognizes the critical economic conditions facing the State at this time, and, in particular, the need to create a regulatory environment for enhanced and accelerated infrastructure investments that will result in an increase in employment opportunities throughout the State. To that end, based upon recently announced estimates from the Associated General Contractors of America, which provided New Jersey<sup>2</sup>-specific estimates of job creation as a result of nonresidential construction spending, the Company estimates that the IIP, DLC and solar installations -- which total approximately \$52 million in expenditures over the next 24 months -- will result in the creation of up to 470 construction-related jobs. Atlantic further estimates that the implementation of over \$10 million in energy efficiency investments, which will be the subject of a separate Petition, will create an additional 100 “green jobs.” Therefore, the Company’s response to the Governor’s Infrastructure Stimulus proposal will result in the creation of approximately 570 quality jobs for New Jersey workers. Additionally, the improvements to Petitioner’s distribution system will directly benefit the ACE’s customers

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<sup>2</sup> See The Associated General Contractors of America, “The Key Role of Construction in Each State's Economy” (December 2008). In the section regarding “The Construction Industry in New Jersey: The Economic Impact of Stimulus Investment in New Jersey,” the report states that an additional \$1 billion nonresidential construction spending would create or sustain 18,000 jobs, 6,100 on-site construction jobs, 2,900 direct and indirect jobs associated with construction supply materials and services, and 9,000 additional jobs when construction, supplier and service providers spend their incomes.

through increased system reliability, and will allow the Company to continue providing safe, adequate and proper service. It should be noted these job creation estimates are intended to relate to the jobs associated with the particular projects proposed by the Company in **Exhibit A** for the duration of those projects and do not reflect permanent job creation within the Company.

#### **VI. TARIFF MODIFICATION**

14. **Exhibit D** to this Petition is a proposed new ISS tariff designed to recover the IIP costs, which are identified in greater detail in **Exhibit B** hereto.

#### **VII. PUBLIC NOTICE**

15. Included herewith as **Exhibit E** is a form of Public Notice that the Company intends to publish in newspapers of general circulation throughout its service territory. Copies will also be provided to municipal and county officials as required by law.

#### **VIII. COMMUNICATIONS**

16. Communications and correspondence regarding this matter should be sent to Petitioner's counsel and co-counsel at the following addresses:

Philip J. Passanante, Esquire  
Assistant General Counsel  
Atlantic City Electric Company – 89KS42  
800 King Street, 5<sup>th</sup> Floor  
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Wilmington, DE 19899-0231  
(302) 429-3105 – Telephone  
[philip.passanante@pepcoholdings.com](mailto:philip.passanante@pepcoholdings.com)

and

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with copies to the following representatives of the Company:

Kenneth J. Parker  
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Wayne W. Barndt  
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**WHEREFORE,** the Petitioner, **ATLANTIC CITY ELECTRIC COMPANY,**  
respectfully requests that the Honorable Board of Public Utilities issue an Order as follows:

A. finding that the Infrastructure Investment Program is in the public interest and  
authorizing the Company to implement it as proposed herein;

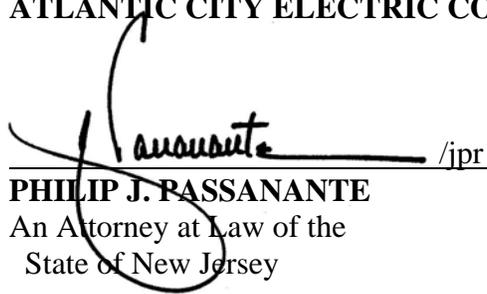
B. finding that the Company's proposed cost recovery mechanism is just and reasonable and authorizing Atlantic to implement same as proposed;

C. finding that the Company's overall cost of capital for recovery of the costs of the IIP should reflect the increased financial risks currently impacting the financial markets; and

D. finding that the IIS tariff should be approved as proposed by the Company.

Dated: January 30, 2009

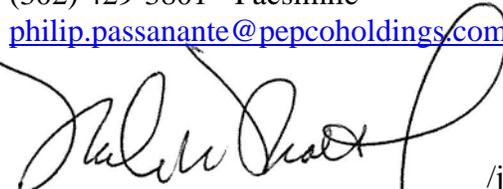
Respectfully submitted,  
**ATLANTIC CITY ELECTRIC COMPANY**

 /jpr

**PHILIP J. PASSANANTE**

An Attorney at Law of the  
State of New Jersey

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State of New Jersey

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# Exhibit A

**Atlantic City Electric Company  
Governor's Economic Stimulus Package  
Capital Projects 2009 - 2010  
January 30, 2009**

| <b>Line Number</b> | <b>Project</b>                                       | <b>Description</b>   |
|--------------------|--|--|
| 1                  | Replace Mercury Vapor Street Lights                  | Replacement of mercury vapor lights with higher efficiency high pressure sodium lights. Reduces mercury waste and reduces energy required to operate lights.   |
| 2                  | Atlantic Region:<br>Distribution Automation          | 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.   |
| 3                  | Communication Work: Data Network - Atlantic Region   | Advanced communication system that will serve as the basis for two-way communication with all automated distribution devices, customers for DSM devices, substation communication replacement for outdated copper wire connections and future AMI installations.   |
| 4                  | Atlantic Region: Motor Operated/Gang Switch Upgrades | 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. |
| 5                  | Install Tree Wire/Spacer Cable - Cape May            | 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.   |
| 6                  | Install Tree Wire/Spacer Cable - Glassboro           | Same as line 5 except in Glassboro District.   |
| 7                  | Install Tree Wire/Spacer Cable - Pleasantville       | Same as line 5 except in Pleasantville District.   |
| 8                  | Install Tree Wire/Spacer Cable - Winslow             | Same as line 5 except in Winslow District.   |

**Atlantic City Electric Company  
 Governor’s Economic Stimulus Package  
 Capital Projects 2009 - 2010  
 January 30, 2009**

|    |  |  |
|----|--|--|
| 9  | Winslow: Planned URD Cable Replacement                           | 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.   |
| 10 | Distribution Misc. Substation Relay Blanket - Atlantic           | 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. |
| 11 | Atlantic Distribution Substation Battery and Charger Replacement | 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.  |
| 12 | Beesley Sub: Install 23/4 x 12 MVA Transformer                   | 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.   |

**Atlantic City Electric Company  
Governor's Economic Stimulus Package  
Capital Projects 2009 - 2010  
January 30, 2009**

|    |   |  |
|----|---|--|
| 13 | Atlantic Sub: Replace Deteriorated Dist. Breakers     | Replacement of distribution substation circuit breakers that have shown mechanical problems or are not performing as expected. Failure of a breaker to operate will result in extended customer outages or damage to other equipment within the station. Advancing the replacement of additional breakers will continue to ensure the reliability of the system.   |
| 14 | Atlantic City: Upgrade primary Network                | Proactive replacement of underground cable within the 12,000 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.  |
| 15 | Salem: Retire 4 kV, Upgrade 34 kV and Relay Enclosure | Conversion of the existing 4,000 volt system to 34,000 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.  |
| 16 | SPCC Plans: Install Oil Containment                   | 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. |
| 17 | Coastal Firming Projects: Atlantic City               | Firming is the ability to have sufficient capacity within a substation so that the loss of any one transmission supply or station transformer will not result in an outage or loss of load. Atlantic City Electric Company has a plan to ensure that major substations, which contain transformers at or above 50 MVA, will meet this design criteria. A substation that meets these firming criteria increases the reliability within the region and customers do not experience an outage unless two or more circuits or pieces of equipment are out of service at the same time.    |

**Atlantic City Electric Company  
Governor’s Economic Stimulus Package  
Capital Projects 2009 - 2010  
January 30, 2009**

|    |   |  |
|----|---|--|
| 18 | Beach Haven: Establish 69 kV Sources                  | Establish a new substation to increase the capacity along the coast of the Company’s service area. This new station will allow for growth in the area, as well as supply redundant capacity to be able to manage emergency conditions during system emergencies.   |
| 19 | Roadstown Sub: Install 69 kV Sectionalizing Equipment | Installation of 69,000 volt switches and equipment will improve the reliability of this substation by providing multiple supplies to the station. This equipment will allow the supply to the station to be fed from either of two sources, not just the one source as presently configured.   |
| 20 | Corson Sub: Replace 4-69 kV Overstressed Breakers     | Replacement of these 69,000 volt circuit breakers will ensure that the equipment will continued to operate within the design criteria of the equipment. As circuits are added, and the electric system is reconfigured, it is projected that these breakers will exceed the maximum fault current level that they are designed to safely interrupt. Replacement with equipment that is designed to interrupt higher fault current will ensure the safe and reliable operation of the electric system located at Corson substation. |
| 21 | Solar Installations on Company Facilities             | Installation of solar panels at Atlantic City Electric Company facilities will reduce the power requirements to operate these facilities and will advance the use of renewable energy within the state. It is expected that the Company will be able to install up to 500 kW of solar systems at 50 different locations.   |

