



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
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)
APPROVAL OF AMENDMENTS TO ITS TARIFF)
TO PROVIDE FOR AN INCREASE IN RATES AND)
CHARGES FOR ELECTRIC SERVICE PURSUANT)
TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1, AND)
FOR OTHER APPROPRIATE RELIEF (2018))

) DECISION AND ORDER ADOPTING
) INITIAL DECISION AND
) STIPULATION OF SETTLEMENT

) BPU DOCKET NO. ER18080925
) OAL DOCKET NO. 14569-2018S

Parties of Record:

Philip J. Passanante, Esq., on behalf of Atlantic City Electric Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Bradford Stern, Esq., on behalf of Covia Holdings Corporation
Donald R. Wagner, Esq., on behalf of Wal-Mart Stores, East LLP and Sam's East, Inc.

BY THE BOARD:

On August 21, 2018, pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.12, Atlantic City Electric Company ("ACE" or "Company"), a public utility of the State of New Jersey subject to the jurisdiction of the New Jersey Board of Public Utilities ("Board"), filed a petition for approval of an increase in its current base rates for electric service of approximately \$116.5 million, including Sales and Use Tax ("SUT"), to be effective for electric service provided on or after September 21, 2018.

The Company also requested a return on equity of 10.10%. According to the petition, the primary reason for the requested increase is that the Company's current base rates do not: (i) provide sufficient operating revenues to reflect increased investment in the Company's rate base, meet operating expenses, taxes, and fixed charges, and maintain its financial viability; and (ii) provide an opportunity to earn a reasonable rate of return on the fair value of the Company's property.

In its petition, ACE sought authority from the Board to: (i) increase rates and charges for electric service that would result from the proposed amendments to the Company's tariff; (ii) create a regulatory asset to record the costs to achieve merger synergy savings and to amortize those costs over a five (5) year period; (iii) incorporate the results of its Cost of Service Study and consider the unitized rate of return for each customer rate class in the allocation of overall

revenue requirements among rate classes; and (iv) modify certain charges, including monthly customer charges, and update its tariff for certain tariff modifications.

Additionally, the Company requested that the Board: (i) not adopt an alternative rate design filed using the Peak and Average Coincident Peak method, as required by the Board in the Order issued in connection with Docket No. ER03020110; (ii) approve ACE's proposed revenue decoupling mechanism; and (iii) approve the use of its depreciation rates based on the Company's depreciation study.

The Company sought to implement its proposed rates to become effective for service rendered on or after September 21, 2018, but in no event after May 21, 2019. By Order dated September 17, 2018, the Board issued an Order suspending the proposed rate increase until January 21, 2019, and on January 19, 2019, the Board further suspended the implementation of rates until May 21, 2019.

On October 3, 2018, this matter was transmitted to the Office of Administrative Law ("OAL") as a contested case and was assigned to Administrative Law Judge ("ALJ") Tricia M. Caliguire for consideration and hearing. A telephonic pre-hearing conference was held by ALJ Caliguire on November 1, 2018. On December 17, 2018, a Pre-Hearing Order and Procedural Schedule were issued.

By Order dated October 29, 2018, ALJ Caliguire granted Wal-Mart Stores, East, LP and Sam's East, Inc. ("Walmart") and Covia Holdings Corporation ("Covia") intervener status. By Order dated November 14, 2018, ALJ Caliguire granted Public Service Electric and Gas Company ("PSE&G") participant status.

On November 19, 2018, ACE updated its petition to include nine (9) months of actual data and three (3) months of estimated data. The requested rate increase was modified to \$129.9 million (including SUT). On February 14, 2019, ACE further updated the petition, including revised schedules demonstrating the Company's actual results for the twelve (12) month test year. The February 2019 Update reflected a revenue requirement of \$138.92 million (including SUT).

Two public hearings were held in Mays Landing, New Jersey on January 8, 2019, at 3:30 p.m. and 5:30 p.m., with ALJ Caliguire presiding. Several members of the public attended, including various New Jersey companies and organizations, and spoke in favor of the petition. All comments were transcribed by the Court reporter and are part of the record. The Board did not receive any written comments with regard to the petition.

STIPULATION

After discovery and comprehensive settlement discussions, on February 28, 2019, the Company, Rate Counsel, Board Staff, Wal-Mart, Covia (collectively, "Signatory Parties") reached a stipulation of settlement ("Stipulation"),¹ the key elements of which are as follows:

1. For the purposes of this proceeding only, the Signatory Parties agree that the Company's rate base is deemed to be \$1,494,595,608 with a test year ending on December 31, 2018. The Signatory Parties further agree that this rate base amount

¹ Although summarized in this Order, the detailed terms of the Stipulation control, subject to the findings and conclusions of the Order.

does not reflect any particular ratemaking adjustment proposed by any Signatory Party for incorporation into the overall revenue requirement calculation.

2. The Signatory Parties agree that, for the purposes of resolving this proceeding, the Company shall have an overall rate of return of 7.08 percent, which is based on a capital structure consisting of 49.94 percent equity with a cost rate of 9.60 percent, and 50.06 percent long-term debt with a cost rate of 4.58 percent.
3. The Signatory Parties stipulate that a revenue increase for the Company of \$70 million (exclusive of SUT, or \$74,637,500 inclusive of SUT) is an appropriate resolution of this matter and is just and reasonable.
4. The Signatory Parties acknowledge that the stipulated revenue increase reflects consideration of a consolidated income tax adjustment.
5. The Signatory Parties agree and recommend that the Board should authorize the Company to implement new rates, based upon an increase in distribution base rate revenues of \$70 million (exclusive of SUT). The Signatory Parties agree that this increase in base rate revenues should be implemented as indicated on the proof of revenues and rate design schedules, attached as Exhibit A to the Stipulation, implementing the terms of this Stipulation. Final tariff pages implementing these rates will be submitted upon Board approval of the Stipulation. The tariff pages will reflect a change in the monthly customer charge for Rate Schedule RS (residential service) from \$4.80 to \$5.77 (inclusive of SUT). Based on the rate design in Exhibit A attached to the Stipulation, the overall annual average monthly impact of this rate change on the total bill for a typical residential customer using 679 kWh per month is \$7.34 or 6.12 percent (inclusive of SUT). This agreement on rate design is for settlement purposes only and does not indicate Board Staff's or Rate Counsel's agreement to the Company's functionalization, classification, and allocation of costs or to the Company's cost of service methodology presented in its petition and testimonies filed in this matter.
6. The Signatory Parties agree and recommend that the Board approve the Company's tariff for electric service which has been revised to include changes to Rate Schedule RUE, Residential Underground Extensions, as well as to reflect the terms of the Stipulation. The Signatory Parties further acknowledge that the Company will be required to file a complete conformed tariff upon the Board's final resolution of this proceeding.
7. The Company will continue to comply with the requirement ordered by the Board in BPU Docket No. ER03020110 to file the Company's base rate requests including an alternative distribution rate design based on a Cost of Service Study using a Peak and Average Coincident Peak method.
8. The Signatory Parties acknowledge that the rate design proposed in the Stipulation will result in no increase to Rate Schedule TGS-Transmission General Service.
9. The Company agrees to withdraw without prejudice its request to implement a revenue decoupling mechanism.
10. By an Order dated October 29, 2018, in BPU Docket Nos. AX18010001 and ER18030241, the Board directed the Company to address any remaining liability related

to the Tax Cuts and Jobs Act of 2017 ("TCJA") in this base rate case proceeding. Consistent with this requirement, ACE will provide one-time bill credits aggregating to \$3,976,121 as shown on Schedule (JCZ-S)-16. This amount represents all remaining TCJA liability for the period July 1, 2018 through September 30, 2018, and excess deferred income tax flow back for the period January 1, 2018 through September 30, 2018 related to non-property items that were not included in the \$6,155,946 TCJA liability approved by the Board and previously refunded to customers. The remaining TCJA liability of \$3,976,121 will be refunded to customers through one-time bill credits to be issued within 60 days after the effective date of the Board's Order approving the Stipulation of Settlement. The estimated bill credit for a typical residential customer is approximately \$5.11 (inclusive of SUT).

11. As required in the Company's 2012 base rate case (BPU Docket No. ER12121071), the Company filed a depreciation study in this proceeding, which has been reviewed by the Parties. Set out in Exhibit B attached to the Stipulation is the schedule of depreciation rates agreed to in this proceeding. Effective January 2019, the Company also agrees to eliminate the use of "first-in, first-out" ("FIFO") for retirements in which the vintage year of the retired asset is not known, and to use mortality curves in lieu of FIFO for retirements in which the vintage year is not known. The Company agrees that regarding the calculation of Net Salvage depreciation rates in this proceeding, cost of removal was allocated based on 16% of the capitalized costs.
12. The Signatory Parties acknowledge that in BPU Docket No. EM14060581 (the "Exelon Merger") the Company agreed to continue its existing Reliability Improvement Program ("RIP") through 2021, and to spend a minimum of 90% of the aggregate forecasted RIP budget through 2021.² The Signatory Parties agree that accelerated reliability spending under the RIP should be reduced and phased out. As a result of the discussions in this proceeding, the Company agrees to conclude the RIP as of December 31, 2021, and to spend \$75.8 million on RIP investments during the period 2019 through 2021. The Signatory Parties agree that, once ACE has spent \$75.8 million on RIP investments, it will have satisfied its RIP commitment in the Exelon Merger. For the remaining term of the RIP, the Signatory Parties also agree that the Company shall be relieved of its RIP quarterly reporting requirement and instead shall report semi-annually on RIP progress and spending during a Customer Service Improvement Plan ("CSIP") meeting.
13. The Company reaffirms its commitment to work to reduce customer complaints to an annual level of 1,500 or less. As a demonstration of its commitment to this initiative, ACE will engage an outside expert to assist the Company in preparing a plan to reduce the number of customer complaints and customer disconnections for non-payment, and to increase enrollments in payment assistance programs. ACE will provide the plan to Board Staff and Rate Counsel within six months of the effective date of the Board's Order approving the Stipulation. The Company will report on its progress implementing

² See In re the Merger of Exelon Corporation and Pepco Holdings, Inc., BPU Docket No. EM14060581, Order Approving Stipulation of Settlement (dated March 6, 2015), at 12-13 (summarizing Paragraph 16 of the Stipulation of Settlement). As described in the Merger Order, the total RIP budget forecast for 2016 through 2019 was \$206.6 million. The Company later provided budget forecasts for 2020 and 2021 of \$56 million and \$42.7 million, respectively, bringing the total forecasted RIP budget to \$305 million for the 2016 through 2021 period. ACE agreed to spend 90% of that amount, or approximately \$274 million. Through the end of 2018, the Company has spent \$200 million on the RIP. Thus, upon spending an additional \$75.8 million through the RIP program, ACE will have met its commitment in the Merger Order.

this plan in ongoing CSIP meetings. The Company will further emphasize 'application/sign-up' events to help eligible customers sign-up for available payment assistance programs, including holding events at Title I schools and expanding outreach activities (through events or direct mail, where permitted) at Title 1 Schools located in ACE's service territory. The Company also agrees to have at least one Spanish speaking representative present and to provide all Company-prepared written materials distributed to members of the public in both Spanish and English, at each outreach event it holds where ACE reasonably anticipates that a significant number of the participating customers' primary language is Spanish.

14. The Signatory parties acknowledge that the stipulated revenue increase reflects consideration of the Company's proposed regulatory assets, with a three year amortization period. In the event that the Company files another base rate case with base rates effective within three years of the rate effective date of the current proceeding, the Company agrees that it will not seek the recovery of, or on, any unamortized balances related to these regulatory assets in that or any subsequent base rate case.

On March 1, 2019, PSE&G filed correspondence indicating that they did not object/took no position on the terms to the Stipulation.

On March 5, 2019, ALJ Caliguire issued an initial decision accepting the terms of the Settlement.

DISCUSSION AND FINDINGS

In evaluating a proposed settlement, the Board must review the record, balance the interests of the ratepayers and the shareholders, and determine whether the settlement represents a reasonable disposition of the issues that will enable the Company to provide its customers in this State with safe, adequate and proper service at just and reasonable rates. In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247 (App. Div.), cert. denied, 152 N.J. 12 (1997). The Board recognizes that the parties worked diligently to negotiate a compromise that attempts to meet the needs of as many stakeholders as possible. The Board further recognizes that the Stipulation represents a balanced solution considering the many complex issues that were addressed during the proceeding.

Therefore, based on the Board's review and consideration of the record in this proceeding, the Board **HEREBY FINDS** the Initial Decision and Stipulation to be reasonable, in the public interest and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the attached Initial Decision and Stipulation in their entirety, and **HEREBY INCORPORATES** their terms and conditions as though fully set forth herein, subject to any terms and conditions set forth in this Order.

As a result of the Stipulation, a typical residential customer using 679 kWh monthly will experience an increase in the monthly bill of \$7.34 or 6.12 percent inclusive of SUT. Additionally, as a result of the Stipulation, a typical residential customer using 679 kWh monthly will see a one-time bill credit of \$5.11 related to the remaining TCJA liability:

The rates approved by this Order will become effective for service rendered on and after April 1, 2019.

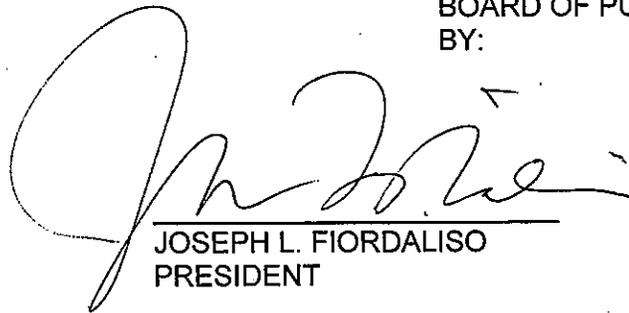
The Company is **HEREBY DIRECTED** to file tariff sheets consistent with this Order by April 1, 2019.

The Company's rates remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

This Order shall be effective on March 23, 2019.

