



Agenda Date: 12/14/2011
Agenda Item: 2A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

DIVISION OF ENERGY

IN THE MATTER OF THE PETITION OF ATLANTIC)
CITY ELECTRIC COMPANY ("ACE") FOR APPROVAL)
TO IMPLEMENT FERC-APPROVED CHANGES TO)
ACE'S RETAIL TRANSMISSION (FORMULA) RATE)
PURSUANT TO PARAGRAPHS 15.9 OF THE BGS-FP)
AND BGS-CIEP SUPPLIER MASTER AGREEMENTS)
AND TARIFF FILING REFLECTING CHANGES TO)
SCHEDULE 12 CHARGES IN PJM OPEN ACCESS)
TRANSMISSION TARIFF)

DECISION AND ORDER
APPROVING THE PASS-
THROUGH OF FERC
FIRM TRANSMISSION
SERVICE RELATED
CHARGES

BPU DOCKET NO. ER11060371

(NOTIFICATION LIST ATTACHED)

APPEARANCES:

Philip J. Passanante, Esq. on behalf of Atlantic City Electric Company
Stefanie A. Brand, Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On June 23, 2011, Atlantic City Electric Company ("ACE" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") requesting recovery of Federal Energy Regulatory Commission ("FERC") approved changes in firm transmission service related charges ("June 2011 Filing").

The Company's proposed tariffs reflected changes to the Basic Generation Service - Fixed Price ("BGS-FP") and BGS-Commercial and Industrial Pricing ("BGS-CIEP") rates to customers resulting from FERC approved changes in the PJM Open Access Transmission Tariff ("OATT") made in response to an updated formula rate filing by PPL Electric Utilities Corporation in FERC Docket No. ER09-1148; a revised formula rate filing by American Electric Power Service Corporation ("AEP") in FERC Docket No. ER08-1329; a revised formula rate filing by Trans-Allegheny Interstate Line Company ("TrAILCo") in FERC Docket No. ER07-562; a revised formula rate filing by Delmarva Power and Light Company ("Delmarva") in FERC Docket No. ER09-1158; a revised formula rate filing by Potomac Electric Power Company ("PEPCo") in FERC Docket No. ER09-1159; and ACE's revised

formula rate filing in FERC Docket No. ER09-1156. The modified rate filings by PEPCo Holdings Inc.'s ("PHI") three public utility affiliates (Delmarva, PEPCo, and ACE) were made with respect to the Mid Atlantic Power Pathway ("MAPP") project.

ACE also requested authorization to compensate the BGS suppliers for the changes resulting from the implementation of these updates to formula rates, subject to the terms and conditions of the applicable Supplier Master Agreement(s) ("SMAs"). Any differences between payments to BGS Suppliers and charges to customers would flow through the BGS Reconciliation Charges.

The Company stated that this filing satisfies the requirements of paragraph 15.9(a) (i) and (ii) of the BGS-FP and BGS-CIEP SMAs, which mandate that BGS-FP and BGS-CIEP suppliers be notified of rate increases and decreases for firm transmission service, and that the electric distribution companies ("EDCs") file for and obtain Board approval of an increase or decrease in retail rates commensurate with the FERC-implemented rate changes.

Background

As part of a settlement approved by FERC on August 9, 2004¹, certain transmission owners in PJM Interconnect, L.L.C. ("PJM"), including ACE, agreed to re-examine their existing transmission rates and propose a method (such as a formula rate) to harmonize the new and existing transmission investments by January 31, 2005. It was anticipated that such new rate (if any) would go into effect on or by June 1, 2005.

On or about January 31, 2005, the Petitioner, among others, filed a formula rate for determining the wholesale transmission revenue requirements applicable in its PJM rate zone pursuant to the PJM tariff. The objective of the formula rate filing was to establish a just and reasonable method for determining transmission revenue requirements for the affected transmission pricing zones, which would reflect existing and new transmission investments on a current basis. The formula rate tracks increases and decreases in costs such that no under-recovery, and no over-recovery, of actual costs will occur. In the formula rate filing, ACE committed to populate the formula with actual data from its filed FERC Form 1 for calendar year 2004, and to post that information on the PJM website no later than May 1, 2004.

On March 20, 2006, certain transmission owners within PJM filed an uncontested settlement in FERC Docket No. ER04-515-000 (the "Settlement"). The Settlement was approved by FERC on or about April 19, 2006. FERC also accepted the revised tariff sheets for filing effective June 1, 2005. The formula rate implementation protocols included provisions for an annual update to the Annual Transmission Revenue Requirements based on current levels of costs, and the reconciliation of prior period costs and revenues. In addition, the Settlement provided that on or before May 15 of each year each affected transmission owner shall recalculate its Transmission Rate, produce an "Annual Update" for the upcoming year, post such Annual Update on PJM's Internet Website, and file such Annual Update with FERC as an informational filing. By Order dated January 18, 2009, the Board approved the implementation of changes to the Company's transmission (formula) rates.² The Company, in accordance with these protocols, filed an update to its formula rate at FERC on or about May 13, 2011, to be effective June 1, 2011.

The specific Schedule 12 charges, referred to as Transmission Enhancement Charges ("TECs"), were implemented to compensate transmission owners for the annual transmission revenue requirements for "Required Transmission Enhancements" (as defined in the PJM OATT) that are requested by PJM for

¹ See *Allegheny Power System Operating Companies, et al.* 108 FERC ¶61,167 (2004).

