



A PHI Company

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September 4, 2013

**VIA FEDERAL EXPRESS and
ELECTRONIC MAIL**

kristi.izzo@bpu.state.nj.us

rule.comments@bpu.state.nj.us

Kristi Izzo
Secretary of the Board
State of New Jersey
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

**RE: In the Matter of the Board's Review of the Applicability and Calculation of a
Consolidated Tax Adjustment
BPU Docket No. EO12121072**

Dear Secretary Izzo:

Atlantic City Electric Company ("ACE") hereby responds to the Notice of Opportunity to Provide Additional Information (the "Notice") issued on July 25, 2013. As a preliminary matter, ACE notes that it provided comprehensive comments to the Board on May 3, 2013. In those comments, ACE explained in detail the reasons why the Consolidated Tax Adjustment ("CTA") should be eliminated in New Jersey, as it has been in 47 states, the District of Columbia, and the Federal Energy Regulatory Commission.

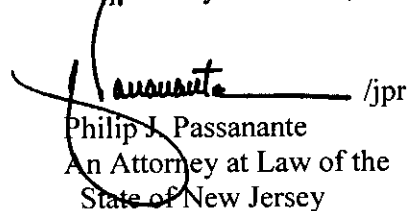
The current CTA is inconsistent with encouraging investment and job growth in New Jersey. It is inconsistent with good regulatory practices as evidenced by the very small, and rapidly shrinking, minority of jurisdictions in which it is applied. And it is inconsistent with federal income tax regulations, as well as the Board's own ring fencing regulations. The CTA should be eliminated. The BPU's resolution of the issue by the end of 2013 would provide necessary regulatory certainty to stimulate important investment in New Jersey by utilities. While CTA mechanisms are often described as "tax sharing arrangements" that attempt to equitably allocate benefits amongst utility affiliates and regulated utilities, the policy as applied in New Jersey fails to comply with basic federal consolidated income tax regulations and grossly overstates any perceived tax benefits. The utility is allocated a share of 100% of the tax losses generated by affiliates as a reduction in rate base. It is a unilateral expropriation of a tax benefit

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arising from the losses of an affiliate (not subject to the BPU's regulation) to create a significant financial benefit for utility customers—customers who bore none of the risk or cost of the loss that gave rise to the tax benefit. The imposition of the CTA in New Jersey provides no return on equity on a significant portion of rate base that was funded by investors. This result is unfair to utility investors who have paid to create the utility's rate base, and who are entitled to an opportunity to earn a fair return on their investment. ACE competes for capital in the public markets along with many other utilities and is at a significant disadvantage because investors are aware that a significant portion of their investment is not earning a return. Furthermore, the CTA ratemaking adjustments are large—over forty percent in ACE's 2011 base rate case—raising constitutional concerns. Finally, the policy reflects a selective decision to violate important ring fencing principles instituted by the Board that otherwise serve to insulate the utility from the activities of unregulated affiliates.

The attached materials provide information that is responsive to the questions asked in the July 25, 2013 Notice to the extent the information is publicly available. Because of the highly confidential nature of the information requested, including detailed financial information related to unregulated affiliates, ACE is not providing certain information here. However, ACE is willing to provide such information to Staff and to the Division of Rate Counsel upon the execution of a confidentiality agreement. It is not ACE's intent to hinder the access to information or to delay the proceedings, but only to protect the legitimate and important confidentiality of the information requested. Moreover, although ACE is prepared to provide this information as part of the BPU's desired process, this information is not relevant to the fundamental issue presented in this proceeding. The BPU's application of the CTA does not represent an equitable tax sharing of any sort, but constitutes an appropriation of non-utility benefits to the serious detriment of the financial condition of the utility.

Respectfully submitted,

 /jpr
Philip J. Passanante
An Attorney at Law of the
State of New Jersey

Enclosures

cc: Tricia Caliguire, Esquire (electronic and First Class Mail)
Jerome May (electronic and First Class Mail)
Mark Beyer (electronic and First Class Mail)
Jake Gertsman, Esquire (electronic and First Class Mail)
Babette Tenzer, Esquire (electronic and First Class Mail)
Wendy E. Stark, Esquire (electronic)
Mindy L. Herman (electronic)
Roger E. Pedersen (electronic)
Colleen A. Foley, Esquire (electronic)

**Atlantic City Electric Company (“ACE” or the “Company”)
Responses to BPU Staff’s July 25, 2013 Notice of Opportunity to
Provide Additional Information
BPU Docket No. EO12121072**

- a) Please provide a copy of any tax sharing agreement relating to the filing of a consolidated income tax return.

RESPONSE: For the currently effective tax sharing agreement that was filed and approved by the United States Securities and Exchange Commission (“SEC”), *see* Question A, Attachment 1.

Question A
Attachment 1

**PEPCO HOLDINGS, INC. AND
AFFILIATED U.S. CORPORATIONS**

**FORM OF
FEDERAL AND STATE INCOME TAX ALLOCATION AGREEMENT**

This agreement (the "Agreement") made as of August 1, 2002, by and among Pepco Holdings, Inc. (formerly New RC, Inc.), a Delaware corporation ("PHI"); Potomac Electric Power Company, a corporation organized under the laws of the District of Columbia and the Commonwealth of Virginia ("Pepco"); the Pepco subsidiaries set forth on Exhibit A hereto (the "Pepco Subsidiaries"); Conectiv, a Delaware corporation ("Conectiv"); and the Conectiv subsidiaries set forth on Exhibit B hereto (the "Conectiv Subsidiaries"), (each, a "Group Member").

WITNESSETH THAT:

WHEREAS, the term "Affiliates" as used herein shall be deemed to refer to Pepco, the Pepco Subsidiaries, and the Conectiv Subsidiaries. The Affiliates together with PHI and Conectiv as a collective taxpaying unit, are sometimes referred to collectively as the "Group."

WHEREAS, Potomac Electric Power Company and Subsidiaries executed the Election to Allocate Consolidated Tax Liability on July 25, 1985 (the "Election"), and the Election was confirmed pursuant to that certain Tax Sharing Agreement between Potomac Electric Power Company and Pepco Holdings Incorporated and its Subsidiaries in November, 2000;

WHEREAS, Pepco, PHI and Conectiv entered into an Agreement and Plan of Merger dated as of February 9, 2001 among Potomac Electric Power Company, New RC, Inc. and Conectiv;

WHEREAS, the Group Members desire to join annually in the filing of a consolidated Federal income tax return, and it is now the intention of the Group, to enter into an agreement for the allocation of current federal income taxes; and

WHEREAS, PHI owns directly or indirectly at least 80 percent of the issued and outstanding shares of each class of voting common stock and at least 80 percent of the total value of the stock of each of the Affiliates and Conectiv; the Group is an affiliated group within the meaning of Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code"), of which PHI is the common parent; and the Group presently participates in the filing of a consolidated federal income tax return.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, PHI, Conectiv and the Affiliates agree to allocate tax liability as follows:

I. Allocation Procedures for Federal Income Tax Liabilities

A. General Rule

Step 1 - The federal consolidated tax liability of the Group (not including any liability for alternative minimum tax) shall be apportioned among the Group Members in accordance with the ratio that each Group Member's separate taxable liability bears to the sum of the separate taxable liabilities of all Group Members having taxable income.