DATED: 3/13/19

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



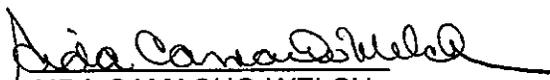
DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST: 
AIDA CAMACHO-WELCH
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 APPROVAL OF AMENDMENTS TO ITS TARIFF TO PROVIDE FOR AN INCREASE IN RATES AND CHARGES FOR ELECTRIC SERVICE PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1, AND FOR OTHER APPROPRIATE RELIEF (2018)

**BPU DOCKET NO. ER18080925
OAL DOCKET NO. 14569-2018S**

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BOARD OF PUBLIC UTILITIES

MAR 05 2019

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CASE MANAGEMENT

State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

MAR 05 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 14569-18

AGENCY DKT. NO. ER18080925

IN THE MATTER OF THE PETITION
OF ATLANTIC CITY ELECTRIC COMPANY
FOR APPROVAL OF AMENDMENTS TO ITS
TARIFF TO PROVIDE FOR AN INCREASE
IN RATES AND CHARGES FOR ELECTRIC
SERVICE PURSUANT TO N.J.S.A. 48:2-21
AND N.J.S.A. 48:2-21.1, AND FOR
OTHER APPROPRIATE RELIEF (2018):

Philip J. Passanante, Associate General Counsel, for petitioner, Atlantic City Electric Company (Wendy Stark, General Counsel)

Colleen A. Foley, Esq., for petitioner (Saul Ewing, attorneys)

Alex Moreau, Peter Van Brunt, and Geoffrey Gersten, Deputy Attorneys General, for respondent, Board of Public Utilities (Gurbir S. Grewel, Attorney General of New Jersey, attorney)

Brian O. Lipman, Litigation Manager, and Ami Morita, Assistant Deputies Rate Counsel, for Division of Rate Counsel (Stefanie A. Brand, Director)

OAL DKT. NO. PUC 14569-18

Bradford M. Stern, Esq., for Intervenor Covia Holdings Corporation (Rothfelder Stern, L.L.C., attorneys)

Donald R. Wagner, Esq., for Intervenor Wal-Mart Stores East, LP, and Sam's East, Inc. (Stevens & Lee, attorneys)

Joseph F. Accardo, Jr., Deputy General Counsel, for Participant PSE&G (Tamara L. Linde, Executive Vice-President and General Counsel)

Record Closed: March 4, 2019

Decided: March 5, 2019

BEFORE TRICIA M. CALIGUIRE, ALJ:

On August 21, 2018, Atlantic City Electric Company (ACE, the Company) filed a petition with the Board of Public Utilities (Board) for approval of an increase in its rates for electric service and for other related changes to its Tariff for Electric Service, pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.12, and for approval of a new revenue decoupling mechanism which decouples base distribution revenue from the volume of sales and level of billed demand.

On October 3, 2018, the Board transmitted ACE's petition to the Office of Administrative Law for determination as a contested case. A telephone prehearing conference was held on November 1, 2018, and a prehearing order issued on December 17, 2018.

Motions for leave to intervene were filed pursuant to N.J.A.C. 1:1-16.1, by Covia Holdings Corporation (Covia), and Wal-Mart Stores East, LP and Sam's East, Inc. (together, Wal-Mart). A motion for leave to participate was filed pursuant to N.J.A.C. 1:1-16.6, by Public Service Electric and Gas Company (PSE&G). All motions were granted.

On January 8, 2019, at 3:30 p.m. and 5:30 p.m., two duly-noticed public hearings were held pursuant to N.J.A.C. 1:14-9.1 and 9.2, in the ACE service territory, at ACE offices, Mays Landing, New Jersey. Following introductory comments by a representative of the

OAL DKT. NO. PUC 14569-18

Company, representatives of Staff of the Board and the Division of Rate Counsel provided brief comments on their respective roles in the proceedings. Several members of the public attended the first hearing; all provided comments in favor of the proposed rate increase. No members of the public spoke in opposition to the proposed rate increase. All comments made at the public hearing were transcribed and made a part of the record. (J-1.) No members of the public attended the second hearing and none submitted written comments on the proposed rate increase prior to or following the public hearings.

The parties filed on March 4, 2019, a Stipulation of Settlement which resolves all issues in this proceeding. (J-2.) Said Stipulation of Settlement has been signed by petitioner, Staff of the Board, the New Jersey Division of Rate Counsel, and intervenors Covia and Wal-Mart. On March 4, 2019, participant PSE&G submitted a letter of no objection to the settlement as evidenced by the Stipulation of Settlement.

The Stipulation of Settlement indicates the terms of settlement, and is attached and fully incorporated herein.

I have reviewed the terms of settlement and I **FIND**:

1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or their representatives' signatures on the attached document.
2. The settlement fully disposes of all issues in controversy between the parties and is consistent with the law.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five days

OAL DKT. NO. PUC 14569-18

and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

March 5, 2019 _____

DATE



TRICIA M. CALIGUIRE, ALJ

Date Received at Agency:

3-5-19 _____

Date Mailed to Parties:

nd

OAL DKT. NO. PUC 14569-18

APPENDIX

EXHIBITS

Jointly Submitted:

- J-1 Public Hearing Transcript, dated January 8, 2019
- J-2 Stipulation of Settlement

J-1

RECEIVED
 2019 JAN 24 P 3:41
 STATE OF NEW JERSEY
 OFFICE OF ADMINISTRATIVE LAW

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IN THE MATTER OF THE PETITION OF ATLANTIC CITY
 ELECTRIC COMPANY FOR APPROVAL OF AMENDMENTS TO ITS
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 CHARGES FOR ELECTRIC SERVICE PURSUANT TO N.J.S.A.
 48:2-21 AND N.J.S.A. 14:1-5.12, AND FOR OTHER
 APPROPRIATE RELIEF

OAL DOCKET NO. PUC 14569-18
 BPU DOCKET NO. ER18080925

H E L D:

ATLANTIC CITY ELECTRIC COMPANY OFFICES
 5100 Harding Highway
 Mays Landing, New Jersey 08330
 Tuesday, January 8, 2019
 3:30 p.m.

B E F O R E:

THE HONORABLE TRICIA M. CALIGUIRE,
 Administrative Law Judge

TRANSCRIPTION BY:
 Nancy Ambrose,
 C.C.R.

J.H. BUEHRER & ASSOCIATES
 CERTIFIED SHORTHAND REPORTERS
 884 Breezy Oaks Drive
 Toms River, New Jersey 08753
 PHONE 732-295-1975 FAX 732-295-1989

BPU ACE HEARING 3:30 PM

January 8, 2019

Page 2

1
2 **A P P E A R A N C E S :**
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5 **Associate General Counsel**
6
7 **STATE OF NEW JERSEY**
8 **DIVISION OF RATE COUNSEL**
9 **BY: JAMES W. GLASSEN, ESQ.**
10 **Assistant Deputy Rate Counsel**
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9 **A L S O A P P E A R I N G :**
10 **BART KILAR**
11 **Board of Public Utilities Staff**

Page 4

1 **THE JUDGE:** Good afternoon. I
2 wouldn't rush you except I understand that one of
3 our speakers wants to move along. So Good
4 afternoon. Welcome and thank you for attending
5 and participating in this afternoon's public
6 hearing.
7 My name is Judge Tricia Caliguire.
8 I'm the Administrative Law Judge assigned to
9 preside over this hearing.
10 The purpose of today's hearing is to
11 provide members of the public with the opportunity
12 to comment upon the petition of Atlantic City
13 Electric Company, which is currently pending
14 before the New Jersey Board of Public Utilities.
15 The issue raised in this petition is
16 whether the Petitioner can establish by a
17 preponderance of credible evidence that the
18 proposed increase in its rates for electric
19 services and other related changes to its tariffs,
20 including a proposal to decouple base distribution
21 revenue from the volume of sales level of billed
22 demand, are necessary to provide safe, adequate
23 and proper services to its customers, and earn a
24 reasonable return on the fair value of its
25 property used and useful in the public service.

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1
2 **E X H I B I T S**
3 **NUMBER DESCRIPTION**
4 **ACE-1 Certification of**
5 **Philip J. Passanante**
6
7
8
9 **I N D E X**
10 **SPEAKER PAGE**
11 **ANTHONY PETITO 18**
12 **JERRY KEENAN 22**
13 **MORGAN PYLE 27**
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1 Although the representatives of
2 Atlantic City Electric Company, the BPU, and the
3 Division of Rate Counsel will not be answering any
4 questions as part of this hearing, they are
5 available to speak with you personally and answer
6 any questions you may have either during a break
7 or at the conclusion of this hearing. These
8 representatives will introduce themselves to you
9 shortly.
10 Before that I'll explain briefly how
11 we'll conduct the hearing. First and most
12 important, it looks like those of you who want to
13 provide comments have already done so, and have
14 given me notice of your intention to do so by
15 filling your name out on this sheet here. If you
16 have not, raise your hand and I'll give it to you.
17 When you're called to the microphone
18 I'll ask you again to state your name, spelling
19 your last name, and give your address for the
20 record. It has never been my practice to set time
21 limits for any speaker during the public hearing.
22 We'll be here until at least 6:00
23 because the current hearing, the second one
24 scheduled for after this one, the second one's
25 scheduled for 5:30.

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1 I would suggest, however, I see that
 2 three people are going to speak, if any one of you
 3 has remarks that are consistent with those that
 4 are given by a person or persons who go first, it
 5 is not necessary for you to repeat them. You may
 6 simply note your agreement with any specific
 7 person.
 8 I will now ask the representatives to
 9 place their appearances on the record and provide
 10 an opening statement, if any. Thank you all for
 11 your participation and your courtesy.
 12 First from the Petitioner.
 13 MR. PASSANANTE: Your Honor, I'll
 14 start by entering my appearance on the record, and
 15 make a statement once you've heard from the others
 16 as well.
 17 Good afternoon. My name is Philip J.
 18 Passanante. I'm Assistant General Counsel for
 19 Atlantic City Electric.
 20 THE JUDGE: Thank you, Mr.
 21 Passanante.
 22 MR. GLASSEN: Good afternoon, Your
 23 Honor. Jim Glassen on behalf of New Jersey
 24 Division of Rate Counsel.
 25 THE JUDGE: Good afternoon. And for

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1 BPU Staff?
 2 MR. KILAR: Bart Kilar representing
 3 Board Staff.
 4 THE JUDGE: Thank you. I would like
 5 to begin with a statement from Petitioner.
 6 MR. PASSANANTE: Thank you. Your
 7 Honor, just for the sake of appearances, I'll
 8 stand up here if you don't mind.
 9 THE JUDGE: That will be great.
 10 Probably make it easier for the court reporter to
 11 hear you.
 12 MR. PASSANANTE: Thank you. Good
 13 afternoon, Your Honor, ladies and gentlemen. My
 14 name is Philip J. Passanante. And as I indicated
 15 a moment ago, I am Assistant General Counsel to
 16 Atlantic City Electric Company. In this context
 17 I'll refer to the Company as ACE or the Company.
 18 At the outset please note that notice
 19 of today's public hearing has been published in
 20 newspapers servicing ACE's entire service
 21 territory. Copies of the public notice have also
 22 been forwarded to all municipalities and counties
 23 served by the Company by first class mail.
 24 A certification of Philip J.
 25 Passanante certifying publication and mailing has

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1 been premarked as ACE-1, and has been handed to
 2 the court reporter transcribing today's
 3 proceedings.
 4 Copies of ACE-1 have also been
 5 presented to you and to the State representatives
 6 present. Extra copies are available for anyone
 7 desiring them at the sign-in table.
 8 If there is no objection, I ask that
 9 ACE-1 be included in the permanent record of
 10 today's proceeding.
 11 MR. GLASSEN: No objection.
 12 MR. KILAR: No objection.
 13 THE JUDGE: Thank you. So noted.
 14 MR. PASSANANTE: Please allow me to
 15 briefly outline the purpose of today's public
 16 hearing.
 17 On or about August 21, 2018 ACE filed
 18 a petition with the New Jersey Board of Public
 19 Utilities, which was docketed as BPU Docket Number
 20 ER 18080925, seeking the Board's approval of 1,
 21 proposed changes to certain elements of the
 22 Company's tariff; 2, approval of a new revenue
 23 decoupling mechanism that decouples base
 24 distribution revenue from the volume of sales and
 25 level of their billed demand.

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1 The Board transmitted the Company's
 2 petition to the Office of Administrative Law for
 3 the purpose of conducting public and evidentiary
 4 hearings. The petition was docketed as OAL Docket
 5 Number PUC 14569-2018S.
 6 Specifically, the Company is seeking
 7 an increase in distribution related charges. If
 8 approved, the request would increase the net
 9 annual revenues of the Company by approximately
 10 \$121.9 million, or 129.9 million if we include
 11 state sales and use tax.
 12 The Company is requesting the rate
 13 increase due to increases in operating expenses
 14 and investments in plant and equipment made since
 15 the Company's last base rate case.
 16 In order to maintain and enhance the
 17 reliability of service to all ACE customers, and
 18 to improve the resiliency of the distribution
 19 system in severe weather events, the Company has
 20 continued to invest heavily in its distribution
 21 system.
 22 The costs of these investments, along
 23 with other cost increases experienced since ACE's
 24 last base rate case, are not reflected in the
 25 Company's current rates. The current rate filing

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1 requests recognition in rates of these costs.
 2 The Company has requested that all of
 3 the rate changes requested in the petition and
 4 summarized in the public notice become effective
 5 for service rendered on and after May 21, 2019,
 6 that is following the anticipated expiration of
 7 two statutory BPU-adopted suspension periods.
 8 If this filing is not resolved within
 9 the nine-month period set forth under applicable
 10 law, ACE, consistent with N.J.A.C. 14:1-5.12, has
 11 reserved the right to implement the rate changes
 12 set out in the petition on an interim basis,
 13 subject to refund once the case is finally
 14 resolved by the Board.
 15 If ACE's request is approved, the
 16 total monthly bill for a typical residential
 17 customer using approximately 679 kWh per month
 18 will increase by \$12.92, or approximately 10.8
 19 percent.
 20 The exact amount that a customer's
 21 bill will increase depends upon the amount of
 22 electricity the customer uses. A chart was
 23 included in the public notice to help residential
 24 customers assess the impact of the new rates on
 25 their monthly bills.