Atlantic City Electric Company  
Governor's Economic Stimulus Package  
Capital Projects 2009 - 2010

| Line No. | Project  | TOTAL               |                     |
|----------|--|---------------------|---------------------|
|          |  | 2009                | 2010                |
|          | <b>ENERGY EFFICIENCY</b>   |                     |                     |
| 1        | Replace Mercury Vapor St Lights  | \$1,500,000         | \$1,500,000         |
|          | <b>DISTRIBUTION AUTOMATION/COMMUNICATION</b>                                 |                     |                     |
| 2        | Atlantic Region: Distribution Automation                                     | \$4,000,000         | \$4,000,000         |
| 3        | Communication Work: Data Network - Atl Reg                                   | \$3,000,000         | \$2,650,000         |
| 4        | Atl Reg: Motor Operated/Gang Sw Upgrades                                     | \$500,000           | \$500,000           |
|          | <b>RELIABILITY-REPLACEMENT OF INFRASTRUCTURE</b>                             |                     |                     |
| 5        | Install Tree Wire/Spacer Cable - Cape May                                    | \$500,000           | \$325,000           |
| 6        | Install Tree Wire/Spacer Cable - Glassboro                                   | \$680,000           | \$1,000,000         |
| 7        | Install Tree Wire/Spacer Cable - Pleasantville                               | \$500,000           | \$650,000           |
| 8        | Install Tree Wire/Spacer Cable - Winslow                                     | \$500,000           | \$375,000           |
| 9        | Winslow - Planned URD Cable Replacement                                      | \$475,000           | \$500,000           |
| 10       | Dist Misc Substation Relay Blanket- Atlantic                                 | \$100,000           | \$100,000           |
| 11       | Atlantic Distribution Substation Battery and Charger Replacement             | \$100,000           | \$100,000           |
| 12       | Beesley Sub - Install 23/4 x 12 MVA Transformer                              | \$36,000            | \$550,000           |
| 13       | Atlantic Sub Replace Deteriorated Dist Bkrs                                  | \$425,000           | \$425,000           |
| 14       | Atlantic City - Upgrade primary Network                                      | \$1,300,000         | \$1,000,000         |
|          | <b>CONVERSION/REPLACEMENT OF INFRASTRUCTURE</b>                              |                     |                     |
| 15       | Salem-Retire 4kV, Upgrade 34kV & Relay Enclosure                             | \$500,000           | \$464,000           |
|          | <b>ENVIRONMENTAL</b>   |                     |                     |
| 16       | SPCC Plans - Install Oil Containment   | \$2,500,000         | \$3,000,000         |
|          | <b>INCREASE CAPACITY</b>   |                     |                     |
| 17       | Coastal Firming Projects - Atlantic City                                     | \$2,500,000         | \$2,500,000         |
| 18       | Beach Haven - Establish 69kV Sources   | \$600,000           | \$2,000,000         |
|          | <b>Distribution Project Subtotal</b>   | <b>\$19,716,000</b> | <b>\$21,639,000</b> |
|          | <b>RELIABILITY</b>   |                     |                     |
| 19       | Roadstown Sub: Install 69kv Sectionalizing Equip                             | \$400,000           | \$50,000            |
| 20       | Corson Sub: Replace 4-69kv Overstressed Bkrs                                 | \$610,000           | \$420,000           |
|          | <b>Transmission Project Subtotal</b>   | <b>\$1,010,000</b>  | <b>\$470,000</b>    |
|          | <b>Total - Capital Budget Projects.</b>                                      | <b>\$20,726,000</b> | <b>\$22,109,000</b> |
| 21       | <b>Solar Installations on Company Facilities</b>                             | <b>\$2,500,000</b>  | <b>\$2,500,000</b>  |
|          | <b>Total Projects Included in Stimulus Plan</b>                              | <b>\$23,226,000</b> | <b>\$24,609,000</b> |
|          | <b>Less Transmission Projects (to be Recovered through FERC Rates)</b>       | <b>\$1,010,000</b>  | <b>\$470,000</b>    |
|          | <b>Total Projects Included in Infrastructure Investment Surcharge("IIS")</b> | <b>\$22,216,000</b> | <b>\$24,139,000</b> |

# Exhibit B

This **Exhibit B** provides the mechanism for the development of the Infrastructure Investment Surcharge (“IIS”), as well as a Residential Bill Impact analysis.

Page 2 of this Exhibit provides the development of the forecasted annual revenue requirements based on the estimated distribution project costs and Company solar installation costs included in **Exhibit A**. Inputs for the calculation of depreciation and investment return are identified in the appropriate lines. The pro-forma Weighted Average Cost of Capital used in the calculation is provided separately on page 4.

Page 3 develops the initial IIS on a rate class specific basis using the revenue requirements developed on page 1. The revenue requirement total includes the entire amount for 2009, plus a four month pro-rated share of 2010 revenue requirements, based on the premise that the initial IIS will be effective from May 1, 2009 to April 30, 2010. Table 1 develops the IIS by rate class by taking into consideration appropriate loss factor adjustments to account for the delivery voltage level for each rate class. Table 2 of page 3 provides an illustrative example of the development of a true-up balance using the Company’s most recent average short-term debt rate to develop a monthly carrying charge. The actual calculation will be performed monthly using actual IIS revenues and revenue requirements based on actual project expenditures. In addition, the actual month average short-term debt rate will be used. Recovery of the true-up balance, including interest, will be included in the first update of the IIS.

Pages 5 through 7 provide residential bill impacts based on a range of monthly usage levels.

**Atlantic City Electric Company**  
**Distribution Revenue Requirement Impact of NJ Stimulus Program**

|                                       |                    | <u>2009</u>              | <u>2010</u>               | <u>2011</u>               |
|---------------------------------------|--------------------|--------------------------|---------------------------|---------------------------|
| <b><u>Rate Base</u></b>               |                    |                          |                           |                           |
| Plant in Service                      |                    |                          |                           |                           |
| Beg of year                           |                    | 0                        | 22,216,000                | 46,355,000                |
| Activity                              |                    | 22,216,000               | 24,139,000                |                           |
| End of year                           |                    | 22,216,000               | 46,355,000                | 46,355,000                |
| Average                               |                    | <u>11,108,000</u>        | <u>34,285,500</u>         | <u>46,355,000</u>         |
| <br>Depreciation Reserve              |                    |                          |                           |                           |
| Beg of year                           |                    | 0                        | 308,802                   | 1,261,939                 |
| Activity                              |                    | 308,802                  | 953,137                   | 1,288,669                 |
| End of year                           |                    | 308,802                  | 1,261,939                 | 2,550,608                 |
| Average                               |                    | <u>154,401</u>           | <u>939,772</u>            | <u>2,537,243</u>          |
| <br>Deferred Tax Balance              |                    |                          |                           |                           |
| Beg of year                           |                    | 0                        | 100,735                   | 411,660                   |
| Activity                              |                    | 100,735                  | 310,925                   | 420,380                   |
| End of year                           |                    | 100,735                  | 411,660                   | 832,040                   |
| Average                               |                    | <u>50,368</u>            | <u>306,565</u>            | <u>827,680</u>            |
| <br>Net Rate Base - Average           |                    | <u><u>10,903,231</u></u> | <u><u>33,039,163</u></u>  | <u><u>42,990,077</u></u>  |
| <br><b><u>Earnings</u></b>            |                    |                          |                           |                           |
| Expenses                              | <b><u>Rate</u></b> |                          |                           |                           |
| Book Depreciation                     | 2.78%              | 308,802                  | 953,137                   | 1,288,669                 |
| Current Taxes (1)                     | 40.85%             | (226,881)                | (700,281)                 | (946,801)                 |
| Deferred Taxes (1)                    | 40.85%             | 100,735                  | 310,925                   | 420,380                   |
| <br>Total Expenses                    |                    | <u>182,657</u>           | <u>563,780</u>            | <u>762,248</u>            |
| <br>Earnings                          |                    | <u><u>(182,657)</u></u>  | <u><u>(563,780)</u></u>   | <u><u>(762,248)</u></u>   |
| <br><b><u>Revenue Requirement</u></b> |                    |                          |                           |                           |
| Rate Base                             |                    | 10,903,231               | 33,039,163                | 42,990,077                |
| ROE                                   |                    | 10.30%                   | 10.30%                    | 10.30%                    |
| ROR                                   |                    | 7.17%                    | 7.17%                     | 7.17%                     |
| <br>Earnings - Rate Base              |                    | <u>781,217</u>           | <u>2,367,256</u>          | <u>3,080,239</u>          |
| <br>Earnings - Expense                |                    | <u>(182,657)</u>         | <u>(563,780)</u>          | <u>(762,248)</u>          |
| <br>Total Earnings Effect             |                    | <u><u>(963,873)</u></u>  | <u><u>(2,931,037)</u></u> | <u><u>(3,842,487)</u></u> |
| <br>Revenue Conversion Factor         |                    | 1.6991                   | 1.6991                    | 1.6991                    |
| Revenue Requirement                   |                    | <u><u>1,637,717</u></u>  | <u><u>4,980,125</u></u>   | <u><u>6,528,770</u></u>   |

