



Agenda Date:1/18/12  
Agenda Item: 2C

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF ATLANTIC )  
CITY ELECTRIC COMPANY FOR AUTHORITY TO ) ORDER OF APPROVAL  
ISSUE UP TO \$250 MILLION OF LONG-TERM DEBT )  
SECURITIES PURSUANT TO N.J.S.A. 48:3-9 )  
) DOCKET NO. EF11100637

Parties of Record:

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

BY THE BOARD:

Atlantic City Electric Company ("Petitioner" or "Company"), a public utility of the State of New Jersey, by petition filed October 11, 2011, has requested authority pursuant to N.J.S.A. 48:3-9 to: (i) not later than December 31, 2013, at its option, issue and sell in one or more series up to \$250 million in aggregate of Debt Securities (as defined below), and (ii) take any other action which may be necessary or desirable in connection therewith.

According to the petition, the proceeds of the financing will be used in part to refund maturing long term debt. In addition, Petitioner is engaged in a construction program with estimated expenses of \$611,000,000 over three years, as indicated in a revised projection submitted on November 17, 2011, which Petitioner represents are designed to improve and extend its facilities so as to enable it to better serve the public. The Company seeks the flexibility to obtain permanent financing for up to \$181,400,000 of short-term debt anticipated to be incurred for outlays associated with its 2011-2012 construction program.

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

The Debt Securities may be sold pursuant to a registration statement filed with the United States Securities and Exchange Commission ("SEC") under the Securities Act of 1933. The Debt Securities may be issued and sold publicly or in private placements directly to prospective

purchasers through one or more underwriters or placement agents to be selected by Petitioner. The arrangements between the Company and the underwriters or placement agents, if any, regarding the sale of the Debt Securities will be set forth in one or more agreements to be executed at the time of issuance.

As proposed, the Debt Securities may be issued in one or more series and will have maturities between 9 months and 40 years from the date of issuance. Other terms of the Debt Securities, including call provisions and interest rates, will be determined depending on the maturities selected and market conditions at the time such terms and rates are set. On the basis of current and historical market conditions, the Company anticipates that the maximum coupon spread over U.S. Treasury securities for the Debt Securities will be as follows:

#### **MARKET YIELD SPREAD TABLE**

<u>Range of Maturities</u>	<u>Maximum Coupon Spread (Basis Points)</u>
1 year to less than 18 months	100
18 months to less than 2 years	150
2 years to less than 3 years	200
3 years to less than 4 years	200
4 years to less than 5 years	200
5 years to less than 7 years	225
7 years to less than 10 years	225
10 years to less than 15 years	275
15 years to less than 20 years	275
20 years to less than 30 years	250
30 years to 40 years	250

The proposed coupon spreads are based upon the difference between the market yield of corporate debt securities having ratings comparable to Petitioner's First Mortgage Bonds and U.S. Treasury securities with like maturities. If market conditions change materially, Petitioner will seek Board approval for an updated yield spread schedule. The prices to be paid to Petitioner, the interest rates, the maturity dates, the redemption premium and the public offering price of any Debt Securities will be determined at the time of closing, depending on the results of the offering(s) to be made at future date(s) but not later than December 31, 2013.

Petitioner requested that the Debt Securities include tax-exempt bonds that may be issued through a governmental agency and/or may be issued as credit enhancement for such tax-exempt bonds. The Company also requested that the Debt Securities include secured or unsecured bank loans ("Bank Loans"). Bank Loans would carry interest rates (fixed or variable) and maturities, and other terms and conditions, all of which would be dependent upon market conditions prevailing at the time of execution.

By a letter dated December 29, 2011, the Division of Rate Counsel ("Rate Counsel") has reviewed the Petition and supporting documents and does not oppose Board approval of this petition with certain clarifications and conditions contained in prior Board Orders. Rate Counsel noted that the Company has above-market long term debt on its balance sheet, and recommends that the Company be obligated to review opportunities for economic refinancings. Rate Counsel comments at 8. Rate Counsel also recommended that the Company be authorized to redeem Debt Securities prior to maturity without Board approval to achieve cost savings or a more efficient capital structure.

The Board, after investigation and review of the petition and exhibits as well as Petitioner's representations, comments submitted by Rate Counsel, and the recommendation of Board Staff, FINDS that the purposes of the issuance of the Debt Securities are necessary, reasonable and proper, that the proposed issuance and sale of the Debt Securities is in accordance with the law, is in the public interest, and approves the purposes thereof.