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1 Any final rate adjustments found by
 2 the Board to be just and reasonable may be
 3 modified and/or allocated by the Board in
 4 accordance with the provisions of N.J.S.A. 48:3-4,
 5 and for other good and legally sufficient reasons
 6 to any class or classes of customers of the
 7 Company.
 8 Therefore, the changes requested by
 9 the Company may increase or decrease based upon
 10 the ultimate decision by the Board in this
 11 matter.
 12 The petition and the public notice
 13 were also served upon the Director of the Division
 14 of Rate Counsel, whose representative of Rate
 15 Counsel is present in the room today, and who will
 16 represent all interests of ACE customers at this
 17 proceeding.
 18 Copies of ACE's petition and related
 19 filings are available in this hearing room for
 20 public inspection, they're on that table to my
 21 right, and are posted on the public postings page
 22 of ACE's website. Copies are also available at
 23 the Board's main office, 44 South Clinton Avenue,
 24 Seventh Floor, Trenton, New Jersey.
 25 We look forward to hearing your

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1 comments on ACE's petition. Rest assured; ladies
 2 and gentlemen, that your input will be made part
 3 of the final record in the proceeding to be
 4 considered by the Administrative Law Judge in
 5 rendering a decision, and by the Board prior to
 6 voting on the matter. Thank you.
 7 THE JUDGE: Thank you, Mr.
 8 Passanante. Rate Counsel?
 9 MR. GLASSEN: Thank you, Your Honor.
 10 A copy of my remarks are on the table when you
 11 come in, if the audience would like.
 12 Good afternoon. My name is Jim
 13 Glassen.
 14 THE JUDGE: Mr. Glassen, may I have a
 15 copy of your remarks?
 16 MR. GLASSEN: I believe I put one up
 17 there for you.
 18 THE JUDGE: Oh, you know what? I
 19 think I put something on top of them. That's
 20 right. Thank you.
 21 MR. GLASSEN: Again, I am Jim
 22 Glassen. I am an Assistant Deputy Rate Counsel
 23 here on behalf of the New Jersey Division of Rate
 24 Counsel.
 25 Our office was created by the New

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1 Jersey legislature to represent ratepayers in
 2 cases involving public utilities service.
 3 Atlantic City Electric Company filed a petition
 4 with the New Jersey Board of Public Utilities on
 5 August 21, 2018 requesting an increase in the
 6 Company's electric base rate of 109.3 million, or
 7 116-and-a-half million, including sales and use
 8 tax.
 9 The Company also requested Board
 10 approval for a new revenue decoupling mechanism
 11 which is designed to decouple base distribution
 12 revenue from the volume of sales and the level of
 13 billed demand.
 14 On November 19, 2018 the Company
 15 updated its filing to reflect actual amounts
 16 incurred through September 30, 2018. This updated
 17 filing requested an annual increase in current
 18 retail base rates for electric service of 121.9
 19 million or 129.9 million, including sales and use
 20 tax.
 21 The proposed rate increase, according
 22 to the Company, is required to operate and
 23 maintain its electric distribution systems in a
 24 safe, adequate, proper and reliable manner as
 25 required by law. The Company's electric base

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<p>1 rates were last increased on October 1, 2017. 2 Based on the Company's updated 3 filing, a typical residential customer using 750 4 kilowatt hours per summer month would see their 5 monthly charge increase from \$129.94 to \$144.93. 6 And using 750 kilowatt hours per winter month, 7 would see their monthly charge increase from 8 \$132.82 to \$146.41. 9 On an annual basis residential rates, 10 based on the updated filing, would rise 11 approximately 11.1 percent. 12 Any rate adjustments with resulting 13 changes in bill impacts found by the Board to be 14 just and reasonable as the result of the Company's 15 filing may be modified and/or allocated by the 16 Board in accordance with the provisions of 17 N.J.S.A. 48:2-21, and for other good and legally 18 sufficient reasons to any class or classes of 19 customers of the Company. 20 Therefore, the described charges may 21 increase or decrease based upon the Board's 22 decision. Present electric rates will remain in 23 effect until the new rates are approved by the 24 Board. 25 Copies of the Company's petition and</p>	<p>1 part of the record on which the Board makes its 2 decision. 3 Rate Counsel also needs to hear your 4 views. Your active participation is strongly 5 encouraged to help in our evaluation of the 6 Company's proposals. 7 Again, this hearing is being 8 transcribed and your comments will become part of 9 the record. I would like to reiterate the 10 importance of your participation so that Rate 11 Counsel can have a clear record of your concerns 12 and interests. 13 On behalf of Rate Counsel, thank you 14 for attending today's hearing. 15 THE JUDGE: Thank you, Mr. Glassen. 16 Board Staff, Mr. Kilar? 17 MR. KILAR: Good afternoon. My name 18 is Bart Kilar. I'm here representing the New 19 Jersey Board of Public Utilities Staff. 20 I would like to thank all of you for 21 coming out to participate, and I look forward to 22 hearing your comments. 23 The New Jersey Board of Public 24 Utilities is mandated by law to ensure safe, 25 adequate and proper utility service at a</p>
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<p>1 work papers are available for review, as Mr. 2 Passanante said, here in the Company's business 3 offices here during business hours and on ACE's 4 website. 5 Copies of the petition are also 6 available at the Board's main office, 44 South 7 Clinton Avenue, Seventh Floor, Trenton, New 8 Jersey. 9 Our office, the New Jersey Division 10 of Rate Counsel, is conducting a complete review 11 of the Company's petition, based on the 12 information supplied and updated by the Company. 13 We have retained the services of expert 14 consultants to assist us in our review. 15 Rate Counsel's inquiry is focused on 16 the critical issues of whether the amount of the 17 proposed increase is necessary, ensuring that 18 ratepayers pay the lowest reasonable rates while 19 receiving safe, reliable and proper service. 20 The BPU will make the final decision 21 regarding this filing. 22 The purpose of this hearing is for 23 you, the customer, to voice your opinion and offer 24 comments about these matters. It is important 25 that you express your views so they may become</p>	<p>1 reasonable cost to Atlantic City Electric 2 Company's ratepayers, as well as all other New 3 Jersey utility ratepayers. 4 The Board Staff plays an active role 5 in all rate cases before the Board and the Office 6 of Administrative Law. We are thoroughly 7 reviewing and analyzing the Company's filing and 8 the position of the other parties, such as Rate 9 Counsel. 10 I can assure you that the Board Staff 11 is thoroughly investigating and scrutinizing all 12 documents submitted in this matter, and will 13 develop a full record to ensure that service is 14 provided at a reasonable cost. 15 However, until the Board makes a 16 decision in this matter, Staff is precluded from 17 commenting on the merits of this case. 18 Once again, I look forward to hearing 19 your comments. Thank you. 20 THE JUDGE: Thank you, Mr. Kilar. 21 From the public we'll begin with Mr. Petito. Am I 22 saying that correctly? 23 MR. PETITO: Yes, Your Honor. 24 THE JUDGE: Mr. Petito, please give 25 your full name and spell your last name for the</p>

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<p>1 court reporter, and then please your address and 2 your title.</p> <p>3 MR. PETITO: My name is Anthony 4 Petito. Last name's spelled P-E-T-I-T-O. My 5 address is 6 Ken Court, Mantua, New Jersey 08051. 6 And I am the business manager of IBW Local Union 7 210.</p> <p>8 Good afternoon, Your Honor. I want 9 to thank you for giving me the opportunity to 10 speak on behalf of the IBW and our members.</p> <p>11 Our members have served South Jersey 12 since 1902. We work in a vast number of arenas 13 which include the electric utility industry, as 14 well as public sector classifications such as 15 police dispatch, public works, clerical positions, 16 health building, and electrical inspectors.</p> <p>17 I would like to express our support 18 for Atlantic City Electric's request to adjust 19 rates to recover the cost to modernize and fortify 20 the local energy grid, and provide customers with 21 the service they have come to expect from their 22 local energy providers.</p> <p>23 This request would allow ACE to 24 recover the cost of the investments made in the 25 local energy grid that have resulted in record</p>	<p>1 here?</p> <p>2 MR. PETITO: I was a high voltage 3 test person for Atlantic City Electric Company.</p> <p>4 THE JUDGE: Were you involved with 5 the upgrade that you cited?</p> <p>6 MR. PETITO: Yes. I've witnessed 7 them. And I can say firsthand, I worked in the 8 high voltage department, which was substations, 9 and I've witnessed how they have went away from 10 oil circuit breakers for a cleaner environment. 11 They went to vacuum circuit breakers, they went to 12 gas circuit breakers.</p> <p>13 Transformers, power transformers that 14 have thousands of gallons of oil in them, they 15 built retainment walls around each and every one 16 of those transformers. They're involved with 17 solar. They constantly upgrade the system.</p> <p>18 As far as overhead on the street, 19 they started putting reclosures in, I think three 20 or four years ago, which isolate an outage. 21 Before there was a current on the line, it would 22 go all the way back to the substation. The 23 company was committed to putting these reclosures 24 in, and they have put them all over the system. 25 It'll isolate the fault and keep everybody</p>
<p>1 reliable service for customers.</p> <p>2 Investments in electric 3 infrastructure are critical to keeping the lights 4 on and providing more reliable service for 5 Atlantic City Electric customers.</p> <p>6 The men and women of IBW Local Union 7 210 work hard each and every day to maintain the 8 region's electrical system. I would like to tell 9 you, Your Honor, that I've witnessed firsthand the 10 commitment of Atlantic City Electric Company to 11 its customers, to the community, to the 12 environment, and to their employees.</p> <p>13 I've witnessed it. I've worked for 14 the company for 32 years, and I recently retired. 15 They are committed to the people and the community 16 that I mentioned.</p> <p>17 In closing we ask that the New Jersey 18 Board of Public Utilities approve Atlantic City 19 Electric's request to adjust rates. Thank you, 20 Your Honor, for allowing me to speak today.</p> <p>21 THE JUDGE: Thank you. Mr. Petito, 22 just one question. I think you stated you're a 23 former employee?</p> <p>24 MR. PETITO: Yes.</p> <p>25 THE JUDGE: What was your title</p>	<p>1 downstream still in service.</p> <p>2 So I've witnessed it. I've seen it. 3 And they are committed to doing it.</p> <p>4 THE JUDGE: One last question. Are 5 you also a customer of Atlantic City Electric?</p> <p>6 MR. PETITO: Yes, I am. I live in 7 West Mantua but -- I reside in West Deptford, but 8 the mailing address is West Mantua. And I am a 9 customer of Atlantic City Electric Company, and 10 I'm a proud customer.</p> <p>11 THE JUDGE: Have you seen an increase 12 in the reliability?</p> <p>13 MR. PETITO: Yes, I have. I've seen 14 it over the years. And its Sadie Katie numbers 15 are, our response times set records. We set 16 records all the time. And that's in combination 17 with the Company and the union workers we have.</p> <p>18 So for the record, I want to say that 19 we endorse this rate adjustment.</p> <p>20 THE JUDGE: Thank you very much.</p> <p>21 MR. PETITO: Thank you.</p> <p>22 THE JUDGE: Next, Jerry Keenan. Mr. 23 Keenan, please, your name for the record, spelling 24 your last name and your address, and if 25 applicable, your title.</p>
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1 MR. KEENAN: Sure. My name is Jerry
 2 Keenan. I am executive vice-president of the New
 3 Jersey Alliance for Action, K-E-E-N-A-N. And the
 4 Alliance for Action is based in Edison, New
 5 Jersey.
 6 I want to thank you first of all for
 7 not limiting our comments today. So if someone
 8 can please hand me my speech, that booklet right
 9 there --
 10 But once again, good afternoon and
 11 thank you so much, Your Honor, for allowing me the
 12 chance to speak. As we discussed I am the
 13 executive vice-president of Alliance for Action.
 14 The Alliance for Action is a
 15 nonpartisan and nonprofit association of thousands
 16 of business, labor, government, public authority,
 17 higher education, and other New Jersey leaders.
 18 Our goal is to promote
 19 environmentally friendly infrastructure and
 20 capital investment as a way to create jobs, to
 21 make New Jersey a better place to live, work and
 22 raise a family.
 23 I'm here today to call on the New
 24 Jersey Board of Public Utilities to approve the
 25 Atlantic City Electric regulatory rate review

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1 in the energy grid, and provide customers with the
 2 first rate service they have come to expect, and
 3 as we heard from one of our Atlantic City
 4 customers, which is fantastic news.
 5 This funding will also help Atlantic
 6 City Electric invest in its future, which means
 7 more jobs, a better economy and a better quality
 8 of life.
 9 So for all those reasons the Alliance
 10 for Action calls on the BPU to approve the
 11 Atlantic City Electric regulatory rate review
 12 filing as quickly and as expeditiously as
 13 possible.
 14 Thank you so much for your time.
 15 THE JUDGE: You're welcome. I just
 16 have two questions.
 17 MR. KEENAN: Sure.
 18 THE JUDGE: When was the Alliance for
 19 Action established?
 20 MR. KEENAN: We were founded in
 21 1974. It was in response to, back then, the state
 22 economy was in a terrible downturn, much like the
 23 rest of the country. New Jersey was probably
 24 affected worse than most other states.
 25 And a group got together, it was

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1 filing.
 2 Atlantic City Electric is seeking a
 3 rate increase to recover investments made to
 4 modernize the local energy grid, enhance customer
 5 engagement tools, and also to replace assets.
 6 Atlantic City Electric is really a
 7 great success story. What do you expect when you
 8 throw the light switch or turn on the air
 9 conditioner? You expect the light to go on, you
 10 expect to cool off with some cool air.
 11 Because of recent investments, which
 12 Atlantic City Electric is hoping to recapture
 13 through this rate review, customers have
 14 experienced the lowest average number of
 15 electricity outages in the company's history.
 16 That's fantastic news.
 17 They also have been able to expect
 18 the fastest restoration times ever. This has come
 19 with an increase, by the way, of several major
 20 weather incidents. We've had hurricanes in the
 21 past two years. Just earlier this year we had
 22 four major weather problems just in March alone of
 23 2018.
 24 If approved this funding is going to
 25 allow Atlantic City Electric to continue to invest

Page 25

1 really called on by Governor Byrne, to develop
 2 ways to help New Jersey get out of the economic
 3 doldrums.
 4 And a group of contractors and labor
 5 guys, construction industry people, got together
 6 and said, look, we need to convince the state to
 7 start investing in its infrastructure as a way to
 8 improve the overall economy.
 9 Because, look, you need roads in
 10 order to get to this building here. You need
 11 electricity in order to be comfortable here.
 12 So they started working with the
 13 state to start more heavily investing in its
 14 infrastructure. We were able to get the
 15 Transportation Trust Fund created. We were able
 16 to get school funding programs created.
 17 Higher education, we got a higher
 18 education bond issue approved in 1979. And we
 19 moved on to not only public projects, but also
 20 private projects.
 21 Again, because when you're able to
 22 put people to work in construction, it not only
 23 puts them to work, but what it does is it creates
 24 a tremendous multiplier effect down the road.
 25 Because if you build a hospital, not

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1 only are you building that hospital, but then you
 2 have doctors and nurses and cafeteria people and
 3 so on working there. It's just a great
 4 opportunity for the entire economy.
 5 THE JUDGE: And your membership comes
 6 from throughout the state?
 7 MR. KEENAN: Yeah. Yes, I'm sorry.
 8 We're a statewide organization, North
 9 Jersey, Central Jersey and South Jersey. Our
 10 membership is comprised of pharmaceutical
 11 companies. We have 12 county governments that are
 12 members of ours. We have municipalities, dozens
 13 of municipalities.
 14 Obviously utility companies,
 15 contractors, engineers, labor. New Jersey's
 16 higher education institutions are members of the
 17 Alliance, including Atlantic Cape May College here
 18 and Stockton University.
 19 It's a very, very diverse membership,
 20 in a lot of ways similar to a Chamber of Commerce,
 21 except that we also include labor. And our agenda
 22 is very focused on infrastructure issues, and
 23 we're involved in a lot of other issues.
 24 Thank for your time. I appreciate
 25 it. And if you have any other questions let me