(1) Tax depreciation assumes 20 yr tax life

1 Total Projected Revenue Requirement Deficiency \$ 3,297,759

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

| 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     |

| 8                | Col. 1      | Col. 2                 | Col. 3                                 | Col. 4                                  | Col. 5                         | Col. 6            | Col. 7                       | Col. 8                  | Col. 9                        |
|------------------|-------------|------------------------|--|---|--------------------------------|-------------------|------------------------------|-------------------------|-------------------------------|
|                  |             |                        | = 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) | Sales @ Bulk System - Including Losses | Allocation Factor                       | Allocated Revenue Requirements | IIS Rate (\$/kWh) | BPU Assessment (\$/kWh)      | Final IIS Rate (\$/kWh) | Final IIS Rate w/ SUT(\$/kWh) |
| 10 RS            | 1.08544     | 4,373,899,000          | 4,747,604,931                          | 0.4374                                  | \$ 1,442,293                   | \$ 0.000330       | \$ 0.000002                  | \$ 0.000331             | \$ 0.000355                   |
| 11 MGS Secondary | 1.08544     | 1,471,443,795          | 1,597,163,953                          | 0.1471                                  | \$ 485,208                     | \$ 0.000330       | \$ 0.000002                  | \$ 0.000331             | \$ 0.000355                   |
| 12 MGS Primary   | 1.05345     | 20,346,210             | 21,433,715                             | 0.0020                                  | \$ 6,511                       | \$ 0.000320       | \$ 0.000002                  | \$ 0.000322             | \$ 0.000344                   |
| 13 AGS Secondary | 1.08544     | 1,846,883,384          | 2,004,681,100                          | 0.1847                                  | \$ 609,010                     | \$ 0.000330       | \$ 0.000002                  | \$ 0.000331             | \$ 0.000355                   |
| 14 AGS Primary   | 1.05345     | 501,000,584            | 527,779,066                            | 0.0486                                  | \$ 160,336                     | \$ 0.000320       | \$ 0.000002                  | \$ 0.000322             | \$ 0.000344                   |
| 15 TGS           | 1.02951     | 1,799,747,456          | 1,852,858,004                          | 0.1707                                  | \$ 562,887                     | \$ 0.000313       | \$ 0.000002                  | \$ 0.000314             | \$ 0.000336                   |
| 16 SPL/CSL       | 1.08544     | 82,574,431             | 89,629,591                             | 0.0083                                  | \$ 27,229                      | \$ 0.000330       | \$ 0.000002                  | \$ 0.000331             | \$ 0.000355                   |
| 17 DDC           | 1.08544     | 12,993,139             | 14,103,273                             | 0.0013                                  | \$ 4,284                       | \$ 0.000330       | \$ 0.000002                  | \$ 0.000331             | \$ 0.000355                   |
| 18 Total         |             | 10,108,888,000         | 10,855,253,632                         | 1.0000                                  | \$ 3,297,759                   |                   |                              |                         |                               |

19 **Table 2 True-Up Schedule - Illustrative**

| 20        | Monthly Revenues (excl SUT, BPU Asses) | Actual Monthly Revenue Requirement | Monthly Deferral | Cumulative Deferral | Average Monthly Balance | Short Term Debt Rate | Interest |
|-----------|--|------------------------------------|------------------|---------------------|-------------------------|----------------------|----------|
| 22 May-09 | \$ 230,982                             | \$ 274,813                         | \$ 43,831        | \$ 43,831           | \$ 21,916               | 4.95%                | \$ 90    |
| 23 Jun-09 | \$ 261,554                             | \$ 274,813                         | \$ 13,260        | \$ 57,091           | \$ 50,461               | 4.95%                | \$ 208   |
| 24 Jul-09 | \$ 328,755                             | \$ 274,813                         | \$ (53,942)      | \$ 3,149            | \$ 30,120               | 4.95%                | \$ 124   |
| 25 Aug-09 | \$ 352,396                             | \$ 274,813                         | \$ (77,583)      | \$ (74,434)         | \$ (35,643)             | 4.95%                | \$ (147) |
| 26 Sep-09 | \$ 324,890                             | \$ 274,813                         | \$ (50,077)      | \$ (124,511)        | \$ (99,472)             | 4.95%                | \$ (410) |
| 27 Oct-09 | \$ 257,563                             | \$ 274,813                         | \$ 17,250        | \$ (107,261)        | \$ (115,886)            | 4.95%                | \$ (478) |
| 28 Nov-09 | \$ 236,188                             | \$ 274,813                         | \$ 38,626        | \$ (68,635)         | \$ (87,948)             | 4.95%                | \$ (363) |
| 29 Dec-09 | \$ 253,864                             | \$ 274,813                         | \$ 20,949        | \$ (47,686)         | \$ (58,161)             | 4.95%                | \$ (240) |
| 30 Jan-10 | \$ 277,844                             | \$ 274,813                         | \$ (3,031)       | \$ (50,718)         | \$ (49,202)             | 4.95%                | \$ (203) |
| 31 Feb-10 | \$ 269,246                             | \$ 274,813                         | \$ 5,567         | \$ (45,151)         | \$ (47,934)             | 4.95%                | \$ (198) |
| 32 Mar-10 | \$ 259,642                             | \$ 274,813                         | \$ 15,171        | \$ (29,980)         | \$ (37,565)             | 4.95%                | \$ (155) |
| 33 Apr-10 | \$ 244,834                             | \$ 274,813                         | \$ 29,980        | \$ (0)              | \$ (14,990)             | 4.95%                | \$ (62)  |
| 34 Total  | \$ 3,297,759                           | \$ 3,297,759                       |                  |                     |                         |                      |          |

**Atlantic City Electric Company**  
Summary Cost of Capital  
Proforma at September 30, 2008

| <u>Type of Capital</u> | <u>Ratios</u>  | <u>Cost Rate</u> | <u>Weighted Cost Rate</u> | <u>After-Tax Cost Rate</u> |
|------------------------|----------------|------------------|---------------------------|----------------------------|
| Long-Term Debt         | 51.34%         | 7.20%            | 3.69%                     | 2.19%                      |
| Preferred Stock        | 0.52%          | 4.27%            | 0.02%                     | 0.02%                      |
| Common Equity          | <u>48.14%</u>  | 10.30%           | <u>4.96%</u>              | <u>4.96%</u>               |
| Total                  | <u>100.00%</u> |                  | <u>8.67%</u>              | <u>7.17%</u>               |

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

**Present Rates Effective January 01, 2009  
vs.  
New Proposed IIS Rates Effective May 1, 2009**

| Monthly Usage (kWh) | Present Delivery (\$) | Present Supply+T (\$) | Present Total (\$) | New Delivery (\$) | New Supply+T (\$) | New Total (\$)   | Difference     |               | Total Difference (\$) | (%)         |
|---------------------|-----------------------|-----------------------|--------------------|-------------------|-------------------|------------------|----------------|---------------|-----------------------|-------------|
|                     |                       |                       |                    |                   |                   |                  | Delivery (\$)  | Supply+T (\$) |                       |             |
| 0                   | \$ 2.51               | \$ -                  | \$ 2.51            | \$ 2.51           | \$ -              | \$ 2.51          | \$ -           | \$ -          | \$ -                  | 0.0%        |
| 25                  | \$ 3.46               | \$ 2.73               | \$ 6.19            | \$ 3.47           | \$ 2.73           | \$ 6.20          | \$ 0.01        | \$ -          | \$ 0.01               | 0.2%        |
| 50                  | \$ 4.41               | \$ 5.46               | \$ 9.87            | \$ 4.43           | \$ 5.46           | \$ 9.89          | \$ 0.02        | \$ -          | \$ 0.02               | 0.2%        |
| 75                  | \$ 5.37               | \$ 8.19               | \$ 13.56           | \$ 5.39           | \$ 8.19           | \$ 13.58         | \$ 0.02        | \$ -          | \$ 0.02               | 0.1%        |
| 100                 | \$ 6.32               | \$ 10.92              | \$ 17.24           | \$ 6.35           | \$ 10.92          | \$ 17.27         | \$ 0.03        | \$ -          | \$ 0.03               | 0.2%        |
| 150                 | \$ 8.22               | \$ 16.39              | \$ 24.61           | \$ 8.28           | \$ 16.39          | \$ 24.67         | \$ 0.06        | \$ -          | \$ 0.06               | 0.2%        |
| 200                 | \$ 10.13              | \$ 21.85              | \$ 31.98           | \$ 10.20          | \$ 21.85          | \$ 32.05         | \$ 0.07        | \$ -          | \$ 0.07               | 0.2%        |
| 250                 | \$ 12.03              | \$ 27.31              | \$ 39.34           | \$ 12.12          | \$ 27.31          | \$ 39.43         | \$ 0.09        | \$ -          | \$ 0.09               | 0.2%        |
| 300                 | \$ 13.94              | \$ 32.77              | \$ 46.71           | \$ 14.04          | \$ 32.77          | \$ 46.81         | \$ 0.10        | \$ -          | \$ 0.10               | 0.2%        |
| 350                 | \$ 15.84              | \$ 38.24              | \$ 54.08           | \$ 15.97          | \$ 38.24          | \$ 54.21         | \$ 0.13        | \$ -          | \$ 0.13               | 0.2%        |
| 400                 | \$ 17.75              | \$ 43.70              | \$ 61.45           | \$ 17.89          | \$ 43.70          | \$ 61.59         | \$ 0.14        | \$ -          | \$ 0.14               | 0.2%        |
| 450                 | \$ 19.65              | \$ 49.16              | \$ 68.81           | \$ 19.81          | \$ 49.16          | \$ 68.97         | \$ 0.16        | \$ -          | \$ 0.16               | 0.2%        |
| 500                 | \$ 21.55              | \$ 54.62              | \$ 76.17           | \$ 21.73          | \$ 54.62          | \$ 76.35         | \$ 0.18        | \$ -          | \$ 0.18               | 0.2%        |
| 600                 | \$ 24.81              | \$ 65.55              | \$ 90.36           | \$ 25.03          | \$ 65.55          | \$ 90.58         | \$ 0.22        | \$ -          | \$ 0.22               | 0.2%        |
| 700                 | \$ 28.07              | \$ 76.47              | \$ 104.54          | \$ 28.32          | \$ 76.47          | \$ 104.79        | \$ 0.25        | \$ -          | \$ 0.25               | 0.2%        |
| 750                 | \$ 29.70              | \$ 81.94              | \$ 111.64          | \$ 29.97          | \$ 81.94          | \$ 111.91        | \$ 0.27        | \$ -          | \$ 0.27               | 0.2%        |
| 800                 | \$ 31.33              | \$ 87.40              | \$ 118.73          | \$ 31.62          | \$ 87.40          | \$ 119.02        | \$ 0.29        | \$ -          | \$ 0.29               | 0.2%        |
| 900                 | \$ 34.59              | \$ 98.32              | \$ 132.91          | \$ 34.91          | \$ 98.32          | \$ 133.23        | \$ 0.32        | \$ -          | \$ 0.32               | 0.2%        |
| <b>1000</b>         | <b>\$ 37.85</b>       | <b>\$ 109.25</b>      | <b>\$ 147.10</b>   | <b>\$ 38.21</b>   | <b>\$ 109.25</b>  | <b>\$ 147.46</b> | <b>\$ 0.36</b> | <b>\$ -</b>   | <b>\$ 0.36</b>        | <b>0.2%</b> |
| 1200                | \$ 44.37              | \$ 131.10             | \$ 175.47          | \$ 44.80          | \$ 131.10         | \$ 175.90        | \$ 0.43        | \$ -          | \$ 0.43               | 0.2%        |
| 1500                | \$ 54.15              | \$ 163.87             | \$ 218.02          | \$ 54.69          | \$ 163.87         | \$ 218.56        | \$ 0.54        | \$ -          | \$ 0.54               | 0.2%        |
| 2000                | \$ 70.45              | \$ 218.49             | \$ 288.94          | \$ 71.16          | \$ 218.49         | \$ 289.65        | \$ 0.71        | \$ -          | \$ 0.71               | 0.2%        |
| 2500                | \$ 86.75              | \$ 273.12             | \$ 359.87          | \$ 87.64          | \$ 273.12         | \$ 360.76        | \$ 0.89        | \$ -          | \$ 0.89               | 0.2%        |
| 3000                | \$ 103.05             | \$ 327.74             | \$ 430.79          | \$ 104.12         | \$ 327.74         | \$ 431.86        | \$ 1.07        | \$ -          | \$ 1.07               | 0.2%        |
| 3500                | \$ 119.35             | \$ 382.36             | \$ 501.71          | \$ 120.59         | \$ 382.36         | \$ 502.95        | \$ 1.24        | \$ -          | \$ 1.24               | 0.2%        |
| 4000                | \$ 135.65             | \$ 436.99             | \$ 572.64          | \$ 137.07         | \$ 436.99         | \$ 574.06        | \$ 1.42        | \$ -          | \$ 1.42               | 0.2%        |