Step 2 - An additional liability amount will be allocated to Group Members equal to 100% of the excess of the Group Member's separate tax liability over the consolidated tax liability of the Group allocated to the Group Member under Step 1 (an "Excess Separate Tax"); provided, however, the amount of any Excess Separate Tax allocated to a Group Member under this Step 2 shall be reduced by such Group Member's proportional share of the Excess Separate Tax attributable to the losses, credits, and/or other tax benefits of PHI and Conectiv which are not attributable to acquisition related debt, based upon the ratio that each Group Member's Excess Separate Tax bears to the aggregate Excess Separate Tax allocation to all the Group Members (in each case, prior to reduction by this proviso).

Step 3 - The total of the amounts allocated under Step 2 is credited pursuant to a consistent method to those Group Members who had losses, credits or other net tax benefits included in the consolidated return (referred to as "corporate tax benefits"); provided, however, that for the purposes of this Step 3, PHI and Conectiv shall be deemed to have corporate tax benefits only with respect to that portion of their losses, credits or other tax benefits that arise from taking into account items attributable to acquisition related debt.

B. Alternative Minimum Tax

1. General

If the total consolidated tax liability results in an alternative minimum tax ("AMT") liability, as imposed by Section 55(a) of the Code, then any consolidated AMT will be allocated to the Group Members based upon their proportionate amounts of AMT.

2. AMT Credits

If the total consolidated return liability results in consolidated minimum tax credit utilization, the consolidated minimum tax credit shall be tentatively allocated to each Group Member participating in the consolidated return in an amount equal to the lesser of (1) each Group Member's separate Minimum Tax Credit Carryforward or (2) the excess of such Group Member's allocated regular tax over its separate AMT Minimum Tax Credit Carryforward for this purpose is the sum of the annual amounts of consolidated AMT allocated to a Group Member in prior years less the sum of the consolidated minimum tax credits allocated to that Group Member in prior years. If the total of such tentative allocations exceeds the consolidated minimum tax credit utilized in the current taxable year, then the difference between the total of the tentative allocations and the consolidated minimum tax credit utilized for the taxable year shall be allocated as a negative amount to each Group Member in proportion to that Group Member's tentative allocation to the combined total of all such amounts. If the total of the tentative allocations is less than the consolidated minimum tax credit utilized, the difference

between the consolidated minimum tax credit utilization and the total of the tentative allocations shall be allocated to each Group Member in proportion to that Group Member's remaining Minimum Tax Credit Carryforward to the combined total of such carryforwards. The consolidated minimum tax credit allocated to each Group Member for the taxable year will equal the sum of the amounts allocated in the two step computation.

C. Separate Return Limitation

Under no circumstances shall the amount of tax or other liability allocated to a Group Member under this Article I exceed such Group Member's separate tax liability.

D. Unused Corporate Tax Benefits

A Group Member that is entitled to payment for a corporate tax benefit, but does not receive such payment because of the rules of this Article I shall retain such right for the future to the extent that such benefit can be applied subsequently against the consolidated tax liability. Uncompensated corporate tax benefits arising from negative taxable income shall have priority over the benefits attributable to excess tax credits.

E. Tax Adjustments

In the event of any adjustments to the tax returns of any of the Group Members (by reason of an amended return, a claim for refund or an audit by the Internal Revenue Service), the tax liability, if any, of each of the Group Members under Section A of this Article I shall be redetermined to give effect to any such adjustment as if it had been made as part of the original computation of tax liability, and payments by or to the appropriate Group Members shall be made within 120 days after any such payments are made or refunds are received, or, in the case of contested proceedings, within 120 days after a final determination of the contest. Interest and penalties, if any, attributable to such an adjustment shall be paid by or to (in the case of interest accruing with respect to a refund) each Group Member, in proportion to the increase or decrease in such Group Member's separate return tax liability computed under Section A of this Article I. In any situation in which the Group's tax liability is adjusted by a revenue agent's report or a court settlement and an item-by-item modification is not made, the Group shall consult its accountants for assistance in determining the appropriate Group Member giving rise to such adjusted tax liability. If responsibility cannot be determined, then the penalties and interest shall be allocated to all Group Members employing the same method used to allocate liability for taxes under this Article I.

F. Earnings and Profits

For purposes of determining the earnings and profits of each Group Member, the tax liability of the Group shall be allocated among the Group Members in accordance with Treasury Regulation Sections 1.1552-1(a)(2) and 1.1502-33(d)(3).

II. Allocation Procedures for State Income Tax Liabilities

A. Allocation

To the extent any Group Members are required or permitted to file a combined, consolidated, or unitary state income tax return, state and local income tax liabilities will be allocated, where appropriate, among Group Members in accordance with principles similar to those employed in the Agreement for the allocation of consolidated federal income tax liability.

B. Tax Adjustments

In the event of any adjustments to the tax returns of any consolidated, combined or unitary group covered by this Article II (by reason of an amended return, a claim for refund or an audit by any state taxing authority), the liability, if any, of each Group Member included in such consolidated, combined or unitary return shall be redetermined to give effect to any such adjustment as if it had been made as part of the original computation of tax liability, and payments by or to the appropriate Group Members shall be made within 120 days after any such payments are made or refunds are received, or, in the case of contested proceedings, within 120 days after a final determination of the contest. Interest and penalties, if any, attributable to such an adjustment shall be paid by or to (in the case of interest accruing with respect to a refund) each Group Member included in the consolidated, combined or unitary return in proportion to the increase or decrease, as the case may be, in such Group Member's share of the consolidated, combined or unitary business profits tax liability as determined in accordance with this Article II. In any situation in which the consolidated, combined or unitary tax liability is adjusted and an item-by-item modification is not made, the Group Members of such consolidated, combined or unitary group shall consult its accountants for assistance in determining the appropriate Group Member giving rise to such adjusted tax liability. If responsibility cannot be determined, then the penalties and interest shall be allocated to all Group Members included in the consolidated, combined or unitary return employing the same method used to allocate liability for taxes under this Article II.