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1 know.
 2 THE JUDGE: Thank you. Ms. Morgan
 3 Pyle?
 4 (An off-the-record discussion takes
 5 place.)
 6 THE JUDGE: Your name, spelling your
 7 last name and your title, please.
 8 MS. PYLE: Sure. Morgan Pyle,
 9 P-Y-L-E. I'm Deputy Executive Director of the New
 10 Jersey Energy Coalition.
 11 Good afternoon, Your Honor. Thank
 12 you for the opportunity to provide testimony
 13 today. My name is Morgan Pyle. I'm the Deputy
 14 Executive Director of the New Jersey Energy
 15 Coalition.
 16 In August 2007 the New Jersey Energy
 17 Coalition, an organization founded to raise public
 18 awareness of the value of clean, affordable and
 19 reliable energy for our state, was founded.
 20 Atlantic City Electric is an executive board
 21 member of the New Jersey Energy Coalition.
 22 We are before you today to discuss
 23 Atlantic City Electric's request of a regulatory
 24 rate review by the New Jersey Board of Public
 25 Utilities for approval to adjust rates to recover

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1 the costs to modernize and fortify the local
 2 energy grid, and provide customers with a service
 3 they have come to expect from their local energy
 4 provider.
 5 Over the past several years Atlantic
 6 City Electric has made significant investments in
 7 its local energy grid, investments that are
 8 benefitting all customer classes, from casinos in
 9 Atlantic City, to food and refrigeration
 10 facilities in the rural and farming communities in
 11 Atlantic, Cumberland and Salem Counties.
 12 These counties, where increased
 13 reliability and resiliency means that new
 14 transformational businesses are confident that the
 15 electrical infrastructure can support their
 16 operations, these counties have fragile economies.
 17 And the increased investment from
 18 Atlantic City Electric will help provide a
 19 stronger grid that will have a direct positive
 20 impact on the working men and women in South
 21 Jersey.
 22 Additionally, these investments are
 23 providing noticeable and tangible results to the
 24 communities that Atlantic City Electric serves.
 25 In 2017 Atlantic City Electric customers

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1 experienced the lowest average number of
 2 electrical outages in the company history, as well
 3 as the fastest restoration time. The average
 4 number of outages decreased from the previous low
 5 set in 2015 and the previous year.
 6 If this rate adjustment is approved,
 7 it will allow Atlantic City Electric to continue
 8 to invest in the energy grid and to provide
 9 customers with the level of service that they have
 10 come to expect from the Company.
 11 The Energy Coalition is here today to
 12 state our support of the rate adjustment, and we
 13 ask for Board approval, so that Atlantic City
 14 Electric can continue to make these investments
 15 that will have a long lasting impact on the
 16 region. Thank you.
 17 THE JUDGE: Miss Pyle, is the Energy
 18 Coalition a statewide organization, or are you
 19 focused on South Jersey?
 20 MS. PYLE: We are based in Millville,
 21 New Jersey. However, we have membership from
 22 around the entire State of New Jersey. And also
 23 we have a few members from Pennsylvania. So it's
 24 based on people and companies that have an impact
 25 in New Jersey.

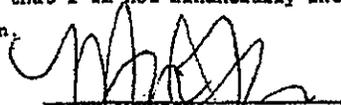
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1 THE JUDGE: Are you personally a
 2 customer of Atlantic City Electric?
 3 MS. PYLE: Personally I am not, I am
 4 out of their territory. But where our building is
 5 in Millville we are.
 6 THE JUDGE: Well, thank you.
 7 MS. PYLE: Thank you.
 8 THE JUDGE: I didn't see anyone else
 9 come in, is that correct? Well, we'll take a
 10 short break. But if anyone comes, and as you
 11 know, I will be here and most of the
 12 representatives are here until 5:30.
 13 So we'll let you take a break. And
 14 if anyone comes in in the next 30 minutes we will
 15 open the record. Otherwise we'll have them wait
 16 until 5:30.
 17 (A recess is held.)
 18 THE JUDGE: Since no other members of
 19 the public have appeared, we will adjourn the 3:30
 20 hearing. Thank you for your attendance.
 21 (The hearing is adjourned.)
 22
 23
 24
 25

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1 CERTIFICATE
 2
 3
 4 I, NANCY AMBROSE, LICENSE NO. 30XI00199300, a
 5 Certified Court Reporter of the State of New
 6 Jersey, do hereby certify that the foregoing is a
 7 true and accurate transcript of the testimony as
 8 taken stenographically by and before me at the
 9 time, place and on the date hereinbefore set
 10 forth, to the best of my ability.
 11
 12 I DO FURTHER CERTIFY that I am neither a relative
 13 nor employee nor attorney nor counsel of any of
 14 the parties to this action, and that I am neither
 15 a relative nor employee of such attorney or
 16 counsel, and that I am not financially interested
 17 in the action.
 18
 19 
 20 NANCY AMBROSE
 21 Certified Court Reporter
 22 of the State of New Jersey
 23
 24
 25

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RECEIVED 1

2019 JAN 24 P 3 47

STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW

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3
4 IN THE MATTER OF THE PETITION OF ATLANTIC CITY
5 ELECTRIC COMPANY FOR APPROVAL OF AMENDMENTS TO ITS
6 TARIFF TO PROVIDE FOR AN INCREASE IN RATES AND
7 CHARGES FOR ELECTRIC SERVICE PURSUANT TO N.J.S.A.
8 48:2-21 AND N.J.S.A. 14:1-5.12, AND FOR OTHER
9 APPROPRIATE RELIEF

OAL DOCKET NO. PUC 14569-18
BPU DOCKET NO. ER18080925

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11
12
13
14 H E L D:

ATLANTIC CITY ELECTRIC COMPANY OFFICES
5100 Harding Highway
Mays Landing, New Jersey 08330
Tuesday, January 8, 2019
5:30 p.m.

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17
18
19 B E F O R E:

THE HONORABLE TRICIA M. CALIGUIRE,
Administrative Law Judge

20
21
22
23
24
25
TRANSCRIPTION BY:
Nancy Ambrose,
C.C.R.

J.H. BUEHRER & ASSOCIATES
CERTIFIED SHORTHAND REPORTERS
884 Breezy Oaks Drive
Toms River, New Jersey 08753
PHONE 732-295-1975 FAX 732-295-1989

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1 **A P P E A R A N C E S :**

2 **ATLANTIC CITY ELECTRIC COMPANY**

3 **BY: PHILIP J. PASSANANTE, ESQ.**

4 **Associate General Counsel**

5 **STATE OF NEW JERSEY**

6 **DIVISION OF RATE COUNSEL**

7 **BY: JAMES W. GLASSEN, ESQ.**

8 **Assistant Deputy Rate Counsel**

9 **A L S O A P P E A R I N G :**

10 **BART KILAR**

11 **Board of Public Utilities Staff**

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1 **THE JUDGE:** Good evening. Welcome

2 and thank you for attending and participating in

3 this evening's public hearing.

4 My name is Judge Tricia Caliguire.

5 I'm the Administrative Law Judge assigned to

6 preside over this hearing.

7 The purpose of tonight's hearing is

8 to provide members of the public with the

9 opportunity to comment upon the petition of

10 Atlantic City Electric Company, which is currently

11 pending before the New Jersey Board of Public

12 Utilities.

13 The issue raised in this petition is

14 whether the Petitioner can establish by a

15 preponderance of credible evidence that the

16 proposed increase in its rates for electric

17 services and other related changes to its tariffs,

18 including a proposal to decouple base distribution

19 revenue from the volume of sales level of billed

20 demand, are necessary to provide safe, adequate

21 and proper services to its customers, and earn a

22 reasonable return on the fair value of its

23 property used and useful in the public service.

24 Although the representatives of

25 Atlantic City Electric Company, the BPU, and the

Page 3

1 **EX H I B I T S**

2

3 **NUMBER DESCRIPTION**

4 **ACE-1 Certification of**

5 **Philip J. Passanante ***

6

7 * Received into the Record at the 3:30 Hearing

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1 Division of Rate Counsel will not be answering any

2 questions as part of this hearing, they are

3 available to speak with you personally and answer

4 any questions you may have either during a break

5 or at the conclusion of this hearing. These

6 representatives will introduce themselves to you

7 shortly.

8 Before that I would like to explain

9 how I will conduct the hearing. First and most

10 important, if you want to provide comments this

11 evening please be sure to print your name and

12 address on the sign-in sheet so that you may be

13 recognized.

14 When you're called to the microphone

15 I'll ask you again to state your name, spelling

16 your last name, and give your address for the

17 record. It has never been my practice to set time

18 limits for any speaker during the public hearing.

19 We'll be here until all of you who

20 wish to speak have had the opportunity to do so.

21 I would suggest, however, that if someone else has

22 spoken and your remarks are consistent with those

23 that are given by a person or persons who go

24 before you, it is not necessary for you to repeat

25 them. You may simply note your agreement with any

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<p style="text-align: right;">Page 6</p> <p>1 specific person. 2 I will now ask the representatives to 3 place their appearances on the record and provide 4 an opening statement, if any. Thank you all for 5 your participation and your courtesy. 6 First from the Petitioner. 7 MR. PASSANANTE: Your Honor, I'll 8 start by entering my appearance on the record, and 9 make a statement once you've heard from the others 10 as well. 11 Good evening. My name is Philip J. 12 Passanante. I'm Assistant General Counsel for 13 Atlantic City Electric. 14 THE JUDGE: Thank you, Mr. 15 Passanante. 16 MR. GLASSEN: Good evening, Your 17 Honor. Jim Glassen on behalf of New Jersey 18 Division of Rate Counsel. 19 THE JUDGE: Good evening. And for 20 BPU Staff? 21 MR. KILAR: Bart Kilar representing 22 Board Staff. 23 THE JUDGE: Thank you. I would like 24 to begin with a statement from Petitioner. 25 MR. PASSANANTE: Thank you. Your</p>	<p style="text-align: right;">Page 8</p> <p>1 THE JUDGE: So noted. 2 MR. PASSANANTE: Please allow me to 3 briefly outline the purpose of tonight's public 4 hearing. 5 On or about August 21, 2018 ACE filed 6 a petition with the New Jersey Board of Public 7 Utilities, which was docketed as BPU Docket Number 8 ER 18080925, seeking the Board's approval of 1, 9 proposed changes to certain elements of the 10 Company's tariff; 2, approval of a new revenue 11 decoupling mechanism that decouples base 12 distribution revenue from the volume of sales and 13 level of their billed demand. 14 The Board transmitted the Company's 15 petition to the Office of Administrative Law for 16 the purpose of conducting public and evidentiary 17 hearings. The petition was docketed as OAL Docket 18 Number PUC 14569-2018S. 19 Specifically, the Company is seeking 20 an increase in distribution related charges. If 21 approved, the request would increase the net 22 annual revenues of the Company by approximately 23 \$121.9 million, or 129.9 million if we include 24 state sales and use tax. 25 The Company is requesting the rate</p>
<p style="text-align: right;">Page 7</p> <p>1 Honor. 2 Good evening, Your Honor, ladies and 3 gentlemen. My name is Philip J. Passanante. And 4 as I indicated a moment ago, I am Assistant 5 General Counsel to Atlantic City Electric 6 Company. In this context I'll refer to the 7 Company as ACE or the Company. 8 At the outset please note that notice 9 of tonight's public hearing has been published in 10 newspapers servicing ACE's entire service 11 territory. Copies of the public notice have also 12 been forwarded to all municipalities and counties 13 served by the Company by first class mail. 14 A certification of Philip J. 15 Passanante certifying publication and mailing has 16 been premarked as ACE-1, and was handed earlier to 17 the court reporter transcribing today's 18 proceedings. 19 Copies of ACE-1 have also been 20 presented to you and to the State representatives 21 present. Extra copies are available for anyone 22 desiring them at the sign-in table. 23 As stated earlier, ACE-1 has been 24 included in the permanent record of today's 25 proceedings without objection.</p>	<p style="text-align: right;">Page 9</p> <p>1 increase due to increases in operating expenses 2 and investments in plant and equipment made since 3 the Company's last base rate case. 4 In order to maintain and enhance the 5 reliability of service to all ACE customers, and 6 to improve the resiliency of the distribution 7 system in severe weather events, the Company has 8 continued to invest heavily in its distribution 9 system. 10 The costs of these investments, along 11 with other cost increases experienced since ACE's 12 last base rate case, are not reflected in the 13 Company's current rates. The current rate filing 14 requests recognition in rates of these costs. 15 The Company has requested that all of 16 the rate changes requested in the petition and 17 summarized in the public notice become effective 18 for service rendered on and after May 21, 2019, 19 that is following the anticipated expiration of 20 two statutory BPU-adopted suspension periods. 21 If this filing is not resolved within 22 the nine-month period set forth under applicable 23 law, ACE, consistent with N.J.A.C. 14:1-5.12, has 24 reserved the right to implement the rate changes 25 set out in the petition on an interim basis,</p>

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1 subject to refund once the case is finally
 2 resolved by the Board.
 3 If ACE's request is approved, the
 4 total monthly bill for a typical residential
 5 customer using approximately 679 kWh per month
 6 will increase by \$12.92, or approximately 10.8
 7 percent.
 8 The exact amount that a customer's
 9 bill will increase depends upon the amount of
 10 electricity the customer uses. A chart was
 11 included in the public notice to help residential
 12 customers assess the impact of the new rates on
 13 their monthly bills.
 14 Any final rate adjustments found by
 15 the Board to be just and reasonable may be
 16 modified and/or allocated by the Board in
 17 accordance with the provisions of N.J.S.A. 48:3-4,
 18 and for other good and legally sufficient reasons.
 19 to any class or classes of customers of the
 20 Company.
 21 Therefore, the changes requested by
 22 the Company may increase or decrease based upon
 23 the ultimate decision by the Board in this
 24 matter.
 25 The petition and the public notice

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1 Glassen. I am an Assistant Deputy Rate Counsel
 2 here on behalf of the New Jersey Division of Rate
 3 Counsel.
 4 Our office was created by the New
 5 Jersey legislature to represent ratepayers in
 6 cases involving public utilities service.
 7 Atlantic City Electric Company filed a petition
 8 with the New Jersey Board of Public Utilities on
 9 August 21, 2018 requesting an increase in the
 10 Company's electric base rate of 109.3 million, or
 11 116-and-a-half million, including sales and use
 12 tax.
 13 The Company also requested Board
 14 approval for a new revenue decoupling mechanism
 15 which is designed to decouple base distribution
 16 revenue from the volume of sales and the level of
 17 billed demand.
 18 On November 19, 2018 the Company
 19 updated its filing to reflect actual amounts
 20 incurred through September 30, 2018. This updated
 21 filing requested an annual increase in current
 22 retail base rates for electric service of 121.9
 23 million or 129.9 million, including sales and use
 24 tax.
 25 The proposed rate increase, according

