



Board of Public Utilities
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ENERGY

IN THE MATTER OF THE RELOCATION AND)
CONSOLIDATION OF ATLANTIC CITY)
ELECTRIC COMPANY'S TRANSMISSION)
SYSTEM OPERATIONS CONTROL FUNCTION) DOCKET NO. EO19070834

Parties of Record:

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

BY THE BOARD:

BACKGROUND

On July 22, 2019, Atlantic City Electric Company ("ACE" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board"), pursuant to N.J.A.C. 14:4-3.1 and N.J.A.C. 14:4-4.1, seeking approval of a plan to relocate its transmission system control function from Mays Landing, New Jersey to a new transmission system operations facility ("TSO North") located in Kennett Square, Pennsylvania ("July 2019 Petition"). The TSO North facilities will also run operations for Delmarva Power and Light Company ("Delmarva") and Philadelphia Electric Company ("PECO"). Accordingly, in the July 2019 Petition, ACE sought authority to consolidate ACE's transmission control function with that of Delmarva and PECO at the TSO North facility. In the alternative, the Company requested that the Board issue an Order disclaiming jurisdiction over the transmission system control function consolidation initiative.

ACE also sought authority to purchase the TSO North facility (including a building and adjacent parcels of land), and to own and operate it jointly with Delmarva and PECO, as well as the authority to lease the facility on an interim basis to certain Exelon Corporate affiliates pursuant to N.J.S.A. 48:3-7 and N.J.A.C. 14:4-3.3(d). Specifically, for a period of no more than 18 months and prior to TSO North transmission control center becoming operational, ACE requests permission to lease a portion of the facility to its competitive affiliate, Exelon Generation. The July 2019 Petition stated that lease payments would be in accordance with applicable regulatory requirements. Exelon employees would be present before and after TSO becomes operational and the costs of their occupancy would be charged under the existing Board-approved Exelon BSC General Services Agreement, the Cost Allocation Manual, and the PHI Service Company Services Agreement.

According to ACE, the relocation of the ACE transmission system operation function to TSO North will have no adverse impact on the distribution system functions, which will remain in Mays Landing, including the operational control of distribution assets and distribution line feeders. There are currently 17 employees at the Mays Landing facility who perform some portion of the transmission system function. ACE intends to offer these employees permanent relocation to the TSO North facility. Employees who do not wish to relocate permanently may remain at the Mays Landing facility in a distribution role. Additionally, all transmission, substation, and distribution craft field and line workers will remain in New Jersey. ACE's customer call center will not be impacted by the consolidation plan, and there will be no reduction in customer service response. Furthermore, the existing outage response process presently used by ACE will not change and will remain in May's Landing, New Jersey.

According to the July 2019 Petition, a second live backup facility located in Maryland will be owned and operated by Baltimore Gas and Electric Company ("BGE") and Potomac Electric Power Company ("Pepco"). This facility will provide a failsafe location if the TSO North Facility should lose power or be damaged in any way.

ACE believes that the proposed consolidation plan is the most cost-effective solution to address current deficiencies in the transmission system control functions. The July 2019 Petition provides that by consolidating the ACE transmissions system control function with those of Delmarva and PECO, ACE will gain the benefit of a secure, hardened, state-of-the-art facility with enhanced staffing, and will be able to share the costs of the facility with its larger affiliated Exelon utilities. The proposed consolidation is currently planned to be operational in the first quarter of 2022, with an initial estimated cost of \$72 million. The proposed sharing allocation is based on transmission load ratio share and ACE would pay approximately 17% of the costs of the building, its renovation, and on-going operating costs.¹ According to the July 2019 Petition, ACE will supply staffing for 10 employees with a cost of approximately \$1.7 million per year in addition to the approximate \$1.5 million annual operating cost.

ACE also asserted that the consolidation proposal would help to manage the risk of a targeted physical and/or cyber-attack against the electric transmission grid by reducing the number of sites where attacks can be targeted and TSO North will incorporate electromagnetic pulse ("EMP") hardening, which is not present in the existing TSO facilities.