C. Limitation on Tax Liability Allocation of each Group Member

Under no circumstances shall the amount of tax or other liability allocated to a Group Member under this Article II exceed such Group Member's separate tax liability.

D. Restriction Pertaining to Reimbursements of Certain Tax Benefits

Notwithstanding the requirements of this Article II, PHI and Conectiv are not entitled to be reimbursed for any corporate tax benefits or losses other than those arising from acquisition related debt. Adjustments similar to the adjustments provided under Step 2 and Step 3 in Section A of Article I shall be made with respect to any payment made or required pursuant to this Article II.

III. Administration

A. Agency

Any actions to be taken by PHI under this Agreement may be delegated to, and performed by, such designee as deemed appropriate by PHI.

B. Group Member Tax Information

The Group Members shall submit the tax information requested by PHI, in the manner and by the date requested, in order to enable PHI to calculate the amounts payable by the Group Members pursuant to this Agreement.

C. Settlement Authority

PHI or, with respect to any combined consolidated or unitary tax return, any person designated by PHI pursuant to Section A of this Article III, shall have sole authority, to the exclusion of all other Group Members, to agree to any adjustment proposed by the Internal Revenue Service or any other taxing authority with respect to items of income, deductions or credits, as well as interest or penalties, attributable to any Group Member notwithstanding that such adjustment may increase the amounts payable by Group Members under this Agreement.

D. Elections

PHI and the other Group Members shall execute and file such consents, elections and other documents that may be required or appropriate for the proper filing of a consolidated federal income tax return and any consolidated, combined or unitary state tax return, in each case, as determined by PHI or, with respect to any combined consolidated or unitary tax return, any person designated by PHI pursuant to Section A of this Article III, in such person's sole discretion.

E. Payments

Payments made to a Group Member pursuant to Step 3 in Section A of Article I or any similar amounts paid pursuant to Article II shall be made at approximately the same time the related tax payments are made to the appropriate tax authorities. Journal entries recording payments made pursuant to this Agreement will be made in the same month in which such payments are made.

F. Preparation of Returns

PHI shall be responsible for the preparation of any income tax returns and the calculations required by this Agreement (including any calculation related to estimated taxes).

IV. Subsidiaries of Group Members

If at any time, any of the Group Members acquires or creates one or more subsidiary corporations that are includible corporations of the Group, they shall be subject to this Agreement and all references to the Group Members herein shall be interpreted to include such subsidiaries.

V. Successors

This Agreement shall be binding on and inure to the benefit of any successor, by merger, acquisition of assets or otherwise, to any of the parties hereto (including but not limited to any successor of any Group Member succeeding to the tax attributes of such corporation under Section 381 of the Code) to the same extent as if such successor had been an original party to this Agreement.

VI. Effective Date

This Agreement shall apply with respect to any payments, adjustments and any other matters addressed herein related to the taxable year ending December 31, 2002, and subsequent taxable years. The provisos in step 2 and step 3 in Section A of Article I shall no longer be effective to the extent the Public Utility Holding Company Act of 1935 (the "1935 Act") is repealed or Rule 45(c) under the 1935 Act is repealed or amended to permit tax sharing payments with respect to losses, credits or other tax benefits of a registered holding company.

VII. Termination Clause

This Agreement shall apply to the taxable year ending December 31, 2002, and subsequent taxable years, unless all of the Group Members agree in writing to terminate the Agreement prior to the end of the taxable year. Notwithstanding any termination, this Agreement shall continue in effect with respect to any payment or refunds due for all taxable periods prior to termination.


VIII. Notices

Any and all notices, requests or other communications hereunder shall be given in writing (a) if to PHI, to Attention: Manager of Taxes, Facsimile Number: (202) 872-2268 and (b) if to any other person, at such other address as shall be furnished by such person by like notice to the other parties.

IX. Expenses

Each party hereto shall pay its own expenses incident to this Agreement and the transactions contemplated hereby, including all legal and accounting fees and disbursements.


IN WITNESS WHEREOF, the duly authorized representatives of the parties have set their hands.


Pepco Holdings, Inc.

3/18/03
Date


Potomac Electric Power Company


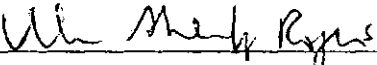
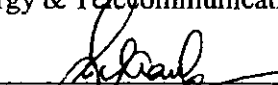
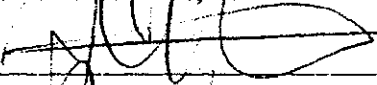
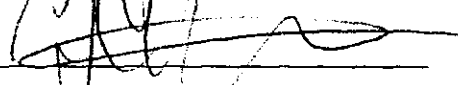
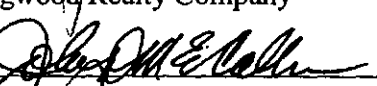

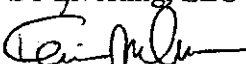
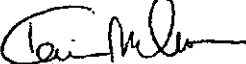
3/18/03
Date


Conectiv

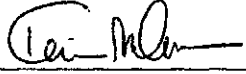
3/18/03
Date

EXHIBIT A

Pepco Subsidiaries

Name	Jurisdiction
American Energy Corporation	Delaware
By: <u></u>	Date: <u>3/26/03</u>
Edison Capital Reserves Corporation	Delaware
By: <u></u>	Date: <u>4/2/03</u>
Energy & Telecommunication Services, LLC	Delaware
By: <u></u>	Date: <u>3/28/03</u>
Engineered Services, Inc.	Delaware
By: <u></u>	Date: <u>4-1-03</u>
G&L Mechanical Services, Inc.	Delaware
By: <u></u>	Date: <u>4-1-03</u>
Longwood Realty Company	Delaware
By: <u></u>	Date: <u>3/28/03</u>
Met Electrical Testing Company, Inc.	Delaware
By: <u></u>	Date: <u>4-1-03</u>
PCI-BT Investing, LLC	Delaware
By: <u></u>	Date: <u>3/26/03</u>
PCI Energy Corporation	Delaware
By: <u></u>	Date: <u>3/26/03</u>

PCI Netherlands Corporation

By: 

Nevada

Date: 3/26/03

PCI Queensland Corporation

By: 

Nevada

Date: 3/26/03

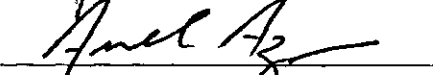
Pepco Building Services, Inc.

By: 

Delaware

Date: 4-1-03

Pepco Communications, Inc.