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1 were also served upon the Director of the Division
 2 of Rate Counsel, whose representative of Rate
 3 Counsel is present in the room tonight, and who
 4 will represent all interests of ACE customers at
 5 this proceeding.
 6 Copies of ACE's petition and related
 7 filings are available in this hearing room for
 8 public inspection, they're on that table to my
 9 right, and are posted on the public postings page
 10 of ACE's website. Copies are also available at
 11 the Board's main office, 44 South Clinton Avenue,
 12 Seventh Floor, Trenton, New Jersey.
 13 We look forward to hearing your
 14 comments on ACE's petition. Rest assured, ladies
 15 and gentlemen, that your input will be made part
 16 of the final record in the proceeding to be
 17 considered by the Administrative Law Judge in
 18 rendering a decision, and by the Board prior to
 19 voting on the matter. Thank you.
 20 THE JUDGE: Thank you, Mr.
 21 Passanante. Rate Counsel?
 22 MR. GLASSEN: Thank you, Your Honor.
 23 A copy of my remarks are on the table when you
 24 come in, if the audience would like.
 25 Good evening. My name is Jim

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1 to the Company, is required to operate and
 2 maintain its electric distribution systems in a
 3 safe, adequate, proper and reliable manner as
 4 required by law. The Company's electric base
 5 rates were last increased on October 1, 2017.
 6 Based on the Company's updated
 7 filing, a typical residential customer using 750
 8 kilowatt hours per summer month would see their
 9 monthly charge increase from \$129.94 to \$144.93.
 10 And using 750 kilowatt hours per winter month,
 11 would see their monthly charge increase from
 12 \$132.82 to \$146.41.
 13 On an annual basis residential rates,
 14 based on the updated filing, would rise
 15 approximately 11.1 percent.
 16 Any rate adjustments with resulting
 17 changes in bill impacts found by the Board to be
 18 just and reasonable as the result of the Company's
 19 filing may be modified and/or allocated by the
 20 Board in accordance with the provisions of
 21 N.J.S.A. 48:2-21, and for other good and legally
 22 sufficient reasons to any class or classes of
 23 customers of the Company.
 24 Therefore, the described charges may
 25 increase or decrease based upon the Board's

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1 decision. Present electric rates will remain in
 2 effect until the new rates are approved by the
 3 Board.
 4 Copies of the Company's petition and
 5 work papers are available for review, as Mr.
 6 Passanante said, here in the Company's business
 7 offices here during business hours and on ACE's
 8 website.
 9 Copies of the petition are also
 10 available at the Board's main office, 44 South
 11 Clinton Avenue, Seventh Floor, Trenton, New
 12 Jersey.
 13 Our office, the New Jersey Division
 14 of Rate Counsel, is conducting a complete review
 15 of the Company's petition, based on the
 16 information supplied and updated by the Company.
 17 We have retained the services of expert
 18 consultants to assist us in our review.
 19 Rate Counsel's inquiry is focused on
 20 the critical issues of whether the amount of the
 21 proposed increase is necessary, ensuring that
 22 ratepayers pay the lowest reasonable rates while
 23 receiving safe, reliable and proper service.
 24 The BPU will make the final decision
 25 regarding this filing.

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1 hearing your comments.
 2 The New Jersey Board of Public
 3 Utilities is mandated by law to ensure safe,
 4 adequate and proper utility service at a
 5 reasonable cost to Atlantic City Electric
 6 Company's ratepayers, as well as all other New
 7 Jersey utility ratepayers.
 8 The Board Staff plays an active role
 9 in all rate cases before the Board and the Office
 10 of Administrative Law. We are thoroughly
 11 reviewing and analyzing the Company's filing and
 12 the position of the other parties, such as Rate
 13 Counsel.
 14 I can assure you that the Board Staff
 15 is thoroughly investigating and scrutinizing all
 16 documents submitted in this matter, and will
 17 develop a full record to ensure that service is
 18 provided at a reasonable cost.
 19 However, until the Board makes a
 20 decision in this matter, Staff is precluded from
 21 commenting on the merits of this case.
 22 Once again, I look forward to hearing
 23 your comments. Thank you.
 24 THE JUDGE: Thank you, Mr. Kilar. I
 25 will now open the hearing to any members of the

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1 The purpose of this hearing is for
 2 you, the customer, to voice your opinion and offer
 3 comments about these matters. It is important
 4 that you express your views so they may become
 5 part of the record on which the Board makes its
 6 decision.
 7 Rate Counsel also needs to hear your
 8 views. Your active participation is strongly
 9 encouraged to help in our evaluation of the
 10 Company's proposals.
 11 Again, this hearing is being
 12 transcribed and your comments will become part of
 13 the record. I would like to reiterate the
 14 importance of your participation so that Rate
 15 Counsel can have a clear record of your concerns
 16 and interests.
 17 On behalf of Rate Counsel, thank you
 18 for attending tonight's hearing.
 19 THE JUDGE: Thank you, Mr. Glassen.
 20 Board Staff, Mr. Kilar?
 21 MR. KILAR: Good evening. My name is
 22 Bart Kilar. I'm here representing the New Jersey
 23 Board of Public Utilities Staff.
 24 I would like to thank all of you for
 25 coming out to participate, and I look forward to

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1 public who wish to speak.
 2 Seeing no members of the public
 3 present, we will sit in recess to afford any
 4 latecomers the opportunity to make a statement.
 5 (A recess is held.)
 6 THE JUDGE: No members of the public
 7 have appeared at this time. We will now adjourn
 8 this hearing. Thank you for your attendance and
 9 please get home safely.
 10 (The hearing is adjourned.)
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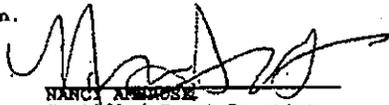
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C E R T I F I C A T E

I, NANCY AMBROSE, LICENSE NO. 30XI00199300, a Certified Court Reporter of the State of New Jersey, do hereby certify that the foregoing is a true and accurate transcript of the testimony as taken stenographically by and before me at the time, place and on the date hereinbefore set forth, to the best of my ability.

I DO FURTHER CERTIFY that I am neither a relative nor employee nor attorney nor counsel of any of the parties to this action, and that I am neither a relative nor employee of such attorney or counsel, and that I am not financially interested in the action.



NANCY AMBROSE
Certified Court Reporter
of the State of New Jersey

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<p>safely (1) 17:9 sales (6) 4:19;8:12,24;12:11, 16,23 scrutinizing (1) 16:15 Seeing (1) 17:2 seeking (2) 8:8,19 September (1) 12:20 served (2) 7:13;11:1 service (9) 4:23;7:10;9:5,18; 12:6,22;14:23;16:4,17 services (3) 4:17,21;14:17 servicing (1) 7:10 set (3) 5:17;9:22,25 Seventh (2) 11:12;14:11 severe (1) 9:7 sheet (1) 5:12 shortfly (1) 5:7 sign-in (2) 5:12;7:22 simply (1) 5:25 sit (1) 17:3 someone (1) 5:21 South (2) 11:11;14:10 speak (3) 5:3,20;17:1 speaker (1) 5:18 specific (1) 6:1 Specifically (1) 8:19 spelling (1) 5:15 spoken (1) 5:22 Staff (7) 6:20,22;15:20,23; 16:8,14,20 start (1) 6:8 state (3) 5:15;7:20;8:24 stated (1) 7:23</p>	<p>statement (4) 6:4,9,24;17:4 statutory (1) 9:20 strongly (1) 15:8 subject (1) 10:1 submitted (1) 16:16 sufficient (2) 10:18;13:22 suggest (1) 5:21 summarized (1) 9:17 summer (1) 13:8 supplied (1) 14:16 sure (1) 5:11 suspension (1) 9:20 system (2) 9:7,9 systems (1) 13:2</p>	<p>two (1) 9:20 typical (2) 10:4;13:7 U ultimate (1) 10:23 under (1) 9:22 updated (5) 12:19,20;13:6,14; 14:16 upon (5) 4:9;10:9,22;11:1; 13:25 use (3) 8:24;12:11,23 used (1) 4:23 useful (1) 4:23 uses (1) 10:10 using (3) 10:5;13:7,10 Utilities (6) 4:12;8:7;12:6,8; 15:23;16:3 utility (2) 16:4,7</p>	<p>7:25 work (1) 14:5 1 1 (2) 8:8;13:5 10.8 (1) 10:6 109.3 (1) 12:10 11.1 (1) 13:15 116-and-a-half (1) 12:11 121.9 (1) 12:22 129.9 (2) 8:23;12:23 14:1-5.12 (1) 9:23 14569-2018S (1) 8:18 18080925 (1) 8:8 19 (1) 12:18</p>	<p>750 (2) 13:7,10</p>
<p>shortfly (1) 5:7 sign-in (2) 5:12;7:22 simply (1) 5:25 sit (1) 17:3 someone (1) 5:21 South (2) 11:11;14:10 speak (3) 5:3,20;17:1 speaker (1) 5:18 specific (1) 6:1 Specifically (1) 8:19 spelling (1) 5:15 spoken (1) 5:22 Staff (7) 6:20,22;15:20,23; 16:8,14,20 start (1) 6:8 state (3) 5:15;7:20;8:24 stated (1) 7:23</p>	<p>T table (3) 7:22;11:8,23 tariff (1) 8:10 tariffs (1) 4:17 tax (3) 8:24;12:12,24 territory (1) 7:11 Therefore (2) 10:21;13:24 thoroughly (2) 16:10,15 today's (2) 7:17,24 tonight (1) 11:3 tonight's (4) 4:7;7:9;8:3;15:18 total (1) 10:4 transcribed (1) 15:12 transcribing (1) 7:17 transmitted (1) 8:14 Trenton (2) 11:12;14:11 Tricia (1) 4:4</p>	<p>V value (1) 4:22 views (2) 15:4,8 voice (1) 15:2 volume (3) 4:19;8:12;12:16 voting (1) 11:19</p>	<p>2 2 (1) 8:10 2017 (1) 13:5 2018 (4) 8:5;12:9,18,20 2019 (1) 9:18 21 (3) 8:5;9:18;12:9</p>	<p>750 (2) 13:7,10</p>
<p>start (1) 6:8 state (3) 5:15;7:20;8:24 stated (1) 7:23</p>	<p>W weather (1) 9:7 website (2) 11:10;14:8 Welcome (1) 4:1 whose (1) 11:2 winter (1) 13:10 wish (2) 5:20;17:1 within (1) 9:21 without (1)</p>	<p>3 30 (1) 12:20</p>	<p>4 44 (2) 11:11;14:10 48:2-21 (1) 13:21 48:3-4 (1) 10:17</p>	<p>750 (2) 13:7,10</p>
<p>start (1) 6:8 state (3) 5:15;7:20;8:24 stated (1) 7:23</p>	<p>6 679 (1) 10:5</p>	<p>7 7</p>	<p>7 7</p>	<p>750 (2) 13:7,10</p>

Counsel”), the Staff of the New Jersey Board of Public Utilities (“Board Staff” or “Staff”), Intervenor, Covia Holdings Corporation (“Covia”), Intervenors, Wal-Mart Stores East, LP and Sam’s East, Inc. (together, “Wal-Mart”), and Participant, Public Service Electric and Gas Company (“PSE&G”). The New Jersey Board of Public Utilities shall be referred to in this Stipulation of Settlement (the “Stipulation”) as the “Board” or the “BPU.” As used in this Stipulation, the term “Signatory Parties” refers to the Petitioner, Board Staff, Rate Counsel, Covia and Wal-Mart.

PROCEDURAL HISTORY

Petitioner is a corporation organized and existing under the laws of the State of New Jersey, subject to the jurisdiction of the Board, with a regional office located at 5100 Harding Highway, Mays Landing, New Jersey 08330. On August 21, 2018, the Company filed a Verified Petition with the Board pursuant to N.J.S.A. 48:2-21 seeking an annual increase in the Company’s base rates for electric distribution service of approximately \$109.3 million, excluding New Jersey Sales and Use Tax (“SUT”), and to make other tariff changes.¹ The Company filed its Petition based on a test year ending December 31, 2018, consisting of six months of actual results and six months of forecasted data, adjusted for certain known and measurable changes. On November 19, 2018, ACE filed revised schedules reflecting its 9+3 results. On February 14, 2019, the Petitioner filed revised schedules reflecting the Company’s actual results for the 12-month test year period, adjusted for known and measurable changes.

On October 3, 2018, the Board transmitted the matter to the Office of Administrative Law as a contested case, and Administrative Law Judge (“ALJ”) Tricia M. Caliguire was assigned to hear the case. A telephone Pre-Hearing Conference was convened by

¹ Specifically, the Company sought an increase in distribution rates of \$109,279,998 (\$116,519,798, including SUT).

ALJ Caliguire on November 1, 2018, and a Pre-Hearing Order was issued on December 17, 2018.

On September 11, 2018, Wal-Mart filed a Motion to Intervene. On October 18, 2018, Covia filed a Motion to Intervene. On November 1, 2018, PSE&G filed a Motion to Participate. The Company did not oppose the granting of these three Motions.

By Order dated October 29, 2018, the Motions to Intervene of Covia and Wal-Mart were granted by ALJ Caliguire. On November 14, 2018, ALJ Caliguire issued an order granting the Motion to Participate of PSE&G.

By way of an Order effective September 17, 2018, the Board suspended until January 21, 2019, the implementation of the changes the Company sought to make to its base rates. The Board further suspended the implementation of rates until May 21, 2019, in an Order dated January 17, 2019.

After proper notice, two public hearings were held in Mays Landing, New Jersey at 3:30 P.M. and 5:30 P.M. on January 8, 2019, with ALJ Caliguire presiding. Several members of the public appeared at the hearings and spoke in favor of the Company's proposed increase. No members of the public spoke in opposition to the Company's proposed increase. All comments were transcribed and made a part of the record.

Extensive discovery was conducted. Thereafter, multiple settlement discussions were held. The Company, Board Staff, Rate Counsel, Covia and Wal-Mart (collectively, the "Signatory Parties" and each a "Signatory Party") have come to an agreement on the matters set forth in this Stipulation. PSE&G, while not a Signatory Party, has indicated that it does not object to the terms of this Stipulation. Therefore, the Signatory Parties hereto agree and stipulate as follows:

1. For the purposes of this proceeding only, the Signatory Parties agree that the Company's rate base is deemed to be \$1,494,595,608 with a test year ending on December 31, 2018. The Signatory Parties further agree that this rate base amount does not reflect any particular ratemaking adjustment proposed by any Signatory Party for incorporation into the overall revenue requirement calculation.

2. The Signatory Parties agree that, for the purposes of resolving this proceeding, the Company shall have an overall rate of return of 7.08 percent, which is based on a capital structure consisting of 49.94 percent equity with a cost rate of 9.60 percent, and 50.06 percent long-term debt with a cost rate of 4.58 percent.

3. The Signatory Parties stipulate that a revenue increase for the Company of \$70 million (exclusive of SUT, or \$74,637,500 inclusive of SUT) is an appropriate resolution of this matter and is just and reasonable.

4. The Signatory Parties acknowledge that the stipulated revenue increase reflects consideration of a consolidated income tax adjustment.