Rate Counsel Comments

By correspondence dated November 20, 2019, the New Jersey Division of Rate Counsel ("Rate Counsel") submitted comments on the July 2019 Petition. Due to the pending state of any industry guidelines or regulations and the "best practices" on which Exelon bases the need for its relocation of transmission center operations, Rate Counsel argued that the Company failed to show that the proposed relocation of ACE's transmission system operations is in the public interest or currently "necessary and proper" for the Company's provision of safe, adequate, and proper service. (Rate Counsel Comments at 13).

With respect to ACE's alternative request for a declaratory ruling disclaiming jurisdiction, Rate Counsel asserted that the request is inappropriate and should be denied because communication

¹ Based on the proposed allocation, ACE would pay approximately \$12.2 million for the total project cost and \$1.5 million of the annual operating costs. Since transmission costs are reviewed and approved by the Federal Energy Regulatory Commission ("FERC"), ACE is not seeking Board approval of the recovery of these costs in this proceeding.

between distribution and transmission operations is a critical component of any reliable electric utility system. (Id. at 5).

Rate Counsel argued that although the ACE, PECO, and DPL transmission consolidation is intended to meet "Industry Best Practices," the Company failed to provide sufficient justification for performing the consolidation at this time. Rate Counsel asserted that the Company did not provide documentation of federal, state, industry guidance, or regulatory requirements for its self-defined term of "Industry Best Practices," which are vague and amorphous. (Ibid.) Instead, Exelon justified its decision by doing an external benchmarking analysis with selected peer utilities. Rate Counsel noted that the Company acknowledged that the Mays Landing facility and the other Exelon facilities currently meet North American Electric Corporation ("NERC") requirements, and that there is no current regulatory requirement to upgrade the facilities, including May's Landing. (Id. at 6 to 7). Given that ACE also stated that it would not allow the May's Landing facilities to fall below NERC requirements, it is Rate Counsel's position that the Company failed to demonstrate that the consolidation proposal is required pursuant to any state or federal guidelines, nor necessary and proper at this time for the Company to continue to provide safe, adequate and proper service. (Id. at 7).

With respect to the Company's contention that to protect against an EMP event, a new EMP hardened facility is preferred because EMP hardening of the existing facility would be difficult and cost prohibitive. (Id. at 7). Rate Counsel noted that in April 2019, NERC created a task force ("NERC Task Force") to identify reliability concerns and opportunities for improving resiliency. Exelon's Braerman is a member of the NERC Task Force. The NERC Task Force recently issued a "Strategic Recommendations Report" on November 5, 2019 that recommends the development of guidelines for EMP mitigation. Rate Counsel noted that the report declined to make any specific recommendations because the research on the impacts of EMPs is still ongoing, and the NERC Task Force "is unable to endorse a particular mitigation strategy at this time for stakeholders." (Id. at 7 to 8). Moreover, the NERC Task Force recommended developing clear and consistent "federal financial support" for EMP mitigation plans and referenced the ongoing investigation into cost recovery measures by the Secretary of Homeland Security. (Id. at 8).

An EMP event would affect the entire electric utility system, including generation and distribution systems. The Company admitted that an EMP incident would impact its unprotected distribution equipment, even if the transmission facility is hardened. ACE also conceded that no utility in the nation is fully hardened against EMPs, and that it would be a large and significant undertaking to implement. The Company asserted that a hardened transmission control center would facilitate faster recovery for the entire system under an EMP incident even though the NERC Task Force stated that the electric utility industry has "historically ... hardened its individual components allowing flexibility to install them in virtually any environment" rather than entire facilities." (Ibid.)

Accordingly, Rate Counsel recommended that the Board reject ACE's request until further guidance from NERC is available. Alternatively, Rate Counsel asserted that the Board should require ACE to update the Board once final guidance from NERC is provided and the Company shall assume the risk that future guidance or policy on cost recovery measures will make the investment obsolete and therefore imprudent. (Id. at 8 to 9).

