



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

ENERGY

IN THE MATTER OF THE PETITION OF ATLANTIC)
CITY ELECTRIC COMPANY FOR AUTHORITY TO) ORDER
ISSUE UP TO \$600 MILLION OF LONG-TERM DEBT)
SECURITIES PURSUANT TO N.J.S.A. 48:3-9 (2021-)
2022).) DOCKET NO. EF20080522

Parties of Record:

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

BY THE BOARD:

Atlantic City Electric Company ("Petitioner" or "Company" or "ACE"), a public utility of the State of New Jersey, by Petition filed August 12, 2020, requested authority pursuant to N.J.S.A. 48:3-9 to: (i) not later than December 31, 2022, at its option, issue and sell in one or more series up to \$600 million in aggregate of debt securities ("Debt Securities") to finance a portion of its 2021 - 2022 construction program and convert a portion of its short-term debt expected to be incurred in connection with its capital expenditure program to permanent financing; and (ii) take any other action that may be necessary or desirable in connection therewith. The Order requested herein continues the long-term debt authority issued by the Board on April 18, 2019, in BPU Docket No. EF18121340.

The Company represented that it has \$38.865 million in tax-exempt, and \$200 million in taxable, bonds scheduled to mature during 2021 – 2022. Petitioner further provides that it is engaged in a construction program with estimated expenditures of \$1.075 billion during the years 2020 - 2022, designed to improve and extend its facilities so as to enable it to better serve the public. The Company seeks the flexibility to issue long-term debt to finance up to \$238.9 million of short-term debt anticipated to be incurred.

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

The Debt Securities may be sold pursuant to a registration statement filed with the United States Securities and Exchange Commission ("SEC") under the Securities Act of 1933. The Debt Securities will be issued and sold publicly or in private placements directly to prospective purchasers through one or more underwriters or placement agents to be selected by the Petitioner. The arrangements between the Company and the underwriters or placement agents, if any, regarding the sale of the Debt Securities will be set forth in one or more agreements to be executed at the time of issuance.

As proposed, the Debt Securities may be issued in one or more series and will have maturities between 12 months and 40 years from the date of issuance. Petitioner requested that the Debt Securities include tax-exempt bonds that may be issued through a governmental authority and/or may be issued as credit enhancement for such tax-exempt bonds. The Company also requested that the Debt Securities include secured or unsecured bank loans ("Bank Loans"). Bank Loans would carry interest rates (fixed or variable) and maturities and other terms and conditions, all of which would be dependent upon market conditions prevailing at the time of execution. Other terms of the Debt Securities, including call provisions and interest rates, will be determined depending on the maturities selected and market conditions at the time such terms and rates are set. On the basis of current and historical market conditions, the Company anticipates that the maximum coupon spread over U.S. Treasury securities for the Debt Securities will be as follows:

MARKET YIELD SPREAD TABLE

Range of Maturities	Maximum Coupon Spread (Basis Points)
1 year to less than 18 months	100
18 months to less than 2 years	150
2 years to less than 3 years	175
3 years to less than 4 years	175
4 years to less than 5 years	175
5 years to less than 7 years	200
7 years to less than 10 years	200
10 years to less than 15 years	225
15 years to less than 20 years	250
20 years to less than 30 years	250
30 years to less than 40 years	275

The proposed coupon spreads set forth above are based upon the difference between the market yield of corporate debt securities having ratings comparable to Petitioner's First Mortgage Bonds and U.S. Treasury securities with like maturities. If market conditions change materially, Petitioner acknowledged that it will seek Board approval for an updated yield spread schedule.

By letter dated November 12, 2020, the New Jersey Division of Rate Counsel ("Rate Counsel") stated that it reviewed the Petition and supporting documents. Rate Counsel did not oppose approval of the Petition subject to the addition of certain provisions to the Order.

DISCUSSION AND FINDINGS:

The Board, after investigation, having reviewed the Petition and exhibits in this proceeding, and having considered Petitioner's representations and the comments submitted by Rate Counsel and the recommendation of Board Staff, **FINDS** that the purposes of the issuance of the long-term Debt Securities are necessary, reasonable and proper, and that the proposed issuance and sale of the long-term Debt Securities is in accordance with the law and in the public interest.