5. The Signatory Parties agree and recommend that the Board should authorize the Company to implement new rates, based upon an increase in distribution base rate revenues of \$70 million (exclusive of SUT). The Signatory Parties agree that this increase in base rate revenues should be implemented as indicated on the attached proof of revenues and rate design schedules (included as **Exhibit A**) implementing the terms of this Stipulation. Final tariff pages implementing these rates will be submitted upon Board approval of this Stipulation. The tariff pages will reflect a change in the monthly customer charge for Rate Schedule RS (residential service) from \$4.80 to \$5.77 (inclusive of SUT). Based on the rate design in **Exhibit A**, the overall annual average monthly impact of this rate change on the total bill for a typical

residential customer using 679 kWh per month is \$7.34 or 6.12 percent (inclusive of SUT). This agreement on rate design is for settlement purposes only and does not indicate Board Staff's or Rate Counsel's agreement to the Company's functionalization, classification, and allocation of costs or to the Company's cost of service methodology presented in its Petition and testimonies filed in this matter.

6. The Signatory Parties agree and recommend that the Board approve the Company's tariff for electric service which has been revised to include changes to Rate Schedule RUE, Residential Underground Extensions, as well as to reflect the terms of this Stipulation of Settlement. The Signatory Parties further acknowledge that the Company will be required to file a complete conformed tariff upon the Board's final resolution of this proceeding.

7. The Company will continue to comply with the requirement ordered by the Board in BPU Docket No. ER03020110 to file the Company's base rate requests including an alternative distribution rate design based on a Cost of Service Study using a Peak and Average Coincident Peak method.

8. The Signatory Parties acknowledge that the rate design proposed in this Stipulation will result in no increase to Rate Schedule TGS-Transmission General Service.

9. The Company hereby agrees to withdraw without prejudice its request to implement a revenue decoupling mechanism.

10. By an Order dated October 29, 2018, in BPU Docket Nos. AX18010001 and ER18030241, the Board directed the Company to address any remaining liability related to the Tax Cuts and Jobs Act of 2017 ("TCJA") in this base rate case proceeding. Consistent with this requirement, ACE will provide one-time bill credits aggregating to \$3,976,121 as shown on Schedule (JCZ-S)-16. This amount represents all remaining TCJA liability for the period July 1,

2018 through September 30, 2018, and excess deferred income tax flow back for the period January 1, 2018 through September 30, 2018 related to non-property items that were not included in the \$6,155,946 TCJA liability approved by the Board and previously refunded to customers. The remaining TCJA liability of \$3,976,121 will be refunded to customers through one-time bill credits to be issued within 60 days after the effective date of the Board's Order approving this Stipulation of Settlement. The estimated bill credit for a typical residential customer is approximately \$5.11 (inclusive of SUT).

11: As required in the Company's 2012 base rate case (BPU Docket No. ER12121071), the Company filed a depreciation study in this proceeding, which has been reviewed by the Parties. Set out in **Exhibit B** is the schedule of depreciation rates agreed to in this proceeding. Effective January 2019, the Company also agrees to eliminate the use of "first-in, first-out" ("FIFO") for retirements in which the vintage year of the retired asset is not known, and to use mortality curves in lieu of FIFO for retirements in which the vintage year is not known. The Company agrees that regarding the calculation of Net Salvage depreciation rates in this proceeding, cost of removal ("COR") was allocated based on 16% of the capitalized costs.

12. The Signatory Parties acknowledge that in BPU Docket No. EM14060581 (the "Exelon Merger") the Company agreed to continue its existing Reliability Improvement Program ("RIP") through 2021, and to spend a minimum of 90% of the aggregate forecasted RIP budget through 2021.² The Signatory Parties agree that accelerated reliability spending under the RIP

² See *I/M/O the Merger of Exelon Corporation and Pepco Holdings, Inc.*, BPU Docket No. EM14060581, Order Approving Stipulation of Settlement (dated March 6, 2015), at 12-13 (summarizing Paragraph 16 of the Stipulation of Settlement). As described in the Merger Order, the total RIP budget forecast for 2016 through 2019 was \$206.6 million. The Company later provided budget forecasts for 2020 and 2021 of \$56 million and \$42.7 million, respectively, bringing the total forecasted RIP budget to \$305 million for the 2016 through 2021 period. ACE agreed to spend 90% of that amount, or approximately \$274 million. Through the end of 2018,

should be reduced and phased out. As a result of the discussions in this proceeding, the Company agrees to conclude the RIP as of December 31, 2021, and to spend \$75.8 million on RIP investments during the period 2019 through 2021. The Signatory Parties agree that, once ACE has spent \$75.8 million on RIP investments, it will have satisfied its RIP commitment in the Exelon Merger. For the remaining term of the RIP, the Signatory Parties also agree that the Company shall be relieved of its RIP quarterly reporting requirement and instead shall report semi-annually on RIP progress and spending during a Customer Service Improvement Plan ("CSIP") meeting.

13. The Company reaffirms its commitment to work to reduce customer complaints to an annual level of 1,500 or less. As a demonstration of its commitment to this initiative, ACE will engage an outside expert to assist the Company in preparing a plan to reduce the number of customer complaints and customer disconnections for non-payment, and to increase enrollments in payment assistance programs. ACE will provide the plan to Board Staff and Rate Counsel within six months of the effective date of the Board's Order approving this Stipulation of Settlement. The Company will report on its progress implementing this plan in ongoing CSIP meetings. The Company will further emphasize 'application/sign-up' events to help eligible customers sign-up for available payment assistance programs, including holding events at Title I schools and expanding outreach activities (through events or direct mail, where permitted) at Title I Schools located in ACE's service territory. The Company also agrees to have at least one Spanish speaking representative present and to provide all Company-prepared written materials distributed to members of the public in both Spanish and English, at each outreach event it holds

the Company has spent \$200 million on the RIP. Thus, upon spending an additional \$75.8 million through the RIP program, ACE will have met its commitment in the Merger Order.

where ACE reasonably anticipates that a significant number of the participating customers' primary language is Spanish.

14. The Signatory parties acknowledge that the stipulated revenue increase reflects consideration of the Company's proposed regulatory assets, with a three year amortization period. In the event that the Company files another base rate case with base rates effective within three years of the rate effective date of the current proceeding, the Company agrees that it will not seek the recovery of, or on, any unamortized balances related to these regulatory assets in that or any subsequent base rate case.

15. Each Signatory Party agrees to use its best efforts to ensure that this Stipulation shall be presented to the Board for approval at the Board's March 13, 2019 public agenda meeting. Each Signatory Party also understands that a Board order adopting this Stipulation will become effective upon the service of said Board order or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

16. This Stipulation shall be binding on the Signatory Parties upon the effective date of a Board Order approving this Stipulation. This Stipulation shall bind the Signatory Parties in this matter only and shall have no precedential value. This Stipulation contains terms, each of which is interdependent with the others and essential in its own right to the signing of this Stipulation. Each term is vital to the agreement as a whole, since the Signatory Parties expressly and jointly state that they would not have signed the Stipulation had any term been modified in any way. Since the Signatory Parties have compromised in numerous areas, each is entitled to certain procedures in the event that any modifications whatsoever are made to the Stipulation. If, upon consideration of this Stipulation, the Board were to modify any of the terms described above, each Signatory Party must be given the right to be placed in the position it was in before

this Stipulation was entered. It is essential that each Signatory Party be afforded the option, prior to the implementation of any new rate resulting from any modification of this Stipulation, either to modify its own position to accept the proposed change(s) or to resume the proceeding as if no agreement had been reached. This proceeding, under such circumstances, would resume at the point where it was terminated. The Signatory Parties agree that these procedures are fair to all concerned, and therefore, they are made an integral and essential element of this Stipulation. None of the Signatory Parties shall be prohibited from or prejudiced in arguing a different policy or position before the Board in any other proceeding, as such agreements pertain only to this matter and to no other matter.

17. This Stipulation represents the full scope of the agreement between the parties. This Stipulation may only be modified by a further written agreement executed by all the parties to this Stipulation.

18. This Stipulation may be executed in as many counterparts as there are Signatory Parties of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

ATLANTIC CITY ELECTRIC COMPANY

February 28, 2019
Date

By: *Colleen A. Foley*
Colleen A. Foley, Esq.
Saul Ewing Arnstein & Lehr LLP
Attorney for Petitioner

GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

2-28-19
Date

By: *Peter Van Brunt*
~~Alex Morcau~~ Peter Van Brunt
Deputy Attorney General

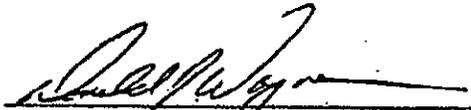
STEFANIE A. BRAND, ESQ.
DIRECTOR - DIVISION OF RATE COUNSEL

2/28/19
Date

By: *Stefanie A. Brand*
Stefanie A. Brand, Esq.
Director, Division of Rate Counsel

WAL-MART STORES EAST, LP/SAM'S EAST, INC.

February 28, 2019
Date

By: 
Donald R. Wagner, Esq.
Stevens & Lee
Attorney for intervenors, Wal-Mart Stores East, LP
and Sam's East, Inc.

COVIA HOLDINGS CORPORATION

Date

By: _____
Bradford M. Stern, Esq.
Martin C. Rothfelder, Esq.
Rothfelder Stern, L.L.C.
Attorneys for Intervenor,
Covia Holdings Corporation

WAL-MART STORES EAST, LP/SAM'S EAST, INC.

Date

By: _____
Donald R. Wagner, Esq.
Stevens & Lee
Attorney for Intervenors, Wal-Mart Stores East, LP
and Sam's East, Inc.

COVIA HOLDINGS CORPORATION

Feb 28, 2019
Date

By: Bradford M. Stern
Bradford M. Stern, Esq.
Martin C. Rothfelder, Esq.
Rothfelder Stern, L.L.C.
Attorneys for Intervenor,
Covia Holdings Corporation

EXHIBIT A

**PROOF OF REVENUES &
RATE DESIGN**

Atlantic City Electric Company
Development of Proposed Distribution Rate
Rate Class Allocation of Distribution Revenue Requirements

Revenue Requirement \$ 70,000,000
Rate Schedule Specific Revenue Increase Allocation

Rate Schedule	Total	RESIDENTIAL	MONTHLY GENERAL SERV SECONDARY	MONTHLY GENERAL SERV PRIMARY	ANNUAL GENERAL SERV SECONDARY	ANNUAL GENERAL SERV PRIMARY	TRANSMISSION GENERAL SERV SUB-TRANSMISSION	TRANSMISSION GENERAL SERV TRANSMISSION	STREET LIGHTING SERVICE	DIRECT DISTRIBUTION CONNECTION
Annualized Current Distribution Revenue	\$ 355,642,263	\$ 210,509,667	\$ 63,376,349	\$ 1,439,528	\$ 48,387,367	\$ 9,563,176	\$ 3,525,450	\$ 2,141,460	\$ 15,137,706	\$ 561,561
Revenue Change (\$)	\$ 70,000,000	\$ 42,347,030	\$ 12,749,059	\$ -	\$ 9,934,975	\$ 1,923,770	\$ -	\$ -	\$ 3,045,168	\$ -
Proposed Revenue	\$ 425,642,263	\$ 252,856,698	\$ 76,125,408	\$ 1,439,528	\$ 59,322,342	\$ 11,486,945	\$ 3,525,450	\$ 2,141,460	\$ 18,182,872	\$ 561,561
Revenue Change based on Annualized Current Revenue (%)	19.7%	20.1%	20.1%	0.3%	20.1%	20.1%	0.0%	0.0%	20.1%	0.0%

Atlantic City Electric Company
Development of Proposed Distribution Rate
Rate Design Worksheet

Rate Schedule		RS
Distribution Functional Revenue Requirements Total (w/o SUT)	\$	252,856,838
Distribution Functional Revenue Requirements Total (w/ SUT)	\$	269,608,454

1	2	3	4	5	6	7 = 2 x (4+6)	8	9	10	11 = 2 x (8+10)	12	13 = 2 x (9+12)	14 = (12-3)/3
Blocks	Normalized Billing Determinants	Current Distribution Rates (including SUT)	Current Distribution Rates (w/o SUT)	EDIT Credit (including SUT)	EDIT Credit (w/o SUT)	Calculated Rate Class Revenue under Current Distribution Rates (w/o SUT)	Proposed Distribution Rates (w/o SUT)	EDIT Credit (including SUT)	EDIT Credit (w/o SUT)	Recovery under Proposed Distribution Rates (w/o SUT)	Proposed Distribution Rates (including SUT)	Recovery under Proposed Distribution Rates (including SUT)	Distribution Rate Change %
CUSTOMER	5,874,548 \$	4.80 \$	4.50			26,445,796 \$	5.41			31,781,305 \$	5.77 \$	33,896,142	20%
SUM First 750 kWh	1,042,134,494 \$	0.055235 \$	0.051903 \$	(0.004884) \$	(0.004581) \$	48,212,205 \$	0.061399 \$	(0.004884) \$	(0.004581) \$	59,212,478 \$	0.065467 \$	63,135,634	19%
SUM > 750 kWh	659,045,318 \$	0.063499 \$	0.059554 \$	(0.004884) \$	(0.004581) \$	36,229,722 \$	0.071476 \$	(0.004884) \$	(0.004581) \$	44,087,143 \$	0.079211 \$	47,007,725	20%
WIN	2,281,974,074 \$	0.050965 \$	0.047799 \$	(0.004884) \$	(0.004581) \$	98,621,944 \$	0.056192 \$	(0.004884) \$	(0.004581) \$	117,778,015 \$	0.059915 \$	125,579,315	18%
TOTAL ENERGY	3,983,153,885					184,065,871 \$				221,075,633 \$		235,722,676	
TOTAL REVENUE						210,509,667 \$				252,856,838 \$		269,618,817 \$	(10,363)

Atlantic City Electric Company
Development of Proposed Distribution Rate
Rate Design Worksheet

Rate Schedule	MGS PRIMARY	
Distribution Functional Revenue Requirements Total (w/o SUT)	\$	1,439,528
Distribution Functional Revenue Requirements Total (w/ SUT)	\$	1,534,897