Rate Counsel further noted that the consolidation of transmission functions from three (3) separate utilities into a single facility carries some practical risk. While it is possible that the coordination between service territories may be improved, there is a the risk that a large enough event that spans three (3)-service territories such as a Geomagnetic Disturbance ("GMD") event, could overwhelm the proposed facility. (Id. at 9). Rate Counsel stated that a GMD event is much

more likely than a man-made EMP event due to the need of "both a powerful nuclear warhead and a sophisticated ballistic missile able to detonate at high altitude." While GMD events "tend to remain confined to longer lines, operating at transmission voltage levels, and interfaced to large power apparatus (e.g. generators and transformers)" and not affect command and control centers, according to the NERC Task Force. The consolidation into a single location could be riskier than having multiple locations and make a more attractive target or suffer a greater impact in the face of a major weather event or other disaster, such as a terrorist attack using conventional means. (Ibid.)

The Company's operational distribution system facilities will remain in Mays Landing and ACE claimed that there would be redundant communications between the proposed Kennett square facility and ACE's Incident Management Team in Mays Landing. (Id. at 10). In addition, satellite phones would be in place at both facilities to provide back-up communications in addition to landlines and cell phones. However, Rate Counsel contended that since transmission system operations and distribution operations personnel will be approximately 100 miles apart and unable to communicate face-to-face during an emergency, this ostensibly qualifies as an increased risk which should be carefully considered by the Board. (Ibid.) Rate Counsel asserted that this increased risk is especially apparent in the context of an EMP event that may disrupt satellite, cell, and landline communication systems. While the Company stated that it will comply with NERC requirements for personnel communication, Rate Counsel does not believe this will guarantee that such options between transmission and distribution operators will work when needed. Due to these concerns, Rate Counsel strongly recommended that the Board direct ACE to provide additional assurance of communication between necessary personnel before granting, or as a condition to granting, the Company's request. (Ibid.)

Rate Counsel noted that the July 2019 Petition provides that there are approximately 17 employees at Mays Landing "who perform some portion of the transmission system control system." These employees do the work of 15.25 full time transmission function employees who will have offers to relocate to the TSO North Facility or remain in Mays Landing. (Id. at 11). ACE anticipates only "an equivalent of 10 employees will be allocated to performing" transmission functions at the new TSO North Facility. The employees that choose to remain in Mays Landing will retain their salaries and benefits in their new role. ACE indicated that it plans to create six (6) new Senior Substation Operators positions to reassign current transmission system operators who choose to stay in Mays Landing. The other 11 transmission operator's reassignments have not been defined by ACE. Rate Counsel noted that the Board's Order approving the merger of Exelon Corporation and Pepco Holdings, Inc. limited the number of involuntary reductions due to the merger integration to a total of 25 ACE positions.² Rate Counsel asserted that any approval by the Board should reaffirm the requirements of that Order. (Id. at 10 to 11).

Based on the limited number of positions for transmission operators at the new facility and the lack of distribution roles at the current facility (without the creation of new ones), Rate Counsel expressed its reservations regarding the prudence of ACE's employee strategy and whether it complies with the intent of the employment requirements set forth in the Merger Order. (Id. at 12). Rate Counsel argued that the Board should not approve the July 2019 Petition without first addressing whether the moving of 17 employees to fill 10 full-time positions complies with the Board Merger Order requirements. (Ibid.)

² In re the Merger of Exelon Corporation and Pepco Holdings, Inc., BPU Docket No. EM14060581 (March 5, 2015). ("Merger Order")

Finally, Rate Counsel recommended that the prudence and recoverability of these costs should be addressed when the Company provides information on associated costs for the proposed TSO North facility as part of the Company's next based rate case and as part of the Company's annual transmission formula rate proceeding. (Ibid.) While the proposed 17 percent pro rata allocation of consolidation costs for ACE is based on ACE's transmission share, the NERC Task Force noted that federal cost recovery mechanisms have yet to be developed. Further, the President's Executive Order "Coordinating National Resilience to Electromagnetic Pulses" tasked the Secretary of Homeland Security to, among other things, identify cost recovery measures by March 29, 2020. Rate Counsel noted that, to date, these cost recovery measures have not been identified and therefore it cannot be determined with certainty that ACE's proposed recovery method is reasonable. (Ibid.) By choosing to proceed without definitive guidance or clear policy on cost recovery, Rate Counsel asserted that the Company should assume the risk that future guidance or policy measures will make this investment obsolete and therefore imprudent. (Id. at 12 to 13).