By: 

Delaware

Date: 3/31/03

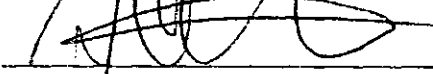
Pepco Energy Company

By: 

Delaware

Date: 3/28/03

Pepco Energy Services, Inc.

By: 

Delaware

Date: 4-1-03

Pepco Enterprises, Inc.

By: 

Delaware

Date: 3/28/03

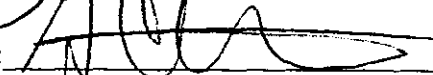
Pepco Holdings, Inc.

By: 

Delaware

Date: 3/28/03

UniTemp, Inc.

By: 

Delaware

Date: 4-1-03

Pepco Technologies, LLC

By: 

Delaware

Date: 3/28/03

PepMarket.com LLC

By: 

Delaware

Date: 3/28/03

PES Home Warranty Services of Virginia

By: [Signature]

Virginia

Date: 4-1-03

PES Landfill Gas Corporation

By: [Signature]

Delaware

Date: 4-1-03

Potomac Aircraft Leasing Corporation

By: [Signature]

Nevada

Date: 3/26/03

Potomac Capital Investment Corporation ("PCI")

By: [Signature]

Delaware

Date: 3/26/03

Potomac Capital Joint Leasing Corporation

By: [Signature]

Delaware

Date: 3/26/03

Potomac Capital Markets Corporation

By: [Signature]

Delaware

Date: 3/24/03

Potomac Delaware Leasing Corporation

By: [Signature]

Delaware

Date: 3/24/03

Potomac Equipment Leasing Corporation

By: [Signature]

Nevada

Date: 3/26/03

Potomac Harmans Corporation

By: [Signature]

Maryland

Date: 3/24/03

Potomac Land Corporation ("PLC")

By: [Signature]

Delaware

Date: 3/26/03

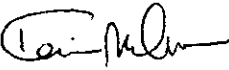
Potomac Nevada Corporation ("PNC")

By: [Signature]

Nevada

Date: 3/26/03

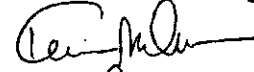
Potomac Nevada Investment, Inc.

By: 

Nevada

Date: 3/26/03

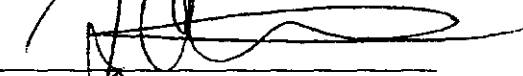
Potomac Nevada Leasing Corporation

By: 

Nevada

Date: 3/26/03

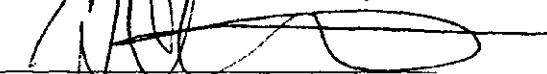
Potomac Power Resources, Inc.

By: 

Delaware

Date: 4-1-03

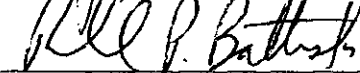
Seaboard Mechanical Contractors, Inc.

By: 

Delaware

Date: 4-1-03

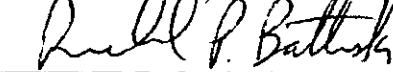
Severn Cable, LLC

By: 

Delaware

Date: 3/31/03

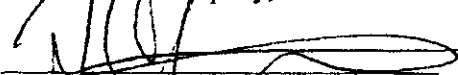
Severn Construction, LLC

By: 

Delaware

Date: 3/31/03

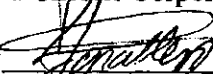
Substation Test Company, Inc.

By: 

Delaware

Date: 4-1-03

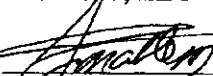
W.A. Chester Corporation

By: 

Delaware

Date: 3/28/05

W.A. Chester, LLC

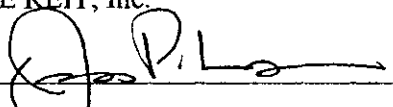

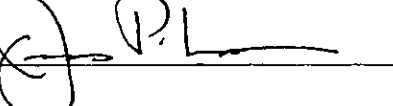
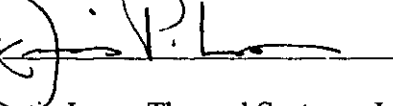
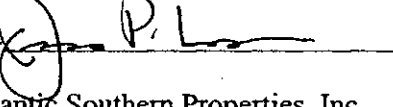

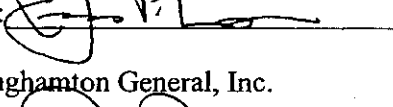
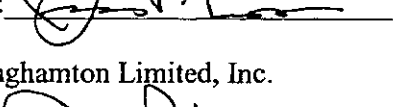
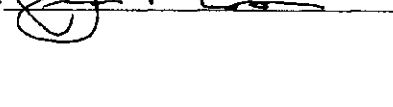
By: 

Delaware

Date: 3/28/03

EXHIBIT B

Conectiv Subsidiaries

Name	Jurisdiction
ACE REIT, Inc. By: 	Delaware Date: <u>3/28/03</u>
ATE Investment, Inc. By: 	New Jersey Date: <u>3/28/03</u>
Atlantic City Electric Company By: 	New Jersey Date: <u>3/28/03</u>
Atlantic Generation, Inc. By: 	New Jersey Date: <u>3/28/03</u>
Atlantic Jersey Thermal Systems, Inc. By: 	Delaware Date: <u>3/28/03</u>
Atlantic Southern Properties, Inc. By: 	New Jersey Date: <u>3/28/03</u>
ATS Operating Services, Inc. By: 	Delaware Date: <u>3/28/03</u>
Binghamton General, Inc. By: 	Delaware Date: <u>3/28/03</u>
Binghamton Limited, Inc. By: 	Delaware Date: <u>3/28/03</u>

Conectiv Communications, Inc.

By:  _____

Delaware

Date: 3/28/03

Conectiv Energy Supply, Inc.

By:  _____

Delaware

Date: 3/28/03

Conectiv Operating Services Company

By:  _____

Delaware

Date: 3/28/03

Conectiv Plumbing, LLC

By:  _____

Delaware

Date: 3/28/03


Conectiv Resource Partners, Inc.

By:  _____

Delaware

Date: 3/28/03

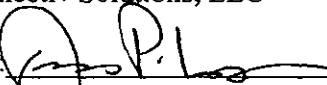
Conectiv Services, Inc.

By:  _____

Delaware

Date: 3/28/03

Conectiv Solutions, LLC

By:  _____

Delaware

Date: 3/28/03

Conectiv Thermal Systems, Inc.

By:  _____

Delaware

Date: 3/28/03

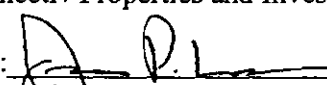
DCTC Burney, Inc.