BLOCK	Billing Determinants	3 Current Distribution Rates	4 Current Distribution Rates (w/o SUT)	5 EDIT Credit (including SUT)	6 EDIT Credit (w/o SUT)	7 = 2 x (4+6) Calculated Rate Class Revenue under Current Distribution Rates (w/o SUT)	8 Proposed Distribution Rates (w/o SUT)	9 EDIT Credit (including SUT)	10 EDIT Credit (w/o SUT)	11 = 2 x (8+10) Recovery under Proposed Distribution Rates (w/o SUT)	12 Proposed Rate (including SUT)	13 = 2 x (9+12) Recovery under Proposed Distribution Rates (including SUT)	14 = (12-3)/3 Distribution Rate Change %
CUSTOMER													
Single Phase Service	568 \$	14.70 \$	13.79			7,692 \$	13.78			7,693 \$	14.70 \$	8,203	0.0%
3 Phase Service	573 \$	15.97 \$	14.98			8,582 \$	14.98			8,582 \$	15.97 \$	9,151	0.0%
DEMAND CHARGE													
SUM > 3 KW	60,159 \$	1.57 \$	1.47			88,581 \$	1.47			88,581 \$	1.57 \$	94,450	0.0%
WIN > 3 KW	97,120 \$	1.22 \$	1.14			111,124 \$	1.14			111,124 \$	1.22 \$	118,486	0.0%
REACTIVE DEMAND	53,681 \$	0.43 \$	0.40			21,648 \$	0.40			21,649 \$	0.43 \$	23,083	0.0%
ENERGY CHARGE													
SUM < 300 KWh	11,180,577 \$	0.044214 \$	0.041487 \$	(0.004098) \$	(0.003843) \$	420,652 \$	0.041467 \$	(0.004098) \$	(0.003843) \$	420,652 \$	0.044214 \$	451,367	0.0%
WIN < 300 KWh	21,445,422 \$	0.042941 \$	0.040273 \$	(0.004098) \$	(0.003843) \$	781,247 \$	0.040273 \$	(0.004098) \$	(0.003843) \$	781,247 \$	0.042941 \$	838,465	0.0%
TOTAL	<u>32,625,999</u>					<u>\$ 1,439,528</u>				<u>\$ 1,439,528</u>		<u>\$ 1,543,204</u>	
													(8.307)

Customer Charge Rate Design

Proposed Distribution Rate Increase	0.0%
Customer Charge at Proposed Increase %	
Single Phase Service	\$ 13.79
3 Phase Service	\$ 14.98

Demand Charge Rate Design

Proposed Distribution Rate Increase	0.0%
Demand Charge at 1.5 times proposed class increase %	
Summer	\$ 1.47
Winter	\$ 1.14

Atlantic City Electric Company
Development of Proposed Distribution Rate
Rate Design Worksheet

Rate Schedule
Distribution Functional Revenue Requirements Total (w/o SUT) \$ 69,322,342
Distribution Functional Revenue Requirements Total (w/ SUT) \$ 63,252,448

BLOCK	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Billing Determinants	Current Distribution Rates	Current Distribution Rates (w/o SUT)	EDIT Credit (Including SUT)	EDIT Credit (w/o SUT)	Calculated Rate Class Revenue under Current Distribution Rates (w/o SUT)	Preliminary Distribution Rate (w/o SUT)	Recovery under Preliminary Distribution Rates (w/o SUT)	Proposed Rate (Including SUT)	EDIT Credit (Including SUT)	EDIT Credit (w/o SUT)	Recovery under Proposed Distribution Rates (Including SUT)	Distribution Rate Change %	
CUSTOMER	40,934	\$ 160.86	\$ 150.87			\$ 6,175,515	\$ 181.21	\$ 7,417,609	\$ 183.22			\$ 7,909,267	20.1%	
DEMAND CHARGE	5,438,742	\$ 9.38	\$ 8.80			\$ 47,845,635	\$ 10.39	\$ 56,481,694	\$ 11.07			\$ 60,206,984	16.0%	
REACTIVE DEMAND	418,766	\$ 0.72	\$ 0.68			\$ 282,779	\$ 0.81	\$ 339,202	\$ 0.86			\$ 360,141	19.4%	
ENERGY CHARGE	1,882,328,532			\$ (0.002785)	\$ (0.002612)	\$ (4,916,563)		\$ (4,916,563)		\$ (0.002785)	\$ (0.002612)	\$ (5,242,285)		
TOTAL REVENUE						<u>\$ 49,387,367</u>		<u>\$ 59,322,342</u>				<u>\$ 63,234,008</u>		
								\$				\$ (18,440)		

Atlantic City Electric Company
Development of Proposed Distribution Rate
Rate Design Worksheet

Rate Schedule
TGS SUB TRANSMISSION
Distribution Functional Revenue Requirements Total (w/o SUT) \$ 3,525,450
Distribution Functional Revenue Requirements Total (w/ SUT) \$ 3,759,011

BLOCK	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Billing Determinants	Current Distribution Rates	Current Distribution Rates (w/o SUT)	EDIT Credit (including SUT)	EDIT Credit (w/o SUT)	Calculated Rate Class Revenue under Current Distribution Rates (w/o SUT) (See Note 1)	Preliminary Distribution Rate (w/o SUT)	Recovery under Preliminary Distribution Rates (w/o SUT)	Proposed Rate (including SUT)	EDIT Credit (including SUT)	EDIT Credit (w/o SUT)	Recovery under Proposed Distribution Rates (including SUT)	Distributor Rate Change	
CUSTOMER														
<5000 KW	317	\$ 131.75	\$ 123.58			\$ 39,170	\$ 123.56	\$ 39,170	\$ 131.75			\$ 41,765	0.0%	
5000 - 9000 KW	75	\$ 4,363.67	\$ 4,092.45			\$ 306,933	\$ 4,092.45	\$ 306,933	\$ 4,363.67			\$ 327,268	0.0%	
>9000 KW	39	\$ 7,921.01	\$ 7,428.85			\$ 289,725	\$ 7,428.85	\$ 289,725	\$ 7,921.01			\$ 308,919	0.0%	
DEMAND CHARGE														
<5000 KW	449,777	\$ 3.78	\$ 3.55			\$ 1,594,520	\$ 3.55	\$ 1,594,520	\$ 3.78			\$ 1,700,157	0.0%	
5000 - 9000 KW	392,725	\$ 2.91	\$ 2.73			\$ 1,071,822	\$ 2.73	\$ 1,071,822	\$ 2.91			\$ 1,142,820	0.0%	
>9000 KW	316,183	\$ 1.45	\$ 1.36			\$ 429,979	\$ 1.36	\$ 429,979	\$ 1.45			\$ 458,465	0.0%	
REACTIVE DEMAND														
<5000 KW	113,948	\$ 0.52	\$ 0.49			\$ 55,571	\$ 0.49	\$ 55,571	\$ 0.52			\$ 59,252.59	0.0%	
5000 - 9000 KW	71,151	\$ 0.52	\$ 0.49			\$ 34,700	\$ 0.49	\$ 34,700	\$ 0.52			\$ 36,998.75	0.0%	
>9000 KW	60,239	\$ 0.52	\$ 0.45			\$ 29,378	\$ 0.49	\$ 29,378	\$ 0.52			\$ 31,324.50	0.0%	
ENERGY CHARGE	575,156,494			\$ (0.000695)	\$ (0.000567)	\$ (326,349)		\$ (326,349)		\$ (0.000505)	\$ (0.000587)	\$ (347,970)		
TOTAL REVENUE						\$ 3,525,450		\$ 3,525,450				\$ 3,759,011		

Atlantic City Electric Company
Development of Proposed Distribution Rate
Rate Design Worksheet

Rate Schedule	TGS TRANSMISSION	
Distribution Functional Revenue Requirements Total (w/o SUT)	\$	2,141,460
Proposed Customer Charge Recovery	\$	1,159,939
Proposed Demand/Energy Charge Recovery	\$	981,521
Distribution Functional Revenue Requirements Total (w/ SUT)	\$	2,283,332

BLOCK	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Billing Determinants	Current Distribution Rates	Current Distribution Rates (w/o SUT)	EDIT Credit (Including SUT)	EDIT Credit (w/o SUT)	Calculated Rate Class Revenue under Current Distribution Rates (w/o SUT) (See Note 1)	Preliminary Distribution Rate (w/o SUT)	Recovery under Preliminary Distribution Rates (w/o SUT)	Proposed Rate (Including SUT)	EDIT Credit (Including SUT)	EDIT Credit (w/o SUT)	Recovery under Proposed Distribution Rates (Including SUT)	Distribution Rate Change	
CUSTOMER														
<5000 KW	75	\$ 128.21	\$ 120.24			\$ 9,018	\$ 120.24	\$ 9,018	\$ 128.21			\$ 9,616	0.0%	
5000 - 9000 KW	57	\$ 4,246.42	\$ 3,982.57			\$ 227,007	\$ 3,982.57	\$ 227,007	\$ 4,246.42			\$ 242,046	0.0%	
>9000 KW	51	\$ 19,316.15	\$ 18,115.97			\$ 923,914	\$ 18,115.97	\$ 923,914	\$ 19,316.15			\$ 985,124	0.0%	
DEMAND CHARGE														
<5000 KW	223,373	\$ 2.94	\$ 2.76			\$ 615,912	\$ 2.76	\$ 615,912	\$ 2.94			\$ 656,716	0.0%	
5000 - 9000 KW	221,139	\$ 2.27	\$ 2.13			\$ 470,796	\$ 2.13	\$ 470,796	\$ 2.27			\$ 501,988	0.0%	
>9000 KW	337,169	\$ 0.14	\$ 0.13			\$ 44,271	\$ 0.13	\$ 44,271	\$ 0.14			\$ 47,204	0.0%	
REACTIVE DEMAND														
<5000 KW	86,421	\$ 0.50	\$ 0.47			\$ 40,526	\$ 0.47	\$ 40,526	\$ 0.50			\$ 43,210	0.0%	
5000 - 9000 KW	71,851	\$ 0.50	\$ 0.47			\$ 33,693	\$ 0.47	\$ 33,693	\$ 0.50			\$ 35,926	0.0%	
>9000 KW	110,424	\$ 0.50	\$ 0.47			\$ 51,782	\$ 0.47	\$ 51,782	\$ 0.50			\$ 55,212	0.0%	
ENERGY CHARGE	468,202,972			\$ (0.000630)	\$ (0.000591)	\$ (275,459)		\$ (275,459)		\$ (0.000630)	\$ (0.000591)	\$ (283,706)		
TOTAL REVENUE						\$ 2,141,460		\$ 2,141,460				\$ 2,283,332		

Atlantic City Electric Company
Determination of Proposed Distribution Rate
Rate Design Worksheet

Rate Schedule	SPL CSL DDC	w/EDT credit w/o SUT	EDT Credit	w/o EDT Credit w/o SUT
Distribution Functional Revenue Requirements Total		\$ 15,351,725	\$ (1,054,187)	\$ 16,405,912
SPL		\$ 2,831,147	\$ (106,293)	\$ 2,724,854
CSL		\$ 561,561	\$ (48,355)	\$ 609,916

Rate Schedule SPI, (Street and Private Lighting)