Rate Counsel reserved its rights to challenge, in any relevant federal or state rate proceeding, the recovery of the costs associated with the July 2019 Petition. (Id. at 13). Rate Counsel does not believe the Company has provided a sufficient basis on which the Board can find that the proposed consolidation plan is currently in the public interest. Rate Counsel believes the Company has failed to show that it is necessary and proper for the continued provision of safe, adequate, and proper service. In the event the Board chooses to approve the July 2019 Petition, Rate Counsel maintained that such approval should be conditioned upon the conditions proposed by Rate Counsel, a subsequent prudence review, or an audit in future Board proceedings. (Id. at 13 to 14).

ACE's Reply Comments

On November 26, 2019, ACE submitted reply comments in this matter. ACE maintained that it demonstrated that the relocation and consolidation plan will provide significant cost and operational benefits, and is the most operationally appropriate, cost-effective, and forward-looking option for enhancing ACE's transmission system control function. (ACE Reply Comments at 2).

Primarily, ACE argued that Rate Counsel's comments related to jurisdiction are irrelevant as the Company voluntarily sought the Board's review and approval of its plans to relocate the transmission control function to the TSO North Facility. (Ibid.)

ACE argued that, contrary to Rate Counsel's claim, the transmission control facilities do need to be upgraded now and they have provided substantial evidence in that regard. The Company pointed out that Exelon performed benchmarking against peer utilities, and a comprehensive benchmarking report was prepared by an independent expert prior to finalizing a decision about how best to address the evolving challenges of operating a 21st century transmission system. (Id. at 2 to 3). Further, ACE noted that Rate Counsel argues that meeting the minimum NERC standards renders the Company compliant in its obligation to its customers, and as such, nothing further is required. ACE, however does not view its role so narrowly or consider that such complacency in the face of evolving industry challenges is in the best interests of its customers, the Company, or society generally. ACE noted that several major utilities in multiple states, including New Jersey, have already taken prudent steps to secure and modernize their TSO facilities, and have placed these facilities in service over the past several years. (Id. at 3).

With respect to Rate Counsel's argument that the Board should reject the TSO North Facility until such time as NERC issues guidelines on hardening systems against threats from EMP, ACE

believes that this argument falls short on several key points, and reflects a passive, reactionary approach that is not prudent for the EMP threat given Exelon's footprint which lies between the previously demonstrated threat target areas of New York City and the nation's Capital. (Ibid.)

According to ACE, EMP hardening of transmission control centers is a reasonable first step in the overall EMP hardening of the electric grid. Many utilities in the industry have already taken the needed first step, and designed, constructed, and placed into service EMP hardened TSO control facilities, with other utilities having new facilities in progress. The transmission system is the backbone of the electric industry, and it is vital to ensure the survivability of the transmission control center after an EMP event to ensure continuity of operations and to assess and direct recovery afterwards. (Ibid.) ACE asserted that Rate Counsel's position fails to recognize that the science for EMP hardening is mature, since it has been utilized by the military for half a century, and is clearly able to be implemented now to protect transmission control centers. The Electric Power Research Institute, the Defense Threat Reduction Agency, and the Electric Infrastructure Security Council have provided industry guidance on EMP hardening, and consultants are available to assist utilities in control center EMP protection design. (Ibid.)