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

**Present Rates Effective January 01, 2009**  
**vs.**  
**New Proposed IIS Rates Effective May 1, 2009**

| Monthly<br>Usage<br>(kWh) | Present          | Present          | Present          | New              | New              | New              | Difference       |                  | Total              |                   |
|---------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|-------------------|
|                           | Delivery<br>(\$) | Supply+T<br>(\$) | Total<br>(\$)    | Delivery<br>(\$) | Supply+T<br>(\$) | Total<br>(\$)    | Delivery<br>(\$) | Supply+T<br>(\$) | Difference<br>(\$) | Difference<br>(%) |
| 0                         | \$ 2.51          | \$ -             | \$ 2.51          | \$ 2.51          | \$ -             | \$ 2.51          | \$ -             | \$ -             | \$ -               | 0.0%              |
| 25                        | \$ 3.46          | \$ 3.80          | \$ 7.26          | \$ 3.47          | \$ 3.80          | \$ 7.27          | \$ 0.01          | \$ -             | \$ 0.01            | 0.1%              |
| 50                        | \$ 4.42          | \$ 7.60          | \$ 12.02         | \$ 4.43          | \$ 7.60          | \$ 12.03         | \$ 0.01          | \$ -             | \$ 0.01            | 0.1%              |
| 75                        | \$ 5.37          | \$ 11.40         | \$ 16.77         | \$ 5.39          | \$ 11.40         | \$ 16.79         | \$ 0.02          | \$ -             | \$ 0.02            | 0.1%              |
| 100                       | \$ 6.32          | \$ 15.21         | \$ 21.53         | \$ 6.36          | \$ 15.21         | \$ 21.57         | \$ 0.04          | \$ -             | \$ 0.04            | 0.2%              |
| 150                       | \$ 8.23          | \$ 22.81         | \$ 31.04         | \$ 8.28          | \$ 22.81         | \$ 31.09         | \$ 0.05          | \$ -             | \$ 0.05            | 0.2%              |
| 200                       | \$ 10.13         | \$ 30.41         | \$ 40.54         | \$ 10.20         | \$ 30.41         | \$ 40.61         | \$ 0.07          | \$ -             | \$ 0.07            | 0.2%              |
| 250                       | \$ 12.04         | \$ 38.01         | \$ 50.05         | \$ 12.13         | \$ 38.01         | \$ 50.14         | \$ 0.09          | \$ -             | \$ 0.09            | 0.2%              |
| 300                       | \$ 13.94         | \$ 45.62         | \$ 59.56         | \$ 14.05         | \$ 45.62         | \$ 59.67         | \$ 0.11          | \$ -             | \$ 0.11            | 0.2%              |
| 350                       | \$ 15.85         | \$ 53.22         | \$ 69.07         | \$ 15.97         | \$ 53.22         | \$ 69.19         | \$ 0.12          | \$ -             | \$ 0.12            | 0.2%              |
| 400                       | \$ 17.75         | \$ 60.82         | \$ 78.57         | \$ 17.90         | \$ 60.82         | \$ 78.72         | \$ 0.15          | \$ -             | \$ 0.15            | 0.2%              |
| 450                       | \$ 19.66         | \$ 68.42         | \$ 88.08         | \$ 19.82         | \$ 68.42         | \$ 88.24         | \$ 0.16          | \$ -             | \$ 0.16            | 0.2%              |
| 500                       | \$ 21.56         | \$ 76.03         | \$ 97.59         | \$ 21.74         | \$ 76.03         | \$ 97.77         | \$ 0.18          | \$ -             | \$ 0.18            | 0.2%              |
| 600                       | \$ 25.38         | \$ 91.23         | \$ 116.61        | \$ 25.59         | \$ 91.23         | \$ 116.82        | \$ 0.21          | \$ -             | \$ 0.21            | 0.2%              |
| 700                       | \$ 29.19         | \$ 106.44        | \$ 135.63        | \$ 29.43         | \$ 106.44        | \$ 135.87        | \$ 0.24          | \$ -             | \$ 0.24            | 0.2%              |
| 750                       | \$ 31.09         | \$ 114.04        | \$ 145.13        | \$ 31.36         | \$ 114.04        | \$ 145.40        | \$ 0.27          | \$ -             | \$ 0.27            | 0.2%              |
| 800                       | \$ 33.21         | \$ 122.12        | \$ 155.33        | \$ 33.50         | \$ 122.12        | \$ 155.62        | \$ 0.29          | \$ -             | \$ 0.29            | 0.2%              |
| 900                       | \$ 37.46         | \$ 138.28        | \$ 175.74        | \$ 37.78         | \$ 138.28        | \$ 176.06        | \$ 0.32          | \$ -             | \$ 0.32            | 0.2%              |
| <b>1000</b>               | <b>\$ 41.70</b>  | <b>\$ 154.44</b> | <b>\$ 196.14</b> | <b>\$ 42.06</b>  | <b>\$ 154.44</b> | <b>\$ 196.50</b> | <b>\$ 0.36</b>   | <b>\$ -</b>      | <b>\$ 0.36</b>     | <b>0.2%</b>       |
| 1200                      | \$ 50.19         | \$ 186.77        | \$ 236.96        | \$ 50.61         | \$ 186.77        | \$ 237.38        | \$ 0.42          | \$ -             | \$ 0.42            | 0.2%              |
| 1500                      | \$ 62.92         | \$ 235.25        | \$ 298.17        | \$ 63.45         | \$ 235.25        | \$ 298.70        | \$ 0.53          | \$ -             | \$ 0.53            | 0.2%              |
| 2000                      | \$ 84.14         | \$ 316.06        | \$ 400.20        | \$ 84.85         | \$ 316.06        | \$ 400.91        | \$ 0.71          | \$ -             | \$ 0.71            | 0.2%              |
| 2500                      | \$ 105.36        | \$ 396.87        | \$ 502.23        | \$ 106.25        | \$ 396.87        | \$ 503.12        | \$ 0.89          | \$ -             | \$ 0.89            | 0.2%              |
| 3000                      | \$ 126.58        | \$ 477.68        | \$ 604.26        | \$ 127.64        | \$ 477.68        | \$ 605.32        | \$ 1.06          | \$ -             | \$ 1.06            | 0.2%              |
| 3500                      | \$ 147.80        | \$ 558.49        | \$ 706.29        | \$ 149.04        | \$ 558.49        | \$ 707.53        | \$ 1.24          | \$ -             | \$ 1.24            | 0.2%              |
| 4000                      | \$ 169.02        | \$ 639.30        | \$ 808.32        | \$ 170.44        | \$ 639.30        | \$ 809.74        | \$ 1.42          | \$ -             | \$ 1.42            | 0.2%              |

