



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1ST Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF ATLANTIC) ORDER
CITY ELECTRIC COMPANY FOR AUTHORITY TO)
ISSUE UP TO \$875 MILLION OF LONG-TERM DEBT)
SECURITIES PURSUANT TO N.J.S.A. 48:3-9 (2025 –)
2026)) DOCKET NO. EF24060466

Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Neil A. Hlawatsch, Esq., Assistant General Counsel, Atlantic City Electric Company

BY THE BOARD:

By this Decision and Order, the New Jersey Board of Public Utilities (“Board”) considers a petition filed by Atlantic City Electric Company (“Company” or “ACE”) seeking approval, pursuant to N.J.S.A. 48:3-9, to issue long-term debt to finance various outlays associated with a construction program (“Petition”).

BACKGROUND AND PROCEDURAL HISTORY

On July 13, 2022, the Board issued an Order authorizing ACE to issue and sell debt securities in an aggregate principal amount up to \$700 million to issue long-term debt to permanently finance short-term debt for outlays associated with the Company’s 2022-2024 construction program.¹

ACE is engaged in a construction program to improve and extend its public facilities to enable it to improve public service with estimated expenditures of \$1.5 billion for the years 2024 – 2026 (“Construction Program”). According to the Petition, ACE has \$150 million in taxable bonds scheduled to mature during 2024 – 2026.

¹ In re the Petition of Atlantic City Electric Company for Authority to Issue Up to \$700 Million of Long-Term Debt Securities Pursuant to N.J.S.A. 48:3-9 (2022-2024), BPU Docket No. EF22020044, Order dated July 13, 2022.

THE PETITION

On June 24, 2024, ACE filed the Petition seeking Board approval to: 1) no later than December 31, 2026, at ACE's option, issue and sell, in one or more series, up to \$875 million in aggregate of debt securities ("Debt Securities") to finance a portion of the 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 2) take any other action necessary in connection with the aforementioned transactions.

According to the Petition, the Debt Securities would be sold pursuant to a registration statement filed with the United States Securities and Exchange Commission ("SEC") in accordance with the Securities Act of 1933. The Debt Securities would be issued and sold either publicly or in private placements directly to prospective purchasers through one or more underwriters or placement agents selected by the Company. The Petition provides that the arrangements between ACE and the underwriters or placement agents would be set forth in one or more agreements executed at the time of issuance. If approved by the Board, the Debt Securities would 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.

As proposed, the Debt Securities would issue in one or more series, and mature between twelve (12) months to forty (40) years from the date of issuance. By the Petition, ACE requested that the Debt Securities include tax-exempt bonds issued by a government authority and/or as credit enhancement for such tax-exempt bonds. The Company further requested that the Debt Securities include secured or unsecured bank loans ("Bank Loans"). The Bank Loans would carry fixed or variable interest rates, maturities, and other terms and conditions, all dependent upon market conditions prevailing at the time of execution. Other terms of the Debt Securities, including call provisions and interest rates, would be determined depending upon the maturities selected and market conditions at the time such terms and rates are set. Based upon 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 above proposed coupon spreads are based upon the difference between the market yield of corporate debt securities having ratings comparable to the Company's Debt Securities, and U.S. Treasury securities with like maturities. If market conditions change materially, ACE acknowledged it would seek Board approval for an updated yield spread schedule.

By correspondence dated November 6, 2024, as revised on November 12, 2024, the New Jersey Division of Rate Counsel ("Rate Counsel") provided comments stating that it reviewed the Petition and supporting documents, and supported approval subject to the inclusion of certain provisions in the Order.

DISCUSSION AND FINDINGS

Having thoroughly reviewed the record in this matter including, but not limited to, the Petition, exhibits, applicable law, and Rate Counsel's comments, the Board **HEREBY FINDS** that the issuance of long-term Debt Securities in this matter is necessary, reasonable, proper, and in accordance with the law.