Additionally, Exelon stated that it does not agree with the conclusions reached by Rate Counsel related to the cited NERC EMP Task Force Strategic Recommendations. ACE asserted that the objective of the Task Force was to "provide front-end, high-level leadership, recommendations, and guidance to the NERC Board of Trustees on next steps based on current research." The final recommendations met this objective and in doing so, addressed a wide range of topics in the areas of Policy, Research and Development Vulnerability Assessments, Mitigation Guidelines, and Response and Recovery. (Id. at 3 to 4). According to ACE, Rate Counsel has quoted a section of the recommendations related to hardening individual components and incorrectly associated that statement with control centers. The reference Rate Counsel cites is in the context of the thousands of substations across North America, and the numerous components within, and is not directed to control centers. The NERC EMP Task Force Recommendations are clear that an industry focus needs to be to mitigate the effects of an EMP on Bulk Power System control centers. (Id. at 4). The Company asserted that Exelon is taking steps now to achieve control center EMP resiliency, and these actions are consistent with the theme to strengthen the Nation's critical infrastructure against the EMP threat supported by the President in his EMP Executive Order and the Department of Homeland Security initiatives. (Ibid.)

Additionally, ACE argued that Rate Counsel failed to recognize that the TSO North Facility is intended to address a broad array of potential threats to the operation of the transmission system and the transmission control facility, as well as the need for enhanced operator and support personnel training and improved situational awareness. Delaying the entire project to achieve Rate Counsel's desired degree of certainty for one element of a complex facility is irresponsible and simply does not make sense. It needlessly delays all improvements, denying the benefits of those enhancements to customers, and would require ACE to continue to utilize a facility with identified vulnerabilities. This result is not in the public interest. (Ibid.)

ACE argued that while GMD events have the potential to impact transmission power transformers and, if severe enough, can cause reactive and low voltage conditions on the bulk power system, GMD events do not directly impact transmission control center systems, unlike an EMP event. In fact, in a GMD event having a broader view of system neutral currents flowing in transformers and seeing voltage profile behavior over larger regions provides a transmission operator with more information to assess and manage the event. Additionally, the TSO North Facility would operate a system of comparable size (by demand) as other industry peers, thus the TSO North Facility would be aligned with other major TSO control rooms in response to large events. (Id. at

5). The Company asserted that the Board should also note that PJM, the Regional Transmission Operator performing the functions of Balancing Authority, Transmission Operator and Reliability Coordinator, oversees and directs operation of a system of approximately 150GW via two (2) control rooms-or-roughly five (5) times greater per control room than that which ACE is proposing via TSO North Facility. (Ibid.)

The Company stated that it has presented evidence regarding the vulnerabilities of its Mays Landing facility and how those concerns will be comprehensively addressed by the TSO North Facility. Additionally, the Company argued that Rate Counsel failed to recognize the proposed consolidation will establish a fully redundant Mid-Atlantic South TSO control facility that will function as a hot backup for the proposed TSO North Facility, thus ensuring full continuity of operations. (Ibid.)

With respect to Rate Counsel's contention that there could be "an increased risk" because the transmission system operations and distribution system operations facilities are no longer in the same location, ACE believes that Rate Counsel has minimized the extent of the redundant communications technology that ACE will have. (Id. at 5). ACE also noted that these facilities will be fully compliant with NERC requirements, which Rate Counsel has argued are the relevant standards to be applied to the Company's facilities. There are numerous examples in industry today in which transmission control rooms are separated from a distribution control room configuration, with Commonwealth Edison Company and PECO having operated in this manner for years. Additionally, in service today in the State of New Jersey there are examples of distribution control rooms operating separately from the transmission control room facility or over remote location distances. (Ibid.)

ACE contended that Rate Counsel's citation to a stipulation provision approved by the Merger Order was revised and superseded when the resolution of the most-favored-nation ("MFN") provision was approved by the Board. Specifically, ACE pointed to Paragraph 20 of the March 2015 Stipulation erroneously referenced by Rate Counsel was replaced in the MFN Stipulation of October 2016 by a new commitment in Paragraph 6 as follows:

6. ACE will honor all existing collective bargaining agreements. For at least five (5) years after Merger close, Exelon shall not permit a net reduction, due to involuntary attrition as a result of the Merger integration process, in the employment levels at ACE's utility operations in New Jersey. "Involuntary attrition" includes transfer-or-quit offers where the employee decides to quit or retire rather than being transferred to a work location outside of New Jersey.

(Id. at 6).