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

**Present Rates Effective January 01, 2009**  
**vs.**  
**New Proposed IIS Rates Effective May 1, 2009**

| Monthly<br><u>Usage</u><br>(kWh) | Present<br><u>Delivery</u><br>(\$) | Present<br><u>Supply+T</u><br>(\$) | Present<br><u>Total</u><br>(\$) | New<br><u>Delivery</u><br>(\$) | New<br><u>Supply+T</u><br>(\$) | New<br><u>Total</u><br>(\$) | <u>Difference</u>       |                         | <u>Total</u>              |                          |
|----------------------------------|------------------------------------|------------------------------------|---------------------------------|--------------------------------|--------------------------------|-----------------------------|-------------------------|-------------------------|---------------------------|--------------------------|
|                                  |                                    |                                    |                                 |                                |                                |                             | <u>Delivery</u><br>(\$) | <u>Supply+T</u><br>(\$) | <u>Difference</u><br>(\$) | <u>Difference</u><br>(%) |
| 0                                | \$ 2.51                            | \$ -                               | \$ 2.51                         | \$ 2.51                        | \$ -                           | \$ 2.51                     | \$ -                    | \$ -                    | \$ -                      | 0.0%                     |
| 25                               | \$ 3.46                            | \$ 3.09                            | \$ 6.55                         | \$ 3.47                        | \$ 3.09                        | \$ 6.56                     | \$ 0.01                 | \$ -                    | \$ 0.01                   | 0.2%                     |
| 50                               | \$ 4.41                            | \$ 6.17                            | \$ 10.58                        | \$ 4.43                        | \$ 6.17                        | \$ 10.60                    | \$ 0.02                 | \$ -                    | \$ 0.02                   | 0.2%                     |
| 75                               | \$ 5.37                            | \$ 9.26                            | \$ 14.63                        | \$ 5.39                        | \$ 9.26                        | \$ 14.65                    | \$ 0.02                 | \$ -                    | \$ 0.02                   | 0.1%                     |
| 100                              | \$ 6.32                            | \$ 12.35                           | \$ 18.67                        | \$ 6.35                        | \$ 12.35                       | \$ 18.70                    | \$ 0.03                 | \$ -                    | \$ 0.03                   | 0.2%                     |
| 150                              | \$ 8.22                            | \$ 18.53                           | \$ 26.75                        | \$ 8.28                        | \$ 18.53                       | \$ 26.81                    | \$ 0.06                 | \$ -                    | \$ 0.06                   | 0.2%                     |
| 200                              | \$ 10.13                           | \$ 24.70                           | \$ 34.83                        | \$ 10.20                       | \$ 24.70                       | \$ 34.90                    | \$ 0.07                 | \$ -                    | \$ 0.07                   | 0.2%                     |
| 250                              | \$ 12.03                           | \$ 30.88                           | \$ 42.91                        | \$ 12.12                       | \$ 30.88                       | \$ 43.00                    | \$ 0.09                 | \$ -                    | \$ 0.09                   | 0.2%                     |
| 300                              | \$ 13.94                           | \$ 37.05                           | \$ 50.99                        | \$ 14.04                       | \$ 37.05                       | \$ 51.09                    | \$ 0.10                 | \$ -                    | \$ 0.10                   | 0.2%                     |
| 350                              | \$ 15.84                           | \$ 43.23                           | \$ 59.07                        | \$ 15.97                       | \$ 43.23                       | \$ 59.20                    | \$ 0.13                 | \$ -                    | \$ 0.13                   | 0.2%                     |
| 400                              | \$ 17.75                           | \$ 49.41                           | \$ 67.16                        | \$ 17.89                       | \$ 49.41                       | \$ 67.30                    | \$ 0.14                 | \$ -                    | \$ 0.14                   | 0.2%                     |
| 450                              | \$ 19.65                           | \$ 55.58                           | \$ 75.23                        | \$ 19.81                       | \$ 55.58                       | \$ 75.39                    | \$ 0.16                 | \$ -                    | \$ 0.16                   | 0.2%                     |
| 500                              | \$ 21.55                           | \$ 61.76                           | \$ 83.31                        | \$ 21.73                       | \$ 61.76                       | \$ 83.49                    | \$ 0.18                 | \$ -                    | \$ 0.18                   | 0.2%                     |
| 600                              | \$ 25.00                           | \$ 74.11                           | \$ 99.11                        | \$ 25.22                       | \$ 74.11                       | \$ 99.33                    | \$ 0.22                 | \$ -                    | \$ 0.22                   | 0.2%                     |
| 700                              | \$ 28.44                           | \$ 86.46                           | \$ 114.90                       | \$ 28.69                       | \$ 86.46                       | \$ 115.15                   | \$ 0.25                 | \$ -                    | \$ 0.25                   | 0.2%                     |
| 750                              | \$ 30.16                           | \$ 92.64                           | \$ 122.80                       | \$ 30.43                       | \$ 92.64                       | \$ 123.07                   | \$ 0.27                 | \$ -                    | \$ 0.27                   | 0.2%                     |
| 800                              | \$ 31.96                           | \$ 98.97                           | \$ 130.93                       | \$ 32.25                       | \$ 98.97                       | \$ 131.22                   | \$ 0.29                 | \$ -                    | \$ 0.29                   | 0.2%                     |
| 900                              | \$ 35.55                           | \$ 111.64                          | \$ 147.19                       | \$ 35.87                       | \$ 111.64                      | \$ 147.51                   | \$ 0.32                 | \$ -                    | \$ 0.32                   | 0.2%                     |
| <b>1000</b>                      | <b>\$ 39.13</b>                    | <b>\$ 124.31</b>                   | <b>\$ 163.44</b>                | <b>\$ 39.49</b>                | <b>\$ 124.31</b>               | <b>\$ 163.80</b>            | <b>\$ 0.36</b>          | <b>\$ -</b>             | <b>\$ 0.36</b>            | <b>0.2%</b>              |
| 1200                             | \$ 46.31                           | \$ 149.66                          | \$ 195.97                       | \$ 46.74                       | \$ 149.66                      | \$ 196.40                   | \$ 0.43                 | \$ -                    | \$ 0.43                   | 0.2%                     |
| 1500                             | \$ 57.07                           | \$ 187.66                          | \$ 244.73                       | \$ 57.61                       | \$ 187.66                      | \$ 245.27                   | \$ 0.54                 | \$ -                    | \$ 0.54                   | 0.2%                     |
| 2000                             | \$ 75.01                           | \$ 251.01                          | \$ 326.02                       | \$ 75.72                       | \$ 251.01                      | \$ 326.73                   | \$ 0.71                 | \$ -                    | \$ 0.71                   | 0.2%                     |
| 2500                             | \$ 92.95                           | \$ 314.37                          | \$ 407.32                       | \$ 93.84                       | \$ 314.37                      | \$ 408.21                   | \$ 0.89                 | \$ -                    | \$ 0.89                   | 0.2%                     |
| 3000                             | \$ 110.89                          | \$ 377.72                          | \$ 488.61                       | \$ 111.96                      | \$ 377.72                      | \$ 489.68                   | \$ 1.07                 | \$ -                    | \$ 1.07                   | 0.2%                     |
| 3500                             | \$ 128.83                          | \$ 441.07                          | \$ 569.90                       | \$ 130.07                      | \$ 441.07                      | \$ 571.14                   | \$ 1.24                 | \$ -                    | \$ 1.24                   | 0.2%                     |
| 4000                             | \$ 146.77                          | \$ 504.43                          | \$ 651.20                       | \$ 148.19                      | \$ 504.43                      | \$ 652.62                   | \$ 1.42                 | \$ -                    | \$ 1.42                   | 0.2%                     |

# Exhibit C

### **Initial System Control Charge**

The System Control Charge (“SCC”) is initially developed using forecasted annual expenditures, as well as forecasted revenue associated with capacity and energy sales into PJM administered markets, for the initial year of the program. The forecasted amortization schedule is developed by dividing the forecasted expenditures by the appropriate amortization period. A monthly amortization expense is developed by multiplying the annual amortization amount by the ratio of the forecasted monthly sales to the annual forecasted sales.

The SCC surcharge includes a return on the unamortized balance calculated using the Company’s allowed Rate of Return (“ROR”). The unamortized balance is determined monthly as the difference between the cumulative expenditures and the cumulative amortization expense. In the development of the initial surcharge, both the monthly expenditures and the amortization expense are based on the forecasted annual expenditures for the initial period. The balance is next adjusted to take income tax into consideration. The net of tax balance is then multiplied by the monthly net of tax ROR to develop the monthly return amount.

The final revenue requirement is developed as the sum of the total annual amortization expense, plus the total annual return. The return component is adjusted to reflect the required gross up for income taxes. The final step is to multiply this total by the appropriate factor for the BPU Revenue Assessment and Sales and Use Tax. The total is then divided by annual kilowatt-hour sales to develop a volumetric rate.

On an annual basis, the SCC surcharge will be updated to reflect forecasted information for the upcoming 12 month period ( $Year_n$ ) as well as a reconciliation of the prior periods ( $Year_1$  to  $Year_{n-1}$ ) based on actual results. It is anticipated that the rate year for SCC surcharges will be effective for the twelve month period starting June 1 of each year. Update filings would be made 90 days in advance using actual data from the most recent nine month period available at the time of the filing, and three months of forecasted data.