By:  _____

Delaware

Date: 3/28/03

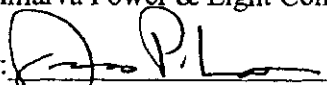
Conectiv Properties and Investments, Inc.

By:  _____

Delaware

Date: 3/28/03

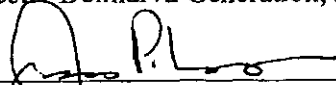
Delmarva Power & Light Company

By:  _____

Delaware & Virginia

Date: 3/28/03

Conectiv Delmarva Generation, Inc.

By:  _____

Delaware

Date: 3/28/03

Pedrick Gen, Inc.

By:  _____

New Jersey

Date: 3/28/03


Vineland General, Inc

By:  _____

Delaware

Date: 3/28/03

Vineland Limited, Inc.

By:  _____

Delaware

Date: 3/28/03

Conectiv Energy Holding Company

By: _____

Delaware

Date: 3/28/03

Conectiv Mid-Merit, Inc.

By: _____

Delaware

Date: 3/28/03

Conectiv Pennsylvania Generation, Inc.

By: _____

Delaware

Date: 3/28/03

King Street Assurance, Ltd.

By: _____

Bermuda

Date: 3/28/03

**Atlantic City Electric Company (“ACE” or the “Company”)
Responses to BPU Staff’s July 25, 2013 Notice of Opportunity to
Provide Additional Information
BPU Docket No. EO12121072**

- b) Please provide the year in which the utility was first included in a consolidated tax return.**

RESPONSE: To the best of the Company’s knowledge and information, ACE has been part of a federal consolidated income tax return since its incorporation in 1924.

**Atlantic City Electric Company (“ACE” or the “Company”)
Responses to BPU Staff’s July 25, 2013 Notice of Opportunity to
Provide Additional Information
BPU Docket No. EO12121072**

- c) Please provide the total amount paid by the utility to its parent company for federal income taxes in each year since 1991.**

RESPONSE: The information requested is highly confidential. *See* Question C, Attachment 1 which shows accrued federal current tax expense from the financial statements that are publicly disclosed in the Company’s annual SEC reports. The accrued amounts include prior period reconciliations, audit, and other adjustments. Generally, with few exceptions, these amounts are ultimately paid to the parent company after final settlement with the Internal Revenue Service (“IRS”). As IRS audits take several years to complete, cash settlement generally takes place later than the year in which the expense is accrued for the financial statements.

Question C
Attachment 1

**Atlantic City Electric Company
Consolidated Tax Adjustment Generic Proceeding
Docket No. EO12121072**

Year	Payment to/(from) Parent *
1991	37,759,000
1992	33,660,000
1993	29,679,000
1994	30,013,000
1995	32,457,000
1996	35,510,000
1997	49,646,000
1998	43,133,000
1999	(20,940,000)
2000	6,930,000
2001	(23,952,000)
2002	(39,600,000)
2003	20,100,000
2004	59,900,000
2005	104,700,000
2006	20,900,000
2007	56,700,000
2008	(98,000,000)
2009	(32,000,000)
2010	(5,000,000)
2011	(9,000,000)
2012	(31,000,000)

* These amounts represent accrued federal current tax expense from the financial statements that include prior period reconciliations, audit, and other adjustments.

**Atlantic City Electric Company (“ACE” or the “Company”)
Responses to BPU Staff’s July 25, 2013 Notice of Opportunity to
Provide Additional Information
BPU Docket No. EO12121072**

- d) **Please provide the total amount paid by all members of the consolidated income tax group to the parent company relating to federal income taxes, in each year since 1991.**

RESPONSE: The information requested is highly confidential. The Company would be willing to provide this information where available to BPU Staff and Division of Rate Counsel pending the execution of a confidentiality agreement.

**Atlantic City Electric Company (“ACE” or the “Company”)
Responses to BPU Staff’s July 25, 2013 Notice of Opportunity to
Provide Additional Information
BPU Docket No. EO12121072**

- e) **Please provide the amount paid to each loss company by the parent, in each year since 1991.**

RESPONSE: The information requested is highly confidential. The Company would be willing to provide this information where available to BPU Staff and the Division of Rate Counsel pending the execution of a confidentiality agreement.

**Atlantic City Electric Company (“ACE” or the “Company”)
Responses to BPU Staff’s July 25, 2013 Notice of Opportunity to
Provide Additional Information
BPU Docket No. EO12121072**

- f) Please provide the total amount paid by the consolidated entity to the IRS for federal income taxes in each year since 1991.**

RESPONSE: The information requested is highly confidential. *See* Question F, Attachment 1 which shows accrued current federal tax expense from the financial statements that are publicly disclosed in the Company’s annual SEC reports. The accrued amounts include prior period reconciliations and audit adjustments. Generally, with few exceptions, these amounts are ultimately paid to the IRS upon final audit settlement. As IRS audits take several years to complete, cash settlement generally takes place later than the year in which the expense is accrued on the financial statements

Question F
Attachment 1

Atlantic City Electric Company
Consolidated Tax Adjustment Generic Proceeding
Docket No. EO12121072

Year	Tax Paid *
1991	24,202,000
1992	22,441,000
1993	25,349,000
1994	19,729,000
1995	20,483,000
1996	27,061,000
1997	48,739,000
1998	80,408,000
1999	44,468,000
2000	8,410,000
2001	73,364,000
2002	(305,000,000)
2003	(130,300,000)
2004	(33,200,000)
2005	236,200,000
2006	(77,500,000)
2007	103,400,000
2008	(103,000,000)
2009	(106,000,000)
2010	(270,000,000)
2011	9,000,000
2012	(76,000,000)

* These amounts represent accrued federal current tax expense from the financial statements that include prior period reconciliations, audit, and other adjustments.

**Atlantic City Electric Company (“ACE” or the “Company”)
Responses to BPU Staff’s July 25, 2013 Notice of Opportunity to
Provide Additional Information
BPU Docket No. EO12121072**

- g) Please provide the amount of bonus depreciation taken by each member of the consolidated income tax group in each year since 1991.**

RESPONSE: The information requested is highly confidential. The Company would be willing to provide this information to representatives from BPU Staff and the Division of Rate Counsel subject to the execution of a confidentiality agreement.