Five (5) years after the merger close is March 2021. The TSO North Facility is currently planned to be operational in the first quarter of 2022. Accordingly, the Company believes its proposal is fully compliant with the merger requirements, even if those commitments were applicable here, which the Company does not believe they are. ACE indicated it will not terminate any impacted employee who does not wish to relocate to the TSO North Facility (Ibid.)

With respect to Rate Counsel's recommendation that the prudence of the costs of the TSO North Facility be addressed in the Company's next base rate case and in its transmission formula rates proceeding, the Company noted that it has not requested cost recovery or a prudence

determination in this proceeding, and fully recognizes that prudence and cost recovery must be dealt with in a future rate proceeding. (Id. at 7).

Rate Counsel Reply Comments

On December 6, 2019, Rate Counsel filed reply comments. Rate Counsel asserted that ACE's reply comments did not address the major concerns set forth in Rate Counsel's initial comments and reiterated its belief that the relief sought the July 2019 Petition remains lacking. (Rate Counsel Reply Comments at 1 to 2).

Rate Counsel maintains that moving the transmission system operators has the potential to impact coordination between the system operations in the event of an emergency that disrupts communication. Rate Counsel stated that the four modes of communication that the Company proposes to rely on will have operational issues in the event of an EMP attack, as the EMP waves will disrupt each identified form of communication. (Id. at 2). Rate Counsel further pointed to communication difficulty experienced by ACE in the "Bow Echo" Weather Event in 2015 and reiterated its request that the Board direct ACE to provide additional assurance of communication between necessary personnel before or as a condition of approval. (Id. at 3).

Additionally, Rate Counsel asserted that approving the July 2019 Petition based on the current record would encourage the State's other utilities to seek pre-approval of their own initiatives based on ill-defined "industry best practices" which are detached from any regulatory standard. (Id. at 4).

DISCUSSION AND FINDINGS

The Board carefully reviewed and considered the July 2019 Petition, exhibits, discovery and comments submitted in this matter. With respect to the necessity of the consolidation and relocation, the Board **HEREBY FINDS** that ACE's proposed location is better suited to providing the elevated level of security necessary for a consolidated transmission control room than the existing Mays Landing facility. Specifically, the Kennett Square site reduces the visibility of the site from the road, prevents access from the public and provides an increased level of perimeter security. In addition to the physical security benefits, the consolidation of transmission control rooms will reduce the vulnerability to cyber threats by minimizing the number of access points to the transmission control system. The existence of a distant "hot swap" secondary facility also takes into account the possibility the Kennett Square location could become compromised and allows instantaneous transfer of control to the secondary facility.

The Board finds that the impact from GMD is less likely to cause the level of damage to the electrical grid than an EMP attack. ACE, as well as Rate Counsel's comments, both indicated that a GMD event is unlikely to affect control centers and is therefore not as pressing of a threat.

While the Board acknowledges Rate Counsel's point that EMP hardening only the transmission control system does not protect the entire electrical system, the Board believes that this would be a good first step forward in protecting against and recovering from an EMP attack. EMP hardening technology has been utilized by the military for the past 50 years and is understood and mature enough to be implemented in control centers.

The Board believes that delaying review of the July 2019 Petition until the NERC Task Force and/or NERC creates specific guidelines would unnecessarily delay the hardening of electrical equipment that is vulnerable to a potential EMP attack. While EMP hardening the Transmission

Control System will not protect the entire system, it can facilitate recovery faster than a system without an operational control room. The Board **HEREBY DIRECTS** ACE to update the Board and Rate Counsel once final Guidance from NERC is provided. The Board **FURTHER NOTES** that ACE shall assume the risk that future guidance or policy will make the investment obsolete and therefore imprudent and inappropriate for cost recovery.

With respect to Rate Counsel's concerns regarding the merger commitments, the Board notes that ACE has asserted that employees will not be separated as a result of the consolidation. Additionally, ACE has stated that any employees who do not wish to relocate permanently may remain at the Mays Landing facility in a distribution role. Accordingly, the Board **FINDS** that ACE's proposed relocation and consolidation of the transmission control room is in compliance with the Merger Order. Further, the Board **HEREBY REAFFIRMS** all requirements of the Merger Order and the subsequent MFN Order.