**ATLANTIC CITY ELECTRIC COMPANY**

SCC Workpaper  
Computation of Initial Annual Revenue Requirements

**FORECASTED AMORTIZATION SCHEDULE**

**Table 1 - Summary of Annual Amortization Level**

| Year  | Col 1<br>Actual/Forecast | Col 2<br>Program Costs (\$) | Col 3<br>Total Accumulated<br>Amortization | Col 4<br>Vintage Year<br>Unamortized Balance | Col 5<br>Cumulative<br>Unamortized Balance | Col 6<br>Amortization<br>Period (years) | Col 7 = Col 4/Col 6<br>Annual<br>Amortization Expense |
|-------|--------------------------|-----------------------------|--|--|--|---|---|
| 1     | Forecast                 | \$ 2,323,750                | \$ -                                       | 2,323,750                                    | \$ -                                       | 15                                      | \$ 154,917  |
| Total |                          |                             |  |  |  |   | \$ 154,917  |

**Table 2 - Forecasted Monthly Delivered Sales (MWH)**

|        |            |
|--------|------------|
| Jun-09 | 802,582    |
| Jul-09 | 1,007,023  |
| Aug-09 | 1,078,124  |
| Sep-09 | 994,742    |
| Oct-09 | 790,194    |
| Nov-09 | 724,979    |
| Dec-09 | 778,820    |
| Jan-10 | 851,216    |
| Feb-10 | 824,738    |
| Mar-10 | 795,773    |
| Apr-10 | 751,248    |
| May-10 | 714,496    |
|        | 10,113,935 |

**Table 3 - Forecasted Revenue Requirements**

|        | Col 1        | Col 2      | Col 3 = Table 1 Col 7x<br>Table 2 Monthly<br>Sales/Table 2 Annual<br>Sales | Col 4 = Col 1 + Col 2 -<br>Col 3 | Col 5 = (Col 2 - Col 3)<br>x Composite Tax<br>Factor | Col 6      | Col 7 = Col 4 - Col 6<br>Unamortized<br>Ending<br>Balance<br>Net of Accum<br>Deferred Tax | Col 8 | Col 9 = Col 7 x (Col 8)/12<br>CCR Rate<br>Net-of-Tax | Col 10 = Col 9 x<br>1/(1- Composite<br>Tax Factor)<br>Estimated<br>CCRF<br>Adjusted for<br>Income Tax | Col 11<br>Monthly<br>O&M<br>Expenses | Col 12<br>PJM Market<br>Revenues |
|--------|--------------|------------|--|----------------------------------|--|------------|---|-------|--|---|--------------------------------------|----------------------------------|
| Jun-09 | \$ -         | \$ 193,646 | \$ 12,293  | \$ 181,353                       | \$ 74,083  | \$ 74,083  | \$ 107,270  | 6.67% | \$ 298   | \$ 504  | \$ 53,214                            | \$ 33,337                        |
| Jul-09 | \$ 181,353   | \$ 193,646 | \$ 15,425  | \$ 359,574                       | \$ 72,803  | \$ 146,886 | \$ 212,688  | 6.67% | \$ 889   | \$ 1,503  | \$ 53,214                            | \$ 33,337                        |
| Aug-09 | \$ 359,574   | \$ 193,646 | \$ 16,514  | \$ 536,706                       | \$ 72,358  | \$ 219,244 | \$ 317,462  | 6.67% | \$ 1,473   | \$ 2,491  | \$ 53,214                            | \$ 33,337                        |
| Sep-09 | \$ 536,706   | \$ 193,646 | \$ 15,237  | \$ 715,115                       | \$ 72,880  | \$ 292,124 | \$ 422,991  | 6.67% | \$ 2,058   | \$ 3,479  | \$ 53,214                            | \$ 33,337                        |
| Oct-09 | \$ 715,115   | \$ 193,646 | \$ 12,104  | \$ 896,657                       | \$ 74,160  | \$ 366,284 | \$ 530,373  | 6.67% | \$ 2,649   | \$ 4,479  | \$ 20,714                            |                                  |
| Nov-09 | \$ 896,657   | \$ 193,646 | \$ 11,105  | \$ 1,079,198                     | \$ 74,568  | \$ 440,852 | \$ 638,346  | 6.67% | \$ 3,248   | \$ 5,491  | \$ 20,714                            |                                  |
| Dec-09 | \$ 1,079,198 | \$ 193,646 | \$ 11,929  | \$ 1,260,915                     | \$ 74,231  | \$ 515,083 | \$ 745,832  | 6.67% | \$ 3,847   | \$ 6,503  | \$ 20,714                            |                                  |
| Jan-10 | \$ 1,260,915 | \$ 193,646 | \$ 13,038  | \$ 1,441,523                     | \$ 73,778  | \$ 588,861 | \$ 852,662  | 6.67% | \$ 4,442   | \$ 7,510  | \$ 14,208                            |                                  |
| Feb-10 | \$ 1,441,523 | \$ 193,646 | \$ 12,633  | \$ 1,622,536                     | \$ 73,944  | \$ 662,805 | \$ 959,731  | 6.67% | \$ 5,036   | \$ 8,515  | \$ 14,208                            |                                  |
| Mar-10 | \$ 1,622,536 | \$ 193,646 | \$ 12,189  | \$ 1,803,993                     | \$ 74,125  | \$ 736,930 | \$ 1,067,063  | 6.67% | \$ 5,632   | \$ 9,522  | \$ 14,208                            |                                  |
| Apr-10 | \$ 1,803,993 | \$ 193,646 | \$ 11,507  | \$ 1,986,132                     | \$ 74,404  | \$ 811,334 | \$ 1,174,798  | 6.67% | \$ 6,230   | \$ 10,532   | \$ 14,208                            |                                  |
| May-10 | \$ 1,986,132 | \$ 193,646 | \$ 10,944  | \$ 2,168,833                     | \$ 74,634  | \$ 885,968 | \$ 1,282,865  | 6.67% | \$ 6,830   | \$ 11,546   | \$ 14,208                            |                                  |
| Total  | \$           | 2,323,750  | 154,917  |                                  |  |            |   |       | 42,632   | 72,075  | 346,042                              | 133,350                          |

**DSM SURCHARGE CALCULATION**

| Line No. |   |    |                           |
|----------|---|----|---------------------------|
| 1        | Forecasted Amortization (Straight Line) | \$ | 154,917 Table 3, Col 3    |
| 2        | Forecasted CCRF                         | \$ | 72,075 Table 3, Col 10    |
| 3        | Forecasted Annual O&M                   | \$ | 346,042 Table 3, Col 11   |
| 4        | Forecasted PJM Market Revenues          | \$ | (133,350) Table 3, Col 12 |
| 5        | Prior Period True Up                    | \$ | -                         |
| 6        | Total Annual Amount to be Recovered     | \$ | <u>439,683</u>            |
| 7        | Retail Sales - kwh                      |    | 10,113,935,000            |
| 8        | \$/KWH Surcharge                        | \$ | 0.000043                  |
| 9        | Revenue Assessment                      | \$ | 0.000000                  |
| 10       | \$/KWH Surcharge' (including SUT)       | \$ | 0.000046                  |

ATLANTIC CITY ELECTRIC COMPANY

BPU NJ No. 11 Electric Service - Section IV

Revised Sheet Replaces Revised Sheet No. 60b

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**RIDER (BGS) continued**

**Basic Generation Service (BGS)**

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

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

**System Control Charge (SCC)** \$0.000046 per kWh

This charge provides for recovery of the Company's direct load control program as delineated in Tariff Rider DLC. This charge includes administrative charges pursuant to N.J.S.A. 48:2-60 and New Jersey Sales and Use Tax as set forth in Rider SUT. This charge is assessed on all kWhs delivered to all electric customers.

**Retail Margin** \$0.005377 per kWh

This charge is applicable to all customers taking service under BGS CIEP and those BGS-FP customers on Rate Schedules MGS Secondary, MGS Primary, AGS Secondary or AGS Primary whose annual PLS for generation capacity is equal to or greater than 750 kW as of November 1 of each year. This charge includes administrative charges pursuant to N.J.S.A. 48:2-60 and New Jersey Sales and Use Tax as set forth in Rider SUT

---

**Date of Issue:**

**Effective Date:**

**Issued by:**

**ATLANTIC CITY ELECTRIC COMPANY**

**BPU NJ No. 11 Electric Service - Section IV**

**Original Sheet No. 64**

**RIDER "DLC"  
DIRECT LOAD CONTROL RIDER**

**AVAILABILITY**

This rider is applied to and is a part of Rate Schedule RS when a distribution customer volunteers for this demand response resource program subject to the provisions listed below.

**GENERAL PROVISIONS**

1. The customer will allow the Company to install, own, and maintain a smart thermostat(s) and associated equipment on the customer's central air conditioner or central heat pump equipment for the purpose of the Company's cycling control over the operation of those appliances as described below.
2. Customer volunteering for the program will be subject to the following program:

| <u>Rate Schedule</u> | <u>Cycling Program</u> | <u>Program Description</u>   |
|----------------------|------------------------|--|
| RS                   | 50% Cycling Program    | Participating customer's air conditioner compressor will be cycled off for 15 minutes of each half hour period |

3. The Company may exercise cycling control whenever required for any of the following reasons:
  - 1) to test cycling equipment,
  - 2) in response to a PJM dispatcher request to activate the program,
  - 3) in response to local supply constraints, or
  - 4) in response to regional energy market prices.