**Atlantic City Electric Company (“ACE” or the “Company”)
Responses to BPU Staff’s July 25, 2013 Notice of Opportunity to
Provide Additional Information
BPU Docket No. EO12121072**

- h) Please provide the amount of Alternative Minimum Taxes paid by the consolidated income tax group in each year since 1991.**

RESPONSE: The information requested is highly confidential. The Company would be willing to provide this information to representatives from BPU Staff and the Division of Rate Counsel subject to the execution of a confidentiality agreement.

**Atlantic City Electric Company (“ACE” or the “Company”)
Responses to BPU Staff’s July 25, 2013 Notice of Opportunity to
Provide Additional Information
BPU Docket No. EO12121072**

- i) Please provide the amount of any tax loss carryforward available to the consolidated group and the period(s) over which these tax loss carryforwards are available to be used by the consolidated group.**

RESPONSE: The information requested is highly confidential. The Company would be willing to provide this information to representatives from BPU Staff and the Division of Rate Counsel subject to the execution of a confidentiality agreement.

**Atlantic City Electric Company (“ACE” or the “Company”)
Responses to BPU Staff’s July 25, 2013 Notice of Opportunity to
Provide Additional Information
BPU Docket No. EO12121072**

- j) Please provide a brief description of each company included in the consolidated income tax group since 1991, along with an indication of whether each company is regulated or non-regulated.**

RESPONSE: *See Question J, Attachment 1.*

Question J
Attachment 1

Atlantic City Electric Company
BPU Docket No. EO12121072 - Question J, Attachment 1

LINE	COMPANY	BUS. ACTIVITY
1	REGULATED UTILITIES	
2	ACE	Regulated Utility
3	Delmarva	Regulated Utility
4	PEPCO	Regulated Utility
5		
6	OTHER (*)	
7	ATE (ATE INVESTMENT INC - 22-2749198)	Leasing
8	ASP (ATLANTIC SOUTHERN PROPERTIES INC - 22-2174286)	Real Estate
9	AEI	Holding Company
10	AGI (ATLANTIC GENERATION INC - 22-2750117)	Investments
11	BGI (BINGHAMTON GENERAL INC - 22-3074172)	Investor-Cogen Proj
12	BLI (BINGHAMTON LTD INC - 22-3073952)	Investor-Cogen Proj
13	DW	Manage Generation Station
14	PGI (PEDRICK GENERAL INC 22-2994806)	Investor-Cogen Proj
15	PLI	Investor-Cogen Proj
16	VGI (VINELAND GENERAL INC - 22-3073954)	Investor-Cogen Proj
17	VLI (VINELAND LTD INC - 22-3073951)	Investor-Cogen Proj
18	AET	Investor of Co
19	TEE	Installation
20	CTS (formerly ATS)	Installation
21	AEE	Holding Company
22	AJTS (22-3310781)	Generation Plant O&M
23	ATOS	Installation
24	CCI (52-2007659)	Telecommunications
25	AEII	Sales
26	APC	Cogeneration
27	Conectiv	Holding Company
28	DPL REIT	Investments
29	ACE REIT	Wholesale elec gener
30	ConectivResourcePartners	Service
31	ConectivCommunications	Telecommunications
32	CSI II	Contracting
33	CSLLC	Consulting
34	ConectivSolutionsLLC (52-2065485)	Consulting
35	KSA (KING STREET ASSURANCE LTD - 98-0209334)	Insurance
36	DelmarvaServicesCompany	Real Property Leasing
37	ConectivEnergySupply Inc (CES - 23-1984748)	Wholesale/ Trdg Petrol
38	Petron Oil Co	Trading/Wholesales
39	Power Consulting Group	Service
40	Conectiv Plumbing LLC (52-2075768)	Plumbing
41	Babcock&Brant Inc	Contracting
42	BershireMechanical Inc	Contracting
43	Altemp Energy Systems	Contracting
44	Luppold Heating&Air	Contracting
45	Luppold Fuels, Inc.	Contracting
46	Jones Refrig&AirCond	Contracting
47	DELCAP	Holding Company
48	DCII	Financial Investment
49	ChristianaCapitalMgmt	Real Estate
50	DCTC Burney (51-0303209)	Investments
51	ConectivOperatingService (51-0302929)	Management
52	ConectivEnergy Inc	Wholesale elec gener
53	ConectivProp&InvestInc (51-0282705)	Investments
54	ConectivServicesInc (51-0402255)	Contracting
55	ConectivComm.of Virginia	Telecommunications
56	ConectivAtlanticGeneration (CAG)	Wholesale elec gener
57	ConectivDelmarvaGeneration (CDG)	Wholesale elec gener
58	ConectivMidMerit (CMML)	Wholesale elec gener
59	ConectivBethlehem (BETH - 68-0514717)	Wholesale elec gener

Atlantic City Electric Company
BPU Docket No. EO12121072 - Question J, Attachment 1

LINE	COMPANY	BUS. ACTIVITY
60	ConectivEnergyHoldingCo (CEHC - 51-0399937)	Investments
61	ServiceTodayInc	Services
62	ConectivPennsylvaniaGenerationLLC (CONNECTIV PA - 05-0563147)	Wholesale elec gener
63	PEPHOLD (52-2297449)	Holding Company
64	Edison (51-0404604)	Holding Company
65	PHISCO (formerly ConectivResourcePartners) (52-2074889)	Service Company
66	PCI (51-0273274)	Investments
67	PCJ (51-028-1947)	Leasing
68	PCM (51-0283195)	Investments
69	PCIE (23-2498872)	Oil & gas drilling
70	AEC (52-1604903)	Investments
71	PNC (88-0292191)	Investments
72	PHC (52-1813246)	Leasing
73	CONNECTIV MID-MERIT, INC. (51-0388898)	Wholesale elec gener
74	CONNECTIV PENNSYLVANIA GENERATION, INC. (75-2975101)	Wholesale elec gener
75	DE OPERATING SERVICES CO. (DOSC - 76-0720853)	Management
76	PHI OPERATING SERVICES CO. (POSC - 76-0720846)	Management
77	ATS OPERATING SERVICES INC (ATSO - 22-3363917)	Generation Pint O&M
78	PEPCO BUILDING SERVICES, INC. (PBS - 52-2175144)	HVAC Services
79	DELTA LLC	Wholesale/Trading Petroleum
80	CONNECTIV NE (26-1738945)	Wholesale/Trading Petroleum
81	PNLC (88-0298377)	Leasing
82	POTOMAC NEVADA INVESTMENT INC (88-0313905)	Investments
83	PAL (88-0311154)	Leasing
84	PCI NETHERLANDS CORPORATION (88-0324626)	Investments
85	PCI QUEENSLAND CORPORATION	Investments
86	PCIBT (52-2072105)	Investments
87	PEI	Management
88	PEPCOMM	Communications
89	PDLC (88-0428080)	Leasing
90	PELC (88-0428078)	Leasing
91	PES (52-1927068)	Energy Services
92	MET	Electrical Testing
93	PPR (52-2294337)	Energy Services
94	PESHWA	Services
95	ESI	HVAC Services
96	UNITEMP (52-2316587)	HVAC Services
97	CHESTERCORP (52-2293256)	Services
98	CHESTER (52-1952518)	Services
99	SEABOARD MECHANICAL, INC. (SEA - 52-2335911)	HVAC Services
100	SEVERN (52-2236062)	Services
101	G&L MECHANICAL SERVICES, INC. (G&L - 51-0405177)	HVAC Services
102	CAROLINA ELECTRICAL TESTING, INC. (CET - 20-3180504)	HVAC Services
103	CSL (26-4169274)	Services
104	CVSL (26-4169377)	Services

