Agenda Date: 4/8/08
Agenda Item: 2G

STATE OF NEW JERSEY

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

IN THE MATTER OF THE PETITION OF ATLANTIC CITY ELECTRIC COMPANY, PURSUANT TO N.J.S.A. 48:2-13 AND N.J.S.A. 48:3-9 FOR AUTHORITY TO ISSUE SHORT-TERM INDEBTEDNESS PRIOR TO JANUARY 1, 2010	)))	ENERGY AMENDMENT TO ORDER OF APPROVAL DOCKET NO. EF07080625

(SERVICE LIST ATTACHED)

BY THE BOARD[1]

On August 17, 2007, Atlantic City Electric Company ("Petitioner", "Company", or "ACE"), a subsidiary of Pepco Holdings, Inc., and a public utility of the State of New Jersey, filed a petition with the New Jersey Board of Public Utilities ("Board") requesting authority pursuant to N.J.S.A. 48:2-13 and N.J.S.A. 48:3-9 to continue to issue, renew or extend unsecured short-term indebtedness ("Short-Term Debt") from time to time prior to January 1, 2010, in an aggregate principal amount outstanding at any one time not in excess of $250 million. The Board, in its Order in Docket No. EF05080685, authorized Petitioner to issue similar Short-Term Debt through January 1, 2008.

The Board approved the Petitioner's request in a Board Order dated November 29, 2007.

Condition 6 of the Board Order stated:

> *6. On each day where the Petitioner determines that it requires short-term funds in the form of commercial paper, Petitioner shall first obtain competitive bids from at least two (2) commercial paper dealers. Petitioner shall then select the bid representing the lowest rate and best terms to Atlantic City Electric and its New Jersey ratepayers.*

On December 11, 2007 ACE filed a letter motion, requesting a modification of the Board's Order dated November 29, 2007, specifically requesting that Condition 6 of that Order be modified to read as follows:

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[1] Due to a potential conflict of interest, Commissioner Frederick F. Butler did not participate in the vote or deliberations in this matter.

6. On each day where the Petitioner determines that it requires short-term funds in the form of commercial paper, Petitioner shall first ***use commercially reasonable efforts to*** *obtain competitive bids from at least two (2) commercial paper dealers. Petitioner shall then select the bid representing the lowest rate and best terms to Atlantic City Electric and its New Jersey ratepayers.*

According to the Company's letter motion, the Company's concern was that, under a strict reading of the original Condition 6, the Company would not be able to access the commercial paper market unless and until at least two dealers were willing to bid on the commercial paper the Company offered.

On January 9, 2008, the Division of Rate Counsel ("Rate Counsel") submitted a letter reply indicated that it did not object to amending the Board Order to address the issues identified by the Company, but conditioned its consent on the inclusion of specific requirements to ensure that efforts were made by the Company to obtain the requested financing at the lowest cost to ratepayers. Specifically, Rate Counsel requested that, in order to address ACE's concerns without adversely affecting ratepayers, Condition 6 of the November 29, 2007 Order should be amended to read as follows:

6. On each day where the Petitioner determines that it requires short-term funds in the form of commercial paper, Petitioner shall first use commercially reasonable efforts to obtain competitive bids from at least three (3) commercial paper dealers. Petitioner shall then select the bid that offers the best terms at the lowest rate to Atlantic City Electric and its New Jersey ratepayers. Petitioner shall maintain documentation as to its efforts to obtain competitive bids from at least three (3) commercial paper dealers. Such documentation shall be supplied to Board Staff or Rate Counsel upon request.

In response to the Company's request, Rate Counsel and the Company have agreed that the Board Order be modified to include the following language:

6. On each day where the Petitioner determines that it requires short-term funds in the form of commercial paper, Petitioner shall first use commercially reasonable efforts to obtain competitive bids from at least three (3) commercial paper dealers. Petitioner shall then select the bid that offers the best terms at the lowest rate to Atlantic City Electric and its New Jersey ratepayers. Petitioner shall maintain documentation as to its efforts to obtain competitive bids from at least three (3) commercial paper dealers. Such documentation shall be supplied to Board Staff or Rate Counsel upon request.

The Board agrees that the Company should first use commercially reasonable efforts to obtain competitive bids from at least three commercial paper dealers, but recognizes that there may be times when it is not possible to obtain three bids because of the small size of the issue or for other reasons. Given that these markets tend to be transparent, the Board believes that the Company should be allowed to issue commercial paper when less than three bids have been received as the market rates in such a situation are still the least costly method of raising short-term funds.

Therefore, the Board accepts the language change proposed by the Company and Rate Counsel, and HEREBY ORDERS that condition No. 6 of the November 29, 2007 Order be amended to include the following language agreed to by the Company and Rate Counsel:

> 6. *On each day where the Petitioner determines that it requires short-term funds in the form of commercial paper, Petitioner shall first use commercially reasonable efforts to obtain competitive bids from at least three (3) commercial paper dealers. Petitioner shall then select the bid that offers the best terms at the lowest rate to Atlantic City Electric and its New Jersey ratepayers. Petitioner shall maintain documentation as to its efforts to obtain competitive bids from at least three (3) commercial paper dealers. Such documentation shall be supplied to Board Staff or Rate Counsel upon request.*

DATED: 4/14/08

BOARD OF PUBLIC UTILITIES
BY:

Jeanne M Fox
JEANNE M. FOX
PRESIDENT

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COMMISSIONER

CHRISTINE V. BATOR
COMMISSIONER

Nicholas Asselta
NICHOLAS ASSELTA
COMMISSIONER

ATTEST:
Kristi Izzo
KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities

Kristi Izzo

SERVICE LIST

In the Matter of the Petition of Atlantic City Electric Company, pursuant to N.J.S.A. 48:2-13 and N.J.S.A. 48:3-9 for Authority to Issue Short-Term Indebtedness prior to January 1, 2010

Docket No. EF07080625

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