Participant override of cycling events will be limited to two events annually and are not permitted during PJM initiated cycling events.

4. Customers may only participate in one direct load control program at a time.

**CONTRACT TERMS AND BILLING**

1. The customer will receive a One Time Enrollment Installment Credit as specified in the table below for participating in the program. The customer will also receive a smart thermostat installed at no expense. In return, the participants will be required to remain enrolled in the program option for at least one year. The Enrollment Credit will be credited to the participant after the cycling equipment has been installed.

| <u>Rate Schedule</u> | <u>One Time Enrollment Installment Credit</u> |
|----------------------|---|
| RS                   | \$50.00                                       |

2. Cost recovery is established through the System Control Charge ("SCC") provided for in Rider BGS.
3. The Customer holds the Company harmless for any damages resulting from participation in the program.

**Date of Issue:**

**Effective Date:**

**Issued by:  
Filed pursuant to**

# Exhibit D

**RIDER IIS**

**Infrastructure Investment Surcharge**

**APPLICABILITY**

This rider is applicable to Rate Schedules RS, MGS Secondary, MGS Primary, AGS Secondary, AGS Primary, TGS, DDC, SPL and CSL.

This charge provides for full and timely recovery of revenue requirements associated with incremental infrastructure improvement projects approved by the NJ Board of Public Utilities.

This charge will be based on revenue requirements calculated using projected annual expenditures. The charge is adjusted on an annual basis and includes a true up for the difference between actual and forecasted costs. The difference between actual and forecasted costs is tracked on a monthly basis and interest on the over or under recovered balance is calculated monthly using the Company's current short term debt rate.

The following table provides the Infrastructure Investment Surcharge (IIS), including Sales and Use Tax, for each rate schedule in \$ per kWh.

| <u>Rate Schedule</u> | <u>Total IIS (\$ per kWh)</u> |
|----------------------|-------------------------------|
| RS                   | \$ 0.000355                   |
| MGS Secondary        | \$ 0.000355                   |
| MGS Primary          | \$ 0.000344                   |
| AGS Secondary        | \$ 0.000355                   |
| AGS Primary          | \$ 0.000344                   |
| TGS                  | \$ 0.000336                   |
| SPL/CSL              | \$ 0.000355                   |
| DDC                  | \$ 0.000355                   |

**Date of Issue:**

**Effective Date:**

**Issued by:**

**Filed pursuant to Order of the Board of Public Utilities of the State of New Jersey**

# Exhibit E

**NOTICE TO  
ATLANTIC CITY ELECTRIC COMPANY  
CUSTOMERS**

**IN THE MATTER OF THE PETITION OF ATLANTIC CITY ELECTRIC  
COMPANY FOR APPROVAL OF CERTAIN 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. 48:2-21.1**

**Notice of Filing  
and  
Public Hearing**

**TAKE NOTICE** that, on January 30, 2009, Atlantic City Electric Company (“Atlantic,” “ACE” or the “Company”) filed a Petition, along with supporting documentation, with the New Jersey Board of Public Utilities (“Board” or “NJBPU”) in Docket Number XXXXXXXXXXXX (the “Petition”). The Company is seeking the Board’s approval to implement and administer an Infrastructure Investment Program (“IIP”) and to approve an associated cost recovery mechanism.

Atlantic seeks Board approval to implement the IIP. Implementation of the IIP would accelerate electric distribution system capital infrastructure investments and help improve and stimulate the State’s economy and create new employment opportunities. These capital projects will also enable the Company to continue to provide safe, adequate and reliable service to its customers.

Atlantic is proposing to undertake approximately \$XX million in infrastructure projects to its distribution system, as well as implement the installation of solar equipment on certain Company facilities. Conditioned upon receipt of appropriate approvals (where required), these projects will be initiated and/or completed during the 24 month period following NJBPU approval of the Petition.

Commensurate with the implementation of the IIP, ACE proposes to implement an Infrastructure Investment Surcharge (“IIS”). The IIS will be designed to allow the Company to timely and fully recover its revenue requirements associated with the IIP. Carrying charges calculated at the Company’s then-applicable short-term debt rate will be applicable on any over/under recovered balance on a monthly basis.

The IIS would be applicable to all rate schedules and applied to customer invoices on a per kilowatt-hour (“kWh”) basis. For illustrative purposes, the proposed IIS charge is shown on Table 1.

**TABLE 1**  
**PROPOSED INFRASTRUCTURE INVESTMENT SURCHARGE**

| Rate Class    | Final IIS w/ SUT(\$/kWh) |
|---------------|--------------------------|
| RS            | \$ 0.000355              |
| MGS Secondary | \$ 0.000355              |
| MGS Primary   | \$ 0.000344              |
| AGS Secondary | \$ 0.000355              |
| AGS Primary   | \$ 0.000344              |
| TGS           | \$ 0.000336              |
| SPL/CSL       | \$ 0.000355              |
| DDC           | \$ 0.000355              |

Table 2 provides customers with an approximate indication of the net effect of the proposed increase in rates resulting from the IIP upon implementation pursuant to the Board's approval. The annual percentage increase applicable to individual customers will vary according to each customer's usage during a month. The approximate impact of the proposed increase on a typical customer's monthly bill, subject to approval of the IIP by the Board, is demonstrated on Table 3.

**TABLE 2**  
**RATE INCREASE AS COMPARED TO THE**  
**RATES IN EFFECT AS OF JANUARY 1, 2009**

| Rate Class  | Overall Monthly Class Average Per<br>Customer<br>(Includes 7% Sales and Use Tax) |                             |                           |
|---|--|-----------------------------|---------------------------|
|   | Current<br>Monthly<br>Bill   | Proposed<br>Monthly<br>Bill | Proposed<br>%<br>Increase |
| Residential Service (RS)                            | \$ 130.99  | \$ 131.27                   | 0.21%                     |
| Monthly General Service - Secondary (MGS Secondary) | \$ 282.24  | \$ 282.94                   | 0.25%                     |
| Monthly General Service - Primary (MGS Primary)     | \$ 3,940.76  | \$ 3,949.90                 | 0.23%                     |
| Annual General Service - Secondary (AGS Secondary)  | \$ 7,850.29  | \$ 7,869.24                 | 0.24%                     |
| Annual General Service - Primary (AGS Primary)      | \$ 48,654.25   | \$ 48,777.44                | 0.25%                     |
| Transmission General Service (TGS)                  | \$ 175,364.90  | \$ 175,887.70               | 0.30%                     |
| Direct Distribution Connection (DDC)                | \$ 355.40  | \$ 355.98                   | 0.16%                     |
| Street & Area Lighting                              | \$ 213.12  | \$ 213.43                   | 0.14%                     |

**TABLE 3**  
**IMPACT OF IIS ON RESIDENTIAL ELECTRIC BILLS**

| <b>Monthly kWhr Use</b> | <b>Present Bill</b> | <b>Proposed Bill</b> | <b>Proposed Increase (\$)</b> | <b>Proposed Increase (%)</b> |
|-------------------------|---------------------|----------------------|-------------------------------|------------------------------|
| 100                     | \$ 18.67            | \$ 18.70             | \$ 0.03                       | 0.16%                        |
| 300                     | \$ 50.99            | \$ 51.09             | \$ 0.10                       | 0.20%                        |
| 500                     | \$ 83.31            | \$ 83.49             | \$ 0.18                       | 0.22%                        |
| 750                     | \$ 122.80           | \$ 123.07            | \$ 0.27                       | 0.22%                        |
| 1000                    | \$ 163.44           | \$ 163.80            | \$ 0.36                       | 0.22%                        |
| 2000                    | \$ 326.02           | \$ 326.73            | \$ 0.71                       | 0.22%                        |
| 2500                    | \$ 407.32           | \$ 408.21            | \$ 0.89                       | 0.22%                        |
| 3000                    | \$ 488.61           | \$ 489.68            | \$ 1.07                       | 0.22%                        |

Based upon the Company's filing, a typical residential customer using 1000 kWh per month would see an increase in such customer's monthly bill from \$163.44 to \$163.80, or \$0.36 or 0.22%.

Any final rate adjustments (with resulting customer bill impacts) from those set forth herein found to be just and reasonable as a result of the Company's filing may be modified and/or allocated by the Board in accordance with the provisions of N.J.S.A. 48:2-21 and for good and legally sufficient reasons to any class or classes of customers of the Company. Accordingly, the charges identified herein may increase or decrease based upon the Board's ultimate decision in this matter.

Copies of ACE's filing are available at the Company's offices located at 5100 Harding Highway, Mays Landing, New Jersey 08330 and at the Board of Public Utilities at Two Gateway Center, Newark, New Jersey 07102.

In order to afford members of the public an opportunity to present their views on the Petition, the following date, times and location for public hearings have been set with respect to the Company's IIP filing:

Date: XXXX XX, 2009  
 Location: TBD  
 Times: 3:30 p.m. and 5:30 p.m.

In order to encourage full participation in these public hearings by members of the public, please submit any requests for special accommodations, including interpreters, listening devices or mobility assistance to the Company at least 48 hours in advance of the hearing. Customers may also submit written comments to the Secretary of the Board of Public Utilities, Attention: Kristi Izzo, at the address indicated above, whether or not they attend the public hearings.