**Atlantic City Electric Company (“ACE” or the “Company”)
Responses to BPU Staff’s July 25, 2013 Notice of Opportunity to
Provide Additional Information
BPU Docket No. EO12121072**

- k) Please provide the reason why a company that was previously included in the consolidated income tax group is no longer included in the group.**

RESPONSE: *See Question K, Attachment 1.*

Question K
Attachment 1

Atlantic City Electric Company
BPU Docket No. EO12121072 - Question K, Attachment 1

LINE	COMPANY	REASON FOR NOT BEING INCLUDING IN CONSOLIDATED INCOME TAX RETURN*
1	REGULATED UTILITIES	
2	ACE	
3	Delmarva	
4	PEPCO	
5		
6	OTHER (*)	
7	ATE (ATE INVESTMENT INC - 22-2749198)	
8	ASP (ATLANTIC SOUTHERN PROPERTIES INC - 22-2174286)	
9	AEI	Merged into DCI 12/31/98
10	AGI (ATLANTIC GENERATION INC - 22-2750117)	
11	BGI (BINGHAMTON GENERAL INC - 22-3074172)	Cert. of Dissolution filed w/ DE Sec'y of State on 12/19/07
12	BLI (BINGHAMTON LTD INC - 22-3073952)	Cert. of Dissolution filed w/ DE Sec'y of State on 12/19/07
13	DW	DelWest Operating Company Merged w/ DOSC 1/9/98
14	PGI (PEDRICK GENERAL INC 22-2994806)	Company dissolved on 9/25/09
15	PLI	Pedrick Limited, Inc. Merged into ATE 12/31/98
16	VGI (VINELAND GENERAL INC - 22-3073954)	
17	VLI (VINELAND LTD INC - 22-3073951)	
18	AET	Atlantic Energy Technology, Inc. Merged into DCI 12/31/98
19	TEE	
20	CTS (formerly ATS)	
21	AEE	Atlantic Energy Enterprises, Inc. Merged into CIV 12/31/98
22	AJTS (22-3310781)	
23	ATOS	
24	CCI (52-2007659)	
25	AEII	Atlantic Energy International, Inc. Merged into DCI 12/31/98
26	APC	
27	Conectiv	Converted to LLC 04/01/10
28	DPL REIT	Converted to LLC and name changed to Conectiv Delmarva Generation LLC
29	ACE REIT	Converted to LLC 04/01/10
30	ConectivResourcePartners	
31	ConectivCommunications	
32	CSI II	
33	CSSL	
34	ConectivSolutionsLLC (52-2065485)	
35	KSA (KING STREET ASSURANCE LTD - 98-0209334)	Company dissolved on 1/22/08
36	DelmarvaServicesCompany	Merged into CPI 12/31/00
37	ConectivEnergySupply Inc (CES - 23-1984748)	
38	Petron Oil Co	Merged into CESI 2/28/99
39	Power Consulting Group	Merged into Solutions 12/31/98
40	Conectiv Plumbing LLC (52-2075768)	Dissolved/cancelled 1/26/06
41	Babcock&Brant Inc	
42	BershireMechanical Inc	
43	Altemp Energy Systems	
44	Luppold Heating&Air	
45	Luppold Fuels, Inc.	
46	Jones Refrig&AirCond	
47	DELCAP	
48	DCII	
49	ChristianaCapitalMgmt	Merged into CPI 12/31/98
50	DCTC Bumev (51-0303209)	Dissolved 12/31/2010
51	ConectivOperatingService (51-0302929)	Sold stock to NAES 6/17/03
52	ConectivEnergy Inc	
53	ConectivProp&InvestInc (51-0282705)	
54	ConectivServicesInc (51-0402255)	
55	ConectivComm of Virginia	
56	ConectivAtlanticGeneration (CAG)	Sold to Calpine Corporation 07/01/10
57	ConectivDelmarvaGeneration (CDG)	Sold to Calpine Corporation 07/01/10
58	ConectivMidMerit (CMMI)	Sold to Calpine Corporation 07/01/10
59	ConectivBethlehem (BETH - 68-0514717)	Sold to Calpine Corporation 07/01/10
60	ConectivEnergyHoldingCo (CEHC - 51-0399937)	Converted to LLC 04/01/10
61	ServiceTodayInc	
62	ConectivPennsylvaniaGenerationLLC (CONNECTIV PA - 05-0563147)	Certificate of Cancellation filed on January 31, 2011 with Delaware
63	PEPHOLD (52-2297449)	
64	Edison (51-0404604)	Dissolved 12/31/03
65	PHISCO (formerly ConectivResourcePartners) (52-2074889)	
66	PCI (51-0273274)	
67	PCJ (51-028-1947)	
68	PCM (51-0283195)	dissolved 12/30/05
69	PCIE (23-2498872)	
70	AEC (52-1604903)	
71	PNC (88-0292191)	
72	PHC (52-1813246)	Dissolved 12/30/05
73	CONNECTIV MID-MERIT, INC. (51-0388898)	Converted to LLC 5/7/03
74	CONNECTIV PENNSYLVANIA GENERATION, INC. (75-2975101)	Converted to LLC 4/9/03
75	DE OPERATING SERVICES CO. (DOSC - 76-0720853)	Converted to LLC 04/01/10
76	PHI OPERATING SERVICES CO. (POSC - 76-0720846)	Converted to LLC 04/01/10. Sold to Calpine Corporation 7/1/2010
77	ATS OPERATING SERVICES INC (ATSO - 22-3363917)	
78	PEPCO BUILDING SERVICES, INC. (PBS - 52-2175144)	
79	DELTA LLC	Sold to Calpine Corporation 7/1/2010
80	CONNECTIV NE (26-1738945)	
81	PNLC (88-0298377)	
82	POTOMAC NEVADA INVESTMENT INC (88-0313905)	
83	PAL (88-0311154)	Dissolved 12/30/05

