



Agenda Date: 12/18/13

Agenda Item: 2B

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/

ENERGY

IN THE MATTER OF THE PETITION OF ATLANTIC)
CITY ELECTRIC COMPANY FOR AUTHORITY TO)
ISSUE UP TO \$300 MILLION OF LONG-TERM DEBT)
SECURITIES PURSUANT TO N.J.S.A. 48:3-9) ORDER OF APPROVAL
DOCKET NO. EF13090843

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 September 17, 2013 has requested authority pursuant to N.J.S.A. 48:3-9 to: (i) not later than December 31, 2015, at its option, issue and sell in one or more series up to \$300 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 states that it is engaged in a construction program with estimated expenses of \$641,000,000 over three years, which 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 \$159,800,000 of short-term debt anticipated to be incurred for outlays associated with its 2013-2015 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 12 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	175
3 years to less than 4 years	175
4 years to less than 5 years	175
5 years to less than 7 years	200
7 years to less than 10 years	200
10 years to less than 15 years	250
15 years to less than 20 years	250
20 years to less than 30 years	225
30 years to 40 years	225

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, 2015.

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 4, 2013, the Division of Rate Counsel ("Rate Counsel") stated that it has reviewed the Petition and supporting documents and does not oppose Board approval of this petition with certain conditions that are contained in this Order. 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, 2015, to:

- (1) issue and sell, from time to time, the Debt Securities in an aggregate principal amount not to exceed \$300 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

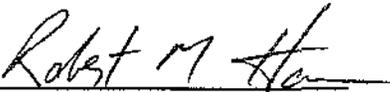
therefore. If the Board approves a different Market Yield Spread table proposed by Petitioner, Petitioner may then issue the Debt Securities in conformance with the revised table.

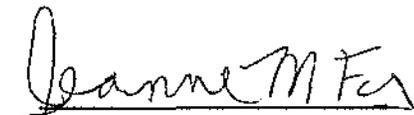
9. The Debt Securities authorized in this docket shall be used only for the purposes identified in the petition, and not to fund any affiliate transactions.
10. Petitioner should undertake long-term debt financings in a manner that achieves the lowest reasonable cost of capital for customers. Petitioner 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, 2015.

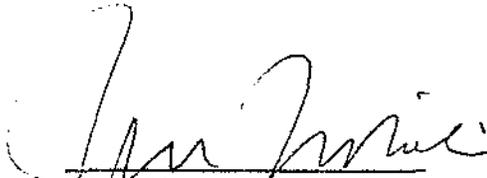
This Order will be effective December 28, 2013.

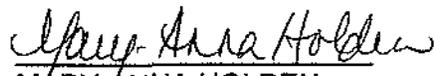
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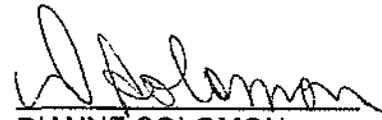
BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT

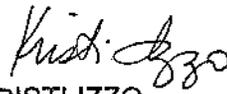

JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

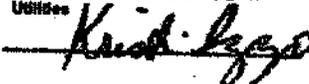

MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
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 \$300 MILLION OF LONG-TERM DEBT SECURITIES
PURSUANT TO N.J.S.A. 48:3-9**

Docket No. EF13090843

Kristi Izzo,
Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Caroline Vachier, DAG.
Department of Law & Public Safety
Division of Law
124 Halsey Street
Post Office Box 45029
Newark, NJ 07101-45029

Mark Beyer, Chief Economist
Office of the Economist
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Babette Tenzer, DAG
Department of Law & Public Safety
Division of Law
124 Halsey Street
Post Office Box 45029
Newark, NJ 07101-45029

Robert Wojciak
Office of the Economist
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

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

Jerome May, Director
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

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

Robert Schultheis
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Stefanie A. Brand, Esq., Director
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003

Ami Morita, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003

Diane Schulze Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003

Kurt Lewandowski, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003