² IMO the Petition of Atlantic City Electric Company for Approval to Implement FERC-Approved Changes to ACE's Retail Transmission (Formula) Rate Pursuant to Paragraph 15.9 of the BGS-FP and BGS-CIEP Supplier Master Agreements, BPU Docket No. ER07070512, January 18, 2008.

reliability or economic purposes. The costs of TECs are recovered by PJM according to an assigned cost responsibility through an additional transmission charge assessed in the affected transmission zones.

On July 2, 2007, TrAILCo made its compliance filing with FERC, which was the final act necessary for PJM to begin billing wholesale customers for these TECs effective June 1, 2007. On August 7, 2007, ACE, along with Jersey Central Power and Light Company ("JCP&L"), Public Service Electric and Gas Company ("PSE&G") and Rockland Electric Company ("RECO") (collectively "EDCs") filed a joint petition, requesting recovery of the allocated TrAILCo firm transmission service related charges. By Board Order dated January 18, 2008, the EDCs received approval from the Board to begin allocating TECs related to the TrAILCo project.³

On September 30, 2008, FERC approved the AEP formula rate filing and accepted the tariffs for filing. On October 28, 2008, FERC approved the PPL formula rate filing and accepted the tariffs for filing. By FERC Order issued on October 31, 2008, the formula rates were approved and the respective tariffs were accepted for filing. Subsequently, on June 15, 2009, ACE filed a petition with the Board requesting recovery of the allocated PPL, AEP and MAPP project costs. By Order dated September 16, 2009, ACE received approval from the Board to begin allocating TECs related to these projects.⁴

As previously stated, ACE made the June 2011 Filing to implement the above described changes in FERC approved charges. On October 28, 2011, ACE filed an amendment to the June 2011 Filing reflecting the fact that ACE had determined that there were certain miscalculations imbedded in the exhibits to the filing.

Based on the allocation of the TEC charges and the update of the Company's formula transmission rates among the service classes in accordance with ACE's tariff, a typical residential customer using 750 kWh per month will see an increase in their annual bills of approximately \$1.08.

DISCUSSION AND FINDINGS

In the Board's Order dated December 2, 2003, in Docket No. EO03050394, the Board found that the pass through of any changes in the network integration transmission charge, and other charges associated with the FERC-approved OATT, is appropriate. Furthermore, by subsequent Orders, the Board approved Section 15.9 of the SMAs as filed by the EDCs which requires that the EDCs file for Board approval of any increases or decreases in their transmission charges that have been approved by the FERC. The SMAs also authorize the EDCs to increase or decrease the rates paid to suppliers for FERC-approved rates and changes to Firm Transmission Services once approved by the Board. The Board Orders further required that the EDCs review and verify the requested FERC authorized changes.

After review of the verifications and supporting documentation, the Board **HEREBY FINDS** that the June 2011 Filing as amended by the October 28th filing satisfies ACE's obligations under paragraph 15.9 (a)(i) and (ii) of the relevant SMAs, and **HEREBY APPROVES** the changes in the Company's retail transmission rates and BGS-FP and BGS-CIEP rates requested by ACE for its changes in transmission charges resulting from the FERC-approved changes effective for service on or after January 1, 2012. ACE is **HEREBY ORDERED** to compensate the BGS suppliers for this transmission rate increase subject to the terms and conditions of the SMAs.

³In the Matter of the Provision of Basic Generation Service for Year Two of the Post-Transition Period AND In the Matter of the Provision of Basic Generation Service for Year Three of the Post Transition Period and In the Matter of the Provision of Basic Generation Service for the Period Beginning June 1, 2006 and In the Matter of the Provision of Basic Generation Service for the Period Beginning June 1, 2007, BPU Docket Nos. EO03050394, EO04040288, EO05040317, and EO06020119, Order dated January 18, 2008.

⁴In the Matter of the Petition of Atlantic City Electric Company (ACE) for Approval to Implement FERC-Approved Changes to ACE's Retail Transmission (Formula) Rate Pursuant to Paragraph 15.9 of the BGS-FP and BGS-CIEP Supplier Master Agreements and Tariff Filing Reflecting Changes to Schedule 12 Charges in PJM Open Access Transmission Tariff, BPU Docket No. ER09060464, Order dated September 16, 2009.

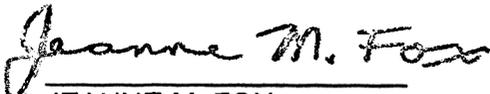
Further, the Board **HEREBY DIRECTS** ACE to file revised tariffs and rates consistent with the Board's findings within five (5) business days from the date of service of this Board Order.

DATED: 12/15/11

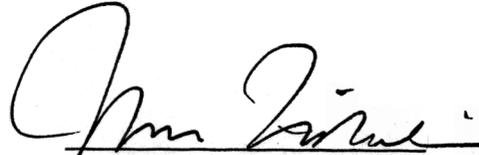
BOARD OF PUBLIC UTILITIES
BY:



LEE A. SOLOMON
PRESIDENT



JEANNE M. FOX
COMMISSIONER



JOSEPH L. FIORDALISO
COMMISSIONER



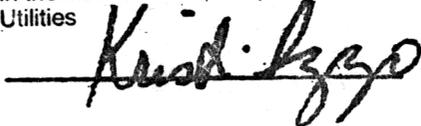
NICHOLAS ASSELTA
COMMISSIONER

ATTEST:



KRISTI IZZO
SECRETARY

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



I/M/O the Petition of Atlantic City Electric Company for Approval to Implement FERC-Approved Changes to ACE's Retail Transmission (Formula) Rate Pursuant to Paragraph 15.9 of the BGS-FP and BGS-CIEP Supplier Master Agreements AND Tariff Filing Reflecting Changes to Schedule 12 Charges in PJM Open Access Transmission Tariff
 BPU DOCKET NO. ER11060371
 Notification List

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