The Board, being satisfied with the actions as proposed by Petitioner as indicated above, and approving the purposes thereof, **HEREBY ORDERS** that Atlantic City Electric Company is **AUTHORIZED**, from time to time, and not later than December 31, 2022, as follows:

- (i) to issue and sell, from time to time, the Debt Securities in an aggregate principal amount not to exceed \$600 million to, among other purposes, issue long-term debt to permanently finance short-term debt anticipated to be incurred for outlays associated with the Company's 2021 – 2022 construction program; and
- (ii) to take any other actions that may be necessary or desirable in connection with the above transactions.

This Order is subject to the following provisions:

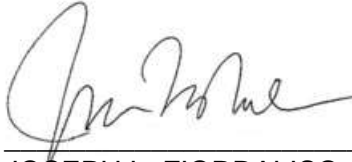
1. If (1) the interest rate of any series of new issuance, in relation to U.S. Treasury securities, does not exceed the range set forth in Exhibit C of the Petition, and (2) the compensation to the underwriters with respect to any series does not exceed 1.0% of the aggregate principal amount of the new issuance, ACE may effect new issuance transactions without further Order of the Board. If either the interest rate or the compensation to the underwriters exceeds such amount, the proposed issuance shall not be consummated until a further Order of the Board authorizing such new issuance transactions have been entered.
2. ACE shall, as promptly as is practical after acceptance of an offer for, and the pricing of, any new issuance, notify the Office of the Chief Economist and Rate Counsel in writing of the action to be taken and include a statement setting forth the compensation to and the names of the underwriters, and, as applicable, the aggregate principal amount of new issuance, the interest rate of the new issuance, and any other material provision with respect to the terms and conditions of the new issuance.
3. ACE shall furnish the Board with copies of executed documents filed with other regulatory agencies, if any, relating to the new issuance.
4. The new issuances authorized herein shall not be redeemed at a premium prior to maturity without further Board approval, unless the estimated present value savings derived from the difference between interest or dividend payments on a new issue of comparable securities and those securities refunded is on an after-tax basis greater than the estimated present value of all redemption, tendering and issuing costs, assuming an appropriate discount rate.

5. The approval by the Board of ACE's Petition shall not constitute pre-approval for any costs or authorization for rate recovery. All capital costs will be subject to review in the Company's next base rate proceeding.
6. The approval by the Board of ACE's Petition shall not be construed as a certification that the securities authorized to be offered for sale will be represented by tangible or intangible assets of commensurate value or investment costs.
7. ACE shall furnish the Board with copies of all executed amendments and/or supplements to the Senior Note Indenture.
8. The Board's Order in this proceeding shall not affect or in any way limit the exercise of the authority of the Board, Rate Counsel or the State of New Jersey in any future ACE proceedings with respect to rates, franchises, service, financing (including method of sale of securities), accounting, capitalization or any other matters affecting the Petitioner.
9. The approval by the Board of ACE's Petition shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter owned by the Petitioner.
10. The debt issuance authority granted by the Board in this docket is to be used to fund utility operations and investments only, and shall not be used to fund unregulated entities or corporate affiliates.
11. ACE shall endeavor to issue its planned long-term debt at lowest reasonable cost.
12. ACE should utilize a prudent and cost-effective capital structure and mix of capital to finance its utility rate base at the lowest reasonable cost.
13. The authority granted in the Board's Order in this proceeding shall become null and void and of no effect with respect to any portion thereof that has not exercised by December 31, 2022.

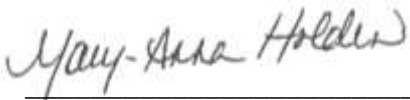
This Order shall be effective on December 12, 2020.

DATED: December 2, 2020

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/M/O THE VERIFIED PETITION OF ATLANTIC CITY ELECTRIC COMPANY
FOR AUTHORITY TO ISSUE UP TO \$600 MILLION OF LONG-TERM
DEBT SECURITIES PURSUANT TO N.J.S.A. 48:3-9 (2021-2022)
DOCKET NO. EF20080522

SERVICE LIST

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