The Board, being satisfied with the actions as proposed by Petitioner as indicated above, and approving the purposes thereof, HEREBY ORDERS that Atlantic City Electric Company be and the same IS HEREBY AUTHORIZED, from time to time, but not later than December 31, 2013, to:

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

This Order is subject to the following provisions:

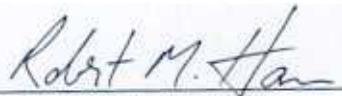
1. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
2. This Order shall not be construed as certification that the Debt Securities herein authorized will be represented by tangible or intangible assets of commensurate value or investment cost.
3. Except as previously set forth herein, this Order shall neither affect nor in any way limit the exercise of the authority of this Board or of the State in any future petition or in any future proceeding with respect to rates, franchises, services, financing (including method of sale of securities), accounting, capitalization or any other matters affecting Petitioner. Rate Counsel, Board Staff and any other parties reserve the right to examine the transactions authorized by this Order and their impact on rates in the Company's next base rate case.
4. This Order shall not constitute pre-approval or presumed approval of any costs associated with the Debt Securities. All such costs shall be subject to review for reasonableness in Petitioner's next base rate case.
5. This Order shall not affect or in any way limit the manner in which the Petitioner registers its securities with the SEC.
6. Petitioner shall provide Rate Counsel and the Board with a copy of its SEC registration statement for this debt issue, upon request.
7. Petitioner shall furnish the Board with copies of all executed indentures.
8. Whether the Debt Securities are sold in an offering that is registered under the Securities Act or sold on a competitively bid basis, Petitioner shall not issue Debt Securities at coupon rates in excess of those that would result from the Market Yield Spread Table set forth in this Order. In the event that market conditions change,

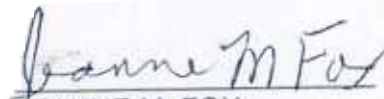
Petitioner may request Board approval to issue Debt Securities at coupon rates in excess of those that would result from the Market Yield Spread Table. Any such request shall be accompanied by Petitioner's statement of the basis or the rationale therefore. If the Board approves a different Market Yield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

9. The Debt Securities authorized in this docket shall be used only for the purposes identified in the petition, and not to fund any affiliate transactions.
10. Petitioner should undertake long-term debt financings in a manner that achieves the lowest reasonable cost of capital for customers. Petitioner shall review from time to time opportunities for economic refinancing of outstanding long term debt.
11. Petitioner is obligated to use a prudent mix of capital to finance its utility operations and investments.
12. The Debt Securities authorized herein shall not be redeemed prior to maturity without further Board approval unless to achieve cost savings or more efficient capital structure. Petitioner shall maintain the records and documentation necessary to demonstrate the prudence of any such redemption.
13. The authority granted in this Order shall become null and void and of no effect with respect to any portion thereof which has not been exercised by December 31, 2013.

DATED: 1/18/12

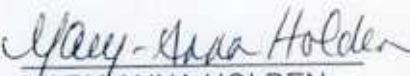
BOARD OF PUBLIC UTILITIES  
BY:

  
ROBERT M. HANNA  
PRESIDENT

  
JEANNE M. FOX  
COMMISSIONER

  
JOSEPH L. FIORDALISO  
COMMISSIONER


  
NICHOLAS ASSELTA  
COMMISSIONER

  
MARY-ANNA HOLDEN  
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



**In The Matter Of The Petition Of Atlantic City Electric Company For Authority To Issue Up To \$250 Million Of Long-Term Debt Securities Pursuant To N.J.S.A. 48:3-9**

**Docket No. EF11100637**

Kristi Izzo,  
Secretary of the Board  
Board of Public Utilities  
44 South Clinton Ave  
P.O. Box 350  
Trenton, NJ 08625

Stefanie A. Brand, Esq.,  
Director  
Division of Rate Counsel  
31 Clinton Street - 11<sup>th</sup> Floor  
P.O. Box 46005  
Newark, New Jersey 07101

Caroline Vachier, DAG.  
Dept of Law & Public Safety  
Division of Law, Public Utility  
Section  
124 Halsey Street  
P.O. Box 45029  
Newark, NJ 07101

Mark Beyer, Chief Economist  
Office of the Economist  
Board of Public Utilities  
44 South Clinton Ave  
P.O. Box 350  
Trenton, NJ 08625

Ami Morita, Esq.  
The Division of Rate Counsel  
31 Clinton Street, 11<sup>th</sup> Floor  
PO Box 46005  
Newark, NJ 07101

Babette Tenzer, DAG  
Dept of Law & Public Safety  
Division of Law, Public Utility  
Section  
124 Halsey Street  
P.O. Box 45029  
Newark, NJ 07101

Robert Wojciak  
Office of the Economist  
Board of Public Utilities  
44 South Clinton Ave  
P.O. Box 350  
Trenton, NJ 08625

Diane Schulze Esq.  
The Division of Rate Counsel  
31 Clinton Street, 11<sup>th</sup> Floor  
PO Box 46005  
Newark, NJ 07101

Phillip J. Passanante, Esq.  
Assistant General Counsel  
92DC42  
Atlantic City Electric Company  
500N Wakefield Drive  
Newark, DE 19702-5440

Jerome May, Director  
Division of Energy  
Board of Public Utilities  
44 South Clinton Ave  
P.O. Box 350  
Trenton, NJ 08625

Kurt Lewandowski, Esq.  
The Division of Rate Counsel  
31 Clinton Street, 11<sup>th</sup> Floor  
PO Box 46005  
Newark, NJ 07101

Jeffrey E. Snyder  
Assistant Treasurer  
92DC33  
Atlantic City Electric Company  
500N Wakefield Drive  
Newark, DE 19702-5440

Robert Schultheis  
Division of Energy  
Board of Public Utilities  
44 South Clinton Ave  
P.O. Box 350  
Trenton, NJ 08625