Rate Code	Watts	Type	Style	Current Rate (w/ SUT)	Current Rate (w/o SUT)	Number of Lights	Current Annualized Revenue	Proposed Rate (w/ SUT)	Proposed Rate (w/o SUT)	Number of Lights	Proposed Annualized Revenue
40	100	INCANDESCENT	Standard	\$ 8.75	\$ 5.87	1,002	\$ 70,580.84	\$ 7.00	\$ 7.47	1,502	\$ 84,203.27
50	202	INCANDESCENT	Standard	\$ 10.90	\$ 10.22	966	\$ 20,358.24	\$ 12.10	\$ 13.20	166	\$ 24,287.46
140	377	INCANDESCENT	Standard	\$ 15.18	\$ 14.24	21	\$ 2,584.38	\$ 16.58	\$ 18.11	21	\$ 4,281.07
210	418	INCANDESCENT	Standard	\$ 20.32	\$ 19.05	10	\$ 2,037.20	\$ 22.74	\$ 24.25	10	\$ 2,224.04
100	100	MERCURY VAPOR	Standard	\$ 19.53	\$ 9.88	7,004	\$ 85,294.34	\$ 14.78	\$ 12.57	7,004	\$ 52,673.67
300	175	MERCURY VAPOR	Standard	\$ 14.10	\$ 13.22	1,016	\$ 18,178.24	\$ 15.77	\$ 16.82	1,016	\$ 19,286.29
400	250	MERCURY VAPOR	Standard	\$ 17.88	\$ 16.77	317	\$ 6,793.68	\$ 20.01	\$ 21.33	317	\$ 7,005.47
510	400	MERCURY VAPOR	Standard	\$ 25.78	\$ 24.16	248	\$ 71,900.16	\$ 28.82	\$ 30.73	248	\$ 85,777.18
730	700	MERCURY VAPOR	Standard	\$ 41.15	\$ 38.59	2	\$ 82.30	\$ 46.04	\$ 49.80	2	\$ 1,004.01
880	1000	MERCURY VAPOR	Standard	\$ 71.09	\$ 66.87	35	\$ 28,001.40	\$ 78.54	\$ 84.81	35	\$ 33,485.56
250	150	HPS	Recess	\$ 12.91	\$ 12.11	8,314	\$ 1,208,257.00	\$ 14.45	\$ 15.40	8,314	\$ 1,441,456.78
600	300	HPS OH	Recess	\$ 24.10	\$ 22.60	1,082	\$ 26,573.42	\$ 26.96	\$ 28.75	1,082	\$ 30,234.27
14	50	HPS OH	Cobra Head	\$ 11.49	\$ 10.78	17,375	\$ 2,247,983.11	\$ 12.60	\$ 13.71	17,375	\$ 2,681,375.68
15	70	HPS OH	Cobra Head	\$ 11.91	\$ 11.17	9,378	\$ 1,257,223.00	\$ 13.33	\$ 14.21	9,378	\$ 1,456,672.09
10	100	HPS OH	Cobra Head	\$ 12.95	\$ 11.77	7,822	\$ 1,104,837.74	\$ 14.04	\$ 14.97	7,822	\$ 1,318,075.86
17	150	HPS OH	Cobra Head	\$ 13.67	\$ 12.82	5,716	\$ 779,420.74	\$ 15.29	\$ 16.31	5,716	\$ 1,045,152.48
18	250	HPS OH	Cobra Head	\$ 18.39	\$ 18.19	1,904	\$ 42,658.16	\$ 21.70	\$ 23.14	1,904	\$ 41,382.19
16	150	HPS OH	Cobra Head	\$ 22.47	\$ 21.07	1,115	\$ 24,892.66	\$ 25.14	\$ 26.80	1,115	\$ 36,418.33
20	150	HPS OH	Shoe Box	\$ 18.86	\$ 18.64	78	\$ 14,775.81	\$ 18.00	\$ 18.89	78	\$ 17,627.24
26	250	HPS OH	Shoe Box	\$ 21.64	\$ 20.30	58	\$ 14,117.08	\$ 24.22	\$ 25.82	58	\$ 19,841.74
27	400	HPS OH	Shoe Box	\$ 29.04	\$ 23.48	44	\$ 12,325.62	\$ 38.01	\$ 28.87	44	\$ 14,701.85
03	50	HPS OH	Post Top	\$ 12.78	\$ 11.99	73	\$ 10,540.64	\$ 14.30	\$ 15.25	73	\$ 12,575.03
04	100	HPS OH	Post Top	\$ 13.82	\$ 13.26	385	\$ 57,235.14	\$ 15.58	\$ 16.61	385	\$ 66,261.79
05	150	HPS OH	Post Top	\$ 16.41	\$ 15.39	45	\$ 8,778.24	\$ 18.38	\$ 19.58	45	\$ 9,877.28
06	150	HPS OH	Flood Profile	\$ 13.38	\$ 12.55	1,304	\$ 196,452.37	\$ 14.97	\$ 15.96	1,304	\$ 234,363.47
75	250	HPS OH	Flood Profile	\$ 16.93	\$ 15.88	2,115	\$ 402,876.82	\$ 18.94	\$ 20.20	2,115	\$ 486,752.87
71	400	HPS OH	Flood Profile	\$ 21.56	\$ 20.31	3,192	\$ 777,888.08	\$ 24.23	\$ 25.84	3,192	\$ 926,023.81
800	5070	HPS OH	Decorative 5070 OH	\$ 15.70	\$ 14.72	2	\$ 388.28	\$ 17.56	\$ 18.72	2	\$ 462.84
821	100	HPS OH	Decorative 100 OH	\$ 17.89	\$ 16.59	51	\$ 903.08	\$ 19.79	\$ 21.10	51	\$ 1,236.80
870	150	HPS OH	Decorative 150 OH	\$ 19.51	\$ 18.35	9	\$ 1,920.84	\$ 21.83	\$ 23.28	9	\$ 2,291.69
100	400	METAL HALIDE	Flood Profile	\$ 26.83	\$ 24.98	611	\$ 183,221.88	\$ 29.80	\$ 31.78	611	\$ 215,584.44
107	1000	METAL HALIDE	Flood Profile	\$ 45.47	\$ 42.84	592	\$ 302,682.87	\$ 50.87	\$ 54.24	592	\$ 661,104.65
1	50	HPS UG	Cobra Head	\$ 17.71	\$ 18.01	680	\$ 175,444.04	\$ 19.82	\$ 21.13	680	\$ 205,305.44
2	70	HPS UG	Cobra Head	\$ 18.12	\$ 18.99	436	\$ 86,348.65	\$ 20.27	\$ 21.61	436	\$ 106,115.16
3	100	HPS UG	Cobra Head	\$ 18.71	\$ 17.55	900	\$ 83,988.85	\$ 20.64	\$ 22.22	900	\$ 104,273.80
4	150	HPS UG	Cobra Head	\$ 19.87	\$ 18.64	911	\$ 203,734.23	\$ 22.74	\$ 23.71	911	\$ 243,055.76
5	250	HPS UG	Cobra Head	\$ 24.07	\$ 22.57	687	\$ 185,878.17	\$ 26.83	\$ 28.71	687	\$ 221,873.50
6	400	HPS UG	Cobra Head	\$ 37.10	\$ 35.42	485	\$ 188,092.01	\$ 30.33	\$ 32.74	485	\$ 176,674.96
51	150	HPS UG	Shoe Box	\$ 22.90	\$ 21.48	445	\$ 114,710.13	\$ 25.83	\$ 27.32	445	\$ 136,849.65
52	250	HPS UG	Shoe Box	\$ 27.84	\$ 26.11	368	\$ 114,789.05	\$ 31.15	\$ 32.21	368	\$ 136,988.81
53	400	HPS UG	Shoe Box	\$ 31.24	\$ 29.30	389	\$ 136,884.47	\$ 34.88	\$ 37.27	389	\$ 163,775.86
06	50	HPS UG	Post Top	\$ 15.87	\$ 14.70	884	\$ 130,743.78	\$ 17.64	\$ 18.70	884	\$ 144,047.82
07	100	HPS UG	Post Top	\$ 18.82	\$ 15.77	2,239	\$ 423,774.63	\$ 18.81	\$ 20.06	2,239	\$ 565,504.90
08	150	HPS UG	Post Top	\$ 22.06	\$ 21.53	740	\$ 193,511.81	\$ 25.69	\$ 27.39	740	\$ 230,860.44
09	150	HPS UG	Flood Profile	\$ 20.96	\$ 19.65	167	\$ 35,280.33	\$ 23.45	\$ 25.01	167	\$ 33,189.53
04	250	HPS UG	Flood Profile	\$ 24.50	\$ 22.89	185	\$ 50,537.70	\$ 27.42	\$ 29.23	185	\$ 63,737.74
51	100	HPS UG	Flood Profile	\$ 27.89	\$ 26.18	459	\$ 144,165.10	\$ 31.71	\$ 33.28	459	\$ 171,569.54
111	100	HPS UG	Flood Profile	\$ 33.00	\$ 30.85	108	\$ 40,205.67	\$ 36.62	\$ 39.37	108	\$ 47,563.30
110	1000	HPS UG	Flood Profile	\$ 51.80	\$ 48.68	112	\$ 65,017.56	\$ 57.66	\$ 61.80	112	\$ 77,506.23
81	2070	HPS UG	Decorative 2070 UG	\$ 20.82	\$ 19.02	60	\$ 15,440.20	\$ 23.41	\$ 24.86	60	\$ 18,427.41
810	100	HPS UG	Decorative 100 UG	\$ 27.60	\$ 21.48	289	\$ 74,406.57	\$ 25.63	\$ 27.32	289	\$ 85,767.34
815	150	HPS UG	Decorative 150 UG	\$ 29.96	\$ 28.10	333	\$ 112,455.13	\$ 33.32	\$ 35.74	333	\$ 152,159.42
						81,381	\$ 13,243,106.21				\$ 18,042,181.36
						10,770	\$ 349,736.82				\$ 385,759.82
							\$ 13,812,827.07				\$ 18,427,941.11

Rate Schedule DSL (Contributed Street Lighting)

Rate Code	Watts	Type	Style	Current Rate (w/ SUT)	Current Rate (w/o SUT)	Number of Lights	Current Annualized Revenue	Proposed Rate (w/ SUT)	Proposed Rate (w/o SUT)	Number of Lights	Proposed Annualized Revenue
201	50	HPS	Ad	\$ 4.82	\$ 4.52	17,318	\$ 938,316.33	\$ 5.57	\$ 5.94	17,318	\$ 1,156,795.84
202	70	HPS	Ad	\$ 5.25	\$ 4.92	5,422	\$ 379,135.78	\$ 6.05	\$ 6.46	5,422	\$ 456,510.17
203	100	HPS	Ad	\$ 5.87	\$ 5.51	7,988	\$ 528,857.84	\$ 6.79	\$ 7.24	7,988	\$ 631,789.96
204	150	HPS	Ad	\$ 7.02	\$ 6.58	5,710	\$ 450,853.93	\$ 8.10	\$ 8.64	5,710	\$ 555,227.47
205	250	HPS	Ad	\$ 9.56	\$ 8.97	780	\$ 81,788.44	\$ 11.05	\$ 11.78	780	\$ 100,738.17
206	400	HPS	Ad	\$ 12.65	\$ 11.87	584	\$ 80,586.22	\$ 14.62	\$ 15.58	584	\$ 98,871.95
207	1000	MH	Flood	\$ 5.56	\$ 5.07	9	\$ 94.158	\$ 15.05	\$ 11.78	9	\$ 1,159.55
208	175	MH	Flood	\$ 9.03	\$ 8.47	49	\$ 5,001.14	\$ 10.43	\$ 11.12	49	\$ 6,159.81
209	175	MH	Decorative - Two Lights	\$ 30.86	\$ 28.76	221	\$ 70,596.40	\$ 35.41	\$ 37.75	221	\$ 81,023.11
210	175	MH	Decorative	\$ 21.67	\$ 20.28	8	\$ 1,852.68	\$ 24.97	\$ 26.83	8	\$ 2,291.93
							\$ 2,547,734.44				\$ 3,121,539.79
							\$ 16,342,871.51				\$ 19,547,431.90

DDC

Street and Demand (per kW per connection)	Current Rate (w/ SUT)	Current Rate (w/o SUT)	Proposed Rate (w/ SUT)	Proposed Rate (w/o SUT)
Energy cost per kWh for each kW of effective load	\$ 0.161231	\$ 0.153119	\$ 0.161231	\$ 0.153119
Energy cost per kWh for each kW of effective load	\$ 0.276185	\$ 0.272883	\$ 0.276185	\$ 0.276185
			\$ 524,214	\$ 524,214

Atlantic City Electric Company
Development of Proposed Distribution Rate
Rate Design Worksheet
Stand By Rate

Rate Schedule	Demand Rates (\$/kW)		Standby Rates (\$/kW)		Distribution
		<u>Distribution</u>		<u>Distribution</u>	<u>Standby</u> <u>Factor</u>
MGS Secondary	\$	2.39	\$	0.15	0.060975610
MGS Primary	\$	1.35	\$	0.14	0.101604278
AGS Secondary	\$	11.07	\$	1.12	0.101604278
AGS Primary	\$	8.82	\$	0.90	0.101604278
TGS - Sub Transmission	\$	-	\$	-	0.101604278
TGS Transmission	\$	-	\$	-	

Atlantic City Electric Company
LED Street Lighting Rate Design

SPL

	Cobra Head					Decorative 150 W	Pest Top		Shoe Box			Tear Drop		Floodlighting			
	50 W	70 W	100 W	150 W	250 W		Equivalent Light Size (Watts) 70 W	150 W	100 W	150 W	250 W	100 W	150 W	150 W	250 W	400 W	1000 W
Distribution System Fixed Charge	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70
Monthly Light Fixture Fixed Charge	\$ 4.58	\$ 4.83	\$ 5.04	\$ 5.45	\$ 6.67	\$ 14.58	\$ 6.89	\$ 7.34	\$ 5.81	\$ 8.57	\$ 8.99	\$ 13.26	\$ 13.26	\$ 11.50	\$ 2.08	\$ 14.18	\$ 15.06
Monthly O&M Charge - Non-Luminaire Overhead/Underground	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
Total Charge - Overhead	\$ 7.53	\$ 7.78	\$ 7.99	\$ 8.44	\$ 9.62	\$ 17.53	\$ 9.84	\$ 10.25	\$ 8.76	\$ 13.52	\$ 9.94	\$ 16.21	\$ 16.21	\$ 14.45	\$ 5.04	\$ 17.31	\$ 18.01
Regulatory Assessment	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04
Total Rate without SUT	\$ 7.55	\$ 7.80	\$ 8.00	\$ 8.46	\$ 9.64	\$ 17.58	\$ 9.86	\$ 10.32	\$ 8.78	\$ 13.55	\$ 9.96	\$ 16.25	\$ 16.25	\$ 14.48	\$ 5.08	\$ 17.35	\$ 18.05
Total Rate with SUT (6.625%)	\$ 8.05	\$ 8.32	\$ 8.54	\$ 9.02	\$ 10.28	\$ 18.74	\$ 10.51	\$ 11.00	\$ 9.36	\$ 14.48	\$ 10.62	\$ 17.32	\$ 17.32	\$ 15.44	\$ 5.40	\$ 18.50	\$ 19.25

Atlantic City Electric Company
LED Street Lighting Rate Design

CST

	Cobra Head					Decorative	Post Top			Shoe Box			Tear Drop		Floodlighting			
	50 W	70 W	100 W	150 W	250 W		150 W	70 W	100 W	100 W	150 W	250 W	100 W	150 W	150 W	250 W	400 W	1000 W
Distribution System Fixed Charge	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70	\$ 2.70
Monthly O&M Charge - Non-Luminaire	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
Total Charge	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95
Regulatory Assessment	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Total Rate without SUT	\$ 2.96	\$ 2.96	\$ 2.96	\$ 2.96	\$ 2.96	\$ 2.96	\$ 2.96	\$ 2.96	\$ 2.96	\$ 2.96	\$ 2.96	\$ 2.96	\$ 2.96	\$ 2.96	\$ 2.96	\$ 2.96	\$ 2.96	\$ 2.96
Total Rate with SUT (6.625%)	\$ 3.15	\$ 3.15	\$ 3.15	\$ 3.15	\$ 3.15	\$ 3.15	\$ 3.15	\$ 3.15	\$ 3.15	\$ 3.15	\$ 3.15	\$ 3.15	\$ 3.15	\$ 3.15	\$ 3.15	\$ 3.15	\$ 3.15	\$ 3.15

EXHIBIT B

DEPRECIATION RATES

Exhibit B

Atlantic City Electric Company
Docket No. ER18089925
Depreciation Accrual Rates by Plant Account

(1) Line No.	(2) Plant Account	(5) Plant Depreciation Accrual Rates		
		(3) Plant	(4) Net Salvage	(5) Total
1	304.00 STRUCTURES AND IMPROVEMENTS	1.77%	0.13%	1.90%
2	352.00 STATION EQUIPMENT	2.13%	0.41%	2.54%
3	364.00 POLES, TOWERS AND FIXTURES	1.68%	0.74%	2.42%
4	365.00 OVERHEAD CONDUCTORS AND DEVICES	1.86%	1.59%	3.45%
5	366.00 UNDERGROUND CONDUIT	1.11%	0.01%	1.12%
6	367.00 UNDERGROUND CONDUCTORS AND DEVICES	1.50%	0.13%	1.63%
7	358.00 LINE TRANSFORMERS	3.22%	1.15%	4.37%
8	369.10 SERVICES - OVERHEAD	1.73%	1.22%	2.95%
9	360.20 SERVICES - UNDERGROUND	2.29%	0.13%	2.42%
10	370.00 METERS	6.61%	0.00%	6.61%
11	371.10 INSTALLATIONS ON CUSTOMER PREMISES	6.93%	0.00%	6.93%
12	371.20 PRIVATE AREA LIGHTING	2.33%	1.40%	3.73%
13	372.00 LEASED PROPERTY ON CUSTOMER PREMISES	9.63%	0.00%	9.63%
14	373.10 STREET LIGHTING - OVERHEAD	4.28%	2.09%	6.37%
15	373.20 STREET LIGHTING - UNDERGROUND	1.74%	1.08%	2.82%
16				
17				
18				
19	390.00 <u>STRUCTURES AND IMPROVEMENTS</u>			
20	GLASSBORO OPERATIONS OFFICE	2.40%	0.00%	2.40%
21	PLEASANTVILLE OPERATIONS OFFICE	3.59%	0.00%	3.59%
22	WINSLOW OPERATIONS OFFICE	2.48%	0.00%	2.48%
23	OTHER STRUCTURES	1.16%	0.13%	1.29%
24				
25	392.00 TRANSPORTATION EQUIPMENT	9.21%	-0.13%	9.08%
26	397.20 MICROWAVE EQUIPMENT AND TOWERS	4.00%	0.78%	4.78%
27				
28	<u>OFFICE FURNITURE AND EQUIPMENT</u>			
29	391.10 OFFICE FURNITURE	5.00%	0.00%	5.00%
30	391.30 INFORMATION SYSTEMS	20.00%	0.00%	20.00%
31				
32				
33	393.00 STORES EQUIPMENT	4.00%	0.00%	4.00%
34	394.00 TOOLS, SHOP AND GARAGE EQUIPMENT	4.00%	0.00%	4.00%
35	397.10 COMMUNICATION EQUIPMENT	6.67%	0.00%	6.67%
36	398.00 MISCELLANEOUS EQUIPMENT	5.00%	0.01%	5.01%
37				
38	Note: In addition, there is unrecovered reserve annual amortization of \$537,215 for general plant accounts identified on Table 2 of Schedule (NWA)-1.			