Atlantic City Electric Company
BPU Docket No. EO12121072 - Question K, Attachment 1

LINE	COMPANY	REASON FOR NOT BEING INCLUDING IN CONSOLIDATED INCOME TAX RETURN*
84	PCI NETHERLANDS CORPORATION (88-0324626)	
85	PCI QUEENSLAND CORPORATION	
86	PCIBT (52-2072105)	
87	PEI	
88	PEPCOMM	Merged into Potomac Capital Investment Corporation on 1/31/06
89	PDLC (88-0428080)	
90	PELC (88-0428078)	
91	PES (52-1927068)	
92	MET	Sold Stock to Linc Grp 5/31/06
93	PPR (52-2294337)	Converted to LLC 6/6/03
94	PESHWVA	
95	ESI	Sold 9/30/06
96	UNITEMP (52-2316587)	
97	CHESTERCORP (52-2293256)	
98	CHESTER (52-1952518)	
99	SEABOARD MECHANICAL, INC. (SEA - 52-2335911)	
100	SEVERN (52-2236062)	
101	G&L MECHANICAL SERVICES, INC. (G&L - 51-0405177)	Merged into Unitemp 10/1/03
102	CAROLINA ELECTRICAL TESTING, INC. (CET - 20-3180504)	Sold Stock to Linc Grp 5/31/06
103	CSL (26-4169274)	Sold to Calpine Corporation 7/1/2010
104	CVSL (26-4169377)	Sold to Calpine Corporation 7/1/2010

* - entities converted into a single member LLC are treated as a division of their parent company for federal income tax purposes

**Atlantic City Electric Company (“ACE” or the “Company”)
Responses to BPU Staff’s July 25, 2013 Notice of Opportunity to
Provide Additional Information
BPU Docket No. EO12121072**

- l) Please provide all workpapers and calculations relating to the calculation of the CTA as requested in the notice.**

RESPONSE: The information requested is highly confidential. The Company would be willing to provide this information to representatives from BPU Staff and the Division of Rate Counsel subject to the execution of a confidentiality agreement.

**Atlantic City Electric Company (“ACE” or the “Company”)
Responses to BPU Staff’s July 25, 2013 Notice of Opportunity to
Provide Additional Information
BPU Docket No. EO12121072**

- m) Please provide the federal income taxes (both current and deferred) reported by the consolidated income tax group on the parent company’s Annual Report, by year since 1991.**

RESPONSE: *See* Question M, Attachment 1.

Question M
Attachment 1

Atlantic City Electric Company
Consolidated Tax Adjustment Generic Proceeding
Docket No. EO12121072

Federal Income Tax per Annual Report		
Consolidated Group		
Year	Current	Deferred
1991	24,202,000	12,543,000
1992	22,441,000	22,921,000
1993	25,349,000	20,235,000
1994	19,729,000	17,414,000
1995	20,483,000	25,965,000
1996	27,061,000	6,509,000
1997	48,739,000	1,081,000
1998	80,408,000	3,385,000
1999	44,468,000	(124,708,000)
2000	8,410,000	98,030,000
2001	73,364,000	44,994,000
2002	(305,000,000)	397,100,000
2003	(130,300,000)	170,500,000
2004	(33,200,000)	177,100,000
2005	236,200,000	(24,700,000)
2006	(77,500,000)	198,100,000
2007	103,400,000	79,000,000
2008	(103,000,000)	230,000,000
2009	(106,000,000)	207,000,000
2010	(270,000,000)	297,000,000
2011	9,000,000	117,000,000
2012	(76,000,000)	213,000,000

**Atlantic City Electric Company (“ACE” or the “Company”)
Responses to BPU Staff’s July 25, 2013 Notice of Opportunity to
Provide Additional Information
BPU Docket No. EO12121072**

- n) Please provide the federal income taxes (both current and deferred) by the utility, by year since 1991.

RESPONSE: *See* Question N, Attachment 1.

Question N
Attachment 1

**Atlantic City Electric Company
 Consolidated Tax Adjustment Generic Proceeding
 Docket No. EO12121072**

Federal Income Tax per Annual Report - ACE

Year	Current	Deferred
1971	0	1,000,000
1972	0	1,000,000
1973	0	1,000,000
1974	0	0
1975	0	1,000,000
1976	0	1,000,000
1977	0	0
1978	0	0
1979	0	0
1980	0	0
1981	0	0
1982	0	0
1983	0	0
1984	0	0
1985	0	0
1986	0	0
1987	0	0
1988	0	0
1989	0	0
1990	0	0
1991	0	0
1992	0	0
1993	0	0
1994	0	0
1995	0	0
1996	0	0
1997	0	0
1998	0	0
1999	0	0
2000	0	0
2001	0	0
2002	0	0
2003	0	0
2004	0	0
2005	0	0
2006	0	0
2007	0	0
2008	0	0
2009	0	0
2010	0	0
2011	0	0
2012	0	0
2013	0	0
2014	0	0
2015	0	0
2016	0	0
2017	0	0
2018	0	0
2019	0	0
2020	0	0
2021	0	0
2022	0	0
2023	0	0
2024	0	0
2025	0	0
2026	0	0
2027	0	0
2028	0	0
2029	0	0
2030	0	0
2031	0	0
2032	0	0
2033	0	0
2034	0	0
2035	0	0
2036	0	0
2037	0	0
2038	0	0
2039	0	0
2040	0	0
2041	0	0
2042	0	0
2043	0	0
2044	0	0
2045	0	0
2046	0	0
2047	0	0
2048	0	0
2049	0	0
2050	0	0
2051	0	0
2052	0	0
2053	0	0
2054	0	0
2055	0	0
2056	0	0
2057	0	0
2058	0	0
2059	0	0
2060	0	0
2061	0	0
2062	0	0
2063	0	0
2064	0	0
2065	0	0
2066	0	0
2067	0	0
2068	0	0
2069	0	0
2070	0	0
2071	0	0
2072	0	0
2073	0	0
2074	0	0
2075	0	0
2076	0	0
2077	0	0
2078	0	0
2079	0	0
2080	0	0
2081	0	0
2082	0	0
2083	0	0
2084	0	0
2085	0	0
2086	0	0
2087	0	0
2088	0	0
2089	0	0
2090	0	0
2091	0	0
2092	0	0
2093	0	0
2094	0	0
2095	0	0
2096	0	0
2097	0	0
2098	0	0
2099	0	0
2100	0	0