DATED: XXXX XX, 2009

ATLANTIC CITY ELECTRIC COMPANY

**CERTIFICATION OF SERVICE**

**PHILIP J. PASSANANTE**, of full age, certifies as follows:

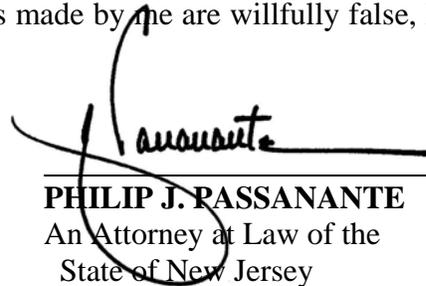
1. I am an attorney at law of the State of New Jersey and an Assistant General Counsel to Atlantic City Electric Company, the Petitioner in the within matter, with which I am familiar.

2. I hereby certify that, on January 30, 2009, I caused an original and eleven (11) copies of the within Verified Petition and exhibits thereto to be sent by overnight courier service to Kristi Izzo, Secretary to the Board, Board of Public Utilities, Two Gateway Center, Newark, New Jersey 07102. I also caused an electronic copy to be sent to Secretary Izzo at [kristi.izzo@bpu.state.nj.us](mailto:kristi.izzo@bpu.state.nj.us).

3. I further certify that, on January 30, 2009, I caused a complete copy of the Verified Petition and exhibits thereto to be sent by First Class Mail to each of the parties listed in the attached Service List, except for any copies that were directed to the Division of Rate Counsel. Copies directed to the Division of Rate Counsel were sent by overnight courier service.

4. I further and finally certify that the foregoing statements made by me are true. I am aware that, if any of the foregoing statements made by me are willfully false, I am subject to punishment.

Dated: January 30, 2009

  
\_\_\_\_\_/jpr  
**PHILIP J. PASSANANTE**  
An Attorney at Law of the  
State of New Jersey

Assistant General Counsel  
Atlantic City Electric Company  
800 King Street, 5th Floor  
Wilmington, Delaware 19801  
(302) 429-3105 - Telephone  
(302) 429-3801 - Facsimile

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. 48: 2-21.1

BPU Docket No. \_\_\_\_\_

**Service List**

**BPU**  
Kristi Izzo  
Secretary to the Board  
Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102  
(973) 648-3426 – Telephone  
(973) 638-2409 – Facsimile  
[kristi.izzo@bpu.state.nj.us](mailto:kristi.izzo@bpu.state.nj.us)

Alice Bator  
Bureau Chief  
Board of Public Utilities  
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**NOTICE TO  
ATLANTIC CITY ELECTRIC COMPANY  
CUSTOMERS**

**IN THE MATTER OF THE PETITION OF ATLANTIC CITY ELECTRIC  
COMPANY FOR APPROVAL OF CERTAIN 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. 48:2-21.1**

**Notice of Filing  
and  
Public Hearing**

**TAKE NOTICE** that, on January 30, 2009, Atlantic City Electric Company (“Atlantic,” “ACE” or the “Company”) filed a Petition, along with supporting documentation, with the New Jersey Board of Public Utilities (“Board” or “NJBPU”) in Docket Number XXXXXXXXXXXX (the “Petition”). The Company is seeking the Board’s approval to implement and administer an Infrastructure Investment Program (“IIP”) and to approve an associated cost recovery mechanism.

Atlantic seeks Board approval to implement the IIP. Implementation of the IIP would accelerate electric distribution system capital infrastructure investments and help improve and stimulate the State’s economy and create new employment opportunities. These capital projects will also enable the Company to continue to provide safe, adequate and reliable service to its customers.

Atlantic is proposing to undertake approximately \$XX million in infrastructure projects to its distribution system, as well as implement the installation of solar equipment on certain Company facilities. Conditioned upon receipt of appropriate approvals (where required), these projects will be initiated and/or completed during the 24 month period following NJBPU approval of the Petition.

Commensurate with the implementation of the IIP, ACE proposes to implement an Infrastructure Investment Surcharge (“IIS”). The IIS will be designed to allow the Company to timely and fully recover its revenue requirements associated with the IIP. Carrying charges calculated at the Company’s then-applicable short-term debt rate will be applicable on any over/under recovered balance on a monthly basis.

The IIS would be applicable to all rate schedules and applied to customer invoices on a per kilowatt-hour (“kWh”) basis. For illustrative purposes, the proposed IIS charge is shown on Table 1.

**TABLE 1**  
**PROPOSED INFRASTRUCTURE INVESTMENT SURCHARGE**

| Rate Class    | Final IIS w/ SUT(\$/kWh) |
|---------------|--------------------------|
| RS            | \$ 0.000355              |
| MGS Secondary | \$ 0.000355              |
| MGS Primary   | \$ 0.000344              |
| AGS Secondary | \$ 0.000355              |
| AGS Primary   | \$ 0.000344              |
| TGS           | \$ 0.000336              |
| SPL/CSL       | \$ 0.000355              |
| DDC           | \$ 0.000355              |

Table 2 provides customers with an approximate indication of the net effect of the proposed increase in rates resulting from the IIP upon implementation pursuant to the Board's approval. The annual percentage increase applicable to individual customers will vary according to each customer's usage during a month. The approximate impact of the proposed increase on a typical customer's monthly bill, subject to approval of the IIP by the Board, is demonstrated on Table 3.

**TABLE 2**  
**RATE INCREASE AS COMPARED TO THE**  
**RATES IN EFFECT AS OF JANUARY 1, 2009**

| Rate Class  | Overall Monthly Class Average Per<br>Customer<br>(Includes 7% Sales and Use Tax) |                             |                           |
|---|--|-----------------------------|---------------------------|
|   | Current<br>Monthly<br>Bill   | Proposed<br>Monthly<br>Bill | Proposed<br>%<br>Increase |
| Residential Service (RS)                            | \$ 130.99  | \$ 131.27                   | 0.21%                     |
| Monthly General Service - Secondary (MGS Secondary) | \$ 282.24  | \$ 282.94                   | 0.25%                     |
| Monthly General Service - Primary (MGS Primary)     | \$ 3,940.76  | \$ 3,949.90                 | 0.23%                     |
| Annual General Service - Secondary (AGS Secondary)  | \$ 7,850.29  | \$ 7,869.24                 | 0.24%                     |
| Annual General Service - Primary (AGS Primary)      | \$ 48,654.25   | \$ 48,777.44                | 0.25%                     |
| Transmission General Service (TGS)                  | \$ 175,364.90  | \$ 175,887.70               | 0.30%                     |
| Direct Distribution Connection (DDC)                | \$ 355.40  | \$ 355.98                   | 0.16%                     |
| Street & Area Lighting                              | \$ 213.12  | \$ 213.43                   | 0.14%                     |

**TABLE 3**  
**IMPACT OF IIS ON RESIDENTIAL ELECTRIC BILLS**

| <b>Monthly kWhr Use</b> | <b>Present Bill</b> | <b>Proposed Bill</b> | <b>Proposed Increase (\$)</b> | <b>Proposed Increase (%)</b> |
|-------------------------|---------------------|----------------------|-------------------------------|------------------------------|
| 100                     | \$ 18.67            | \$ 18.70             | \$ 0.03                       | 0.16%                        |
| 300                     | \$ 50.99            | \$ 51.09             | \$ 0.10                       | 0.20%                        |
| 500                     | \$ 83.31            | \$ 83.49             | \$ 0.18                       | 0.22%                        |
| 750                     | \$ 122.80           | \$ 123.07            | \$ 0.27                       | 0.22%                        |
| 1000                    | \$ 163.44           | \$ 163.80            | \$ 0.36                       | 0.22%                        |
| 2000                    | \$ 326.02           | \$ 326.73            | \$ 0.71                       | 0.22%                        |
| 2500                    | \$ 407.32           | \$ 408.21            | \$ 0.89                       | 0.22%                        |
| 3000                    | \$ 488.61           | \$ 489.68            | \$ 1.07                       | 0.22%                        |

Based upon the Company's filing, a typical residential customer using 1000 kWh per month would see an increase in such customer's monthly bill from \$163.44 to \$163.80, or \$0.36 or 0.22%.

Any final rate adjustments (with resulting customer bill impacts) from those set forth herein found to be just and reasonable as a result of the Company's filing may be modified and/or allocated by the Board in accordance with the provisions of N.J.S.A. 48:2-21 and for good and legally sufficient reasons to any class or classes of customers of the Company. Accordingly, the charges identified herein may increase or decrease based upon the Board's ultimate decision in this matter.

Copies of ACE's filing are available at the Company's offices located at 5100 Harding Highway, Mays Landing, New Jersey 08330 and at the Board of Public Utilities at Two Gateway Center, Newark, New Jersey 07102.

In order to afford members of the public an opportunity to present their views on the Petition, the following date, times and location for public hearings have been set with respect to the Company's IIP filing:

Date: XXXX XX, 2009  
 Location: TBD  
 Times: 3:30 p.m. and 5:30 p.m.

In order to encourage full participation in these public hearings by members of the public, please submit any requests for special accommodations, including interpreters, listening devices or mobility assistance to the Company at least 48 hours in advance of the hearing. Customers may also submit written comments to the Secretary of the Board of Public Utilities, Attention: Kristi Izzo, at the address indicated above, whether or not they attend the public hearings.

DATED: XXXX XX, 2009

ATLANTIC CITY ELECTRIC COMPANY