Rates for transmission assets are governed by FERC's rate regulatory authority. Nonetheless, the Board acknowledges the dispute between the parties arising in this docket. Accordingly, the Board finds that it is appropriate to preserve the issue of costs related to the July 2019 Petition for further review in subsequent ACE FERC rate cases. The Board **HEREBY ORDERS** ACE to take all necessary steps to preserve these issues for FERC's review in the Company's subsequent rate proceedings at FERC and to provide FERC a copy of this Order in the rate proceeding in which these costs are subject to review. The Board also retains the right to challenge any rate treatment related to the July 2019 Petition in any future FERC rate recovery proceeding.

Proper communications among relevant persons is a part of emergency planning. Rate Counsel has expressed concerns regarding prior ACE communication difficulties. ACE has emphasized that it is establishing 4 way redundant communications between its facilities. Recognizing ACE's commitment to proper communications and Rate Counsel's concerns, the Board **HEREBY DIRECTS** that ACE takes steps to ensure proper communication are maintained between necessary personnel both on blue-sky days and during an event. The Board recognizes that different emergency conditions may affect different methods of communication and the importance of redundancy through multiple technologies as described by ACE – as well as future technologies.

The Board further notes that ACE has stated that it has not requested cost recovery or a prudence determination in this proceeding, and fully recognizes that prudence and cost recovery must be dealt with in a future rate proceeding.

Accordingly, the Board **HEREBY FINDS** that the relocation of ACE's transmission control function to Kennett Square Pennsylvania will not adversely affect the public interest and will not affect the Company's ability to render safe, adequate, and reliable service. Accordingly, the Board **HEREBY APPROVES** ACE's request to consolidate ACE's control room function with that of Delmarva and PECO at the TSO North facility.

Additionally, the Board **HEREBY APPROVES** the proposed lease agreement pursuant to N.J.S.A. 48:3-7 and N.J.A.C. 14:4-3.3(d). The approvals granted hereinabove shall be subject to the following provisions:

1. This Order is based upon the specific and particular facts of this transaction and shall not have precedential value in future transactions that may come before the Board and shall not be relied on as such.

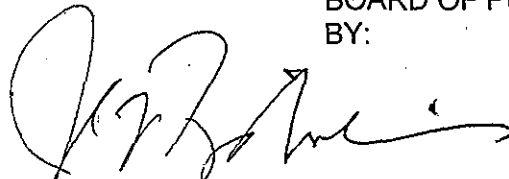
2. ACE shall notify the Board and Rate Counsel if it anticipates any material changes in the proposed lease agreement.
3. The Board and Rate Counsel retain all rights to review all costs and proceeds related to the property lease in ACE's next base rate case or other appropriate proceeding, including before FERC..
4. This Order shall not affect nor in any way limit the exercise of the authority of the Board or of this State, in any future petition or in any proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matters affecting ACE, including any request that may be made to recover costs associated with this relocation and consolidation.

This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets or liabilities now owned or hereafter to be owned by the Company. The Company's costs remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit. The prudence and costs recovery associated with this petition shall be addressed in a future rate proceeding.

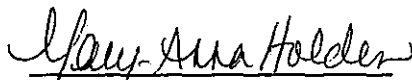
This Order shall be effective on December 20, 2019.

DATED: 12/20/19

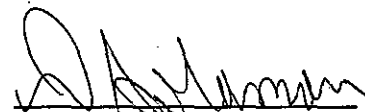
BOARD OF PUBLIC UTILITIES
BY:




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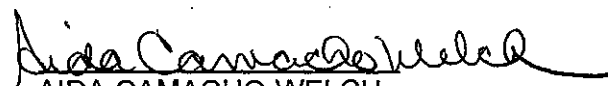
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IN THE MATTER OF THE RELOCATION AND CONSOLIDATION OF ATLANTIC CITY
ELECTRIC COMPANY'S TRANSMISSION SYSTEM OPERATIONS CONTROL FUNCTION
DOCKET NO. EO19070834

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