As such, the Board **HEREBY ORDERS** that ACE, from time to time, and no later than December 31, 2026, may issue and sell Debt Securities in an aggregate principal amount, not to exceed \$875 million, to issue long-term debt to permanently finance short-term debt incurred for outlays associated with the Construction Program. Furthermore, ACE may take additional actions it deems 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 the Market Yield Spread Table above, 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 of long-term debt, notify the Board's Office of the Chief Economist and Rate Counsel, in writing, of the action(s) to be taken, and include a statement setting forth the names of, and compensation to, 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. The issuances authorized by this Order 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.

4. With any new issuance, ACE shall provide the Board the following:
 - a. Copies of all executed amendments and/or supplements, if any, of the ACE's Mortgage and Deed of Trust, or any successor mortgage thereto;
 - b. Copies of all final documents as executed and filed with other regulatory agencies, including the SEC, if any, relating to the new issuances; and
 - c. Copies of executed documents filed with other regulatory agencies, if any, relating to the new issuance.

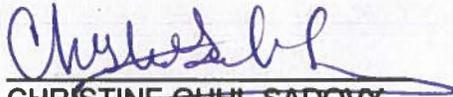
5. Beginning January 15, 2025, and every six (6) months thereafter, ACE shall file, with the Secretary of the Board, and a copy with the Board's Chief Economist, a detailed statement which shall include the following:
 - a. The amount(s) of its secured and unsecured indebtedness outstanding, including the dates of issue and maturity, and the rates of interest thereon;
 - b. Copies of executed indentures associated with the authorization pursuant to this Order; and
 - c. The name of the issuing entity, issue date, amount of debt issued, the term in years, final maturity date, coupon rate, price to public, underwriters discount, net proceeds after expenses, gross proceeds before expenses, breakdown of estimated issuance costs (including, but not limited to, information such as the underwriting fees, underwriting expenses, legal fees and expenses, recordation taxes and fees, trustee fees, etc.) and any other material provision with respect to the terms and conditions of any new issuance.

6. This Order:
 - a. Shall not serve as a certification that the securities offered for sale are represented by tangible or intangible assets of commensurate value or investment costs;
 - b. Shall not be construed as directly, or indirectly, fixing, for any purpose whatsoever, any value of tangible or intangible assets currently owned by ACE, or owned by ACE in the future;
 - c. Shall not affect, nor 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, franchise, service, financing, including the method of sale of securities, accounting, capitalization, or any other matters affecting the Petition; and
 - d. Shall not constitute pre-approval of any cost or authorization for rate recovery.
 - e. Shall become null, void, and of no effect if not exercised by December 31, 2026.

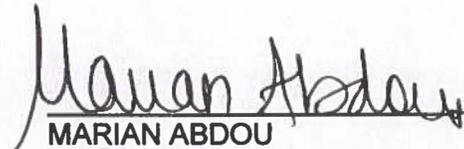
This Order shall become effective on December 25, 2024.

DATED: December 18, 2024

BOARD OF PUBLIC UTILITIES
BY:

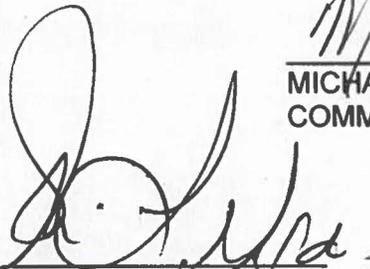

CHRISTINE GUHL-SADOVY
PRESIDENT


DR. ZENON CHRISTODOULOU
COMMISSIONER


MARIAN ABDOU
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MICHAEL BANGE
COMMISSIONER

ATTEST:


SHERRI L. GOLDEN
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public Utilities.

IN THE MATTER OF THE PETITION OF ATLANTIC CITY ELECTRIC COMPANY FOR AUTHORITY TO
ISSUE UP TO \$875 MILLION OF LONG-TERM DEBT SECURITIES PURSUANT TO N.J.S.A. 48:3-9
(2025 – 2026)

DOCKET NO. EF24060466

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