



Agenda Date: 12/16/15
Agenda Item: 2J

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 \$300 MILLION OF LONG-TERM DEBT)
SECURITIES PURSUANT TO N.J.S.A. 48:3-9 (2016-)
2017).) DOCKET NO. EF15091078

Parties of Record:

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

BY THE BOARD:¹

On September 16, 2015, Atlantic City Electric Company (“Petitioner” or “Company”), a public utility of the State of New Jersey, filed a petition requesting authority pursuant to N.J.S.A. 48:3-9 to: (i) not later than December 31, 2017, at its option, issue and sell in one or more series up to \$300 million in aggregate of debt securities (“Debt Securities”) and (ii) take any other action which may be necessary or desirable in connection therewith. The Order requested, if granted, would continue the long-term debt authority issued by the Board on December 18, 2013 in Docket No. EF13090843.

According to the petition, the proceeds of the financing will be used, in part, to refund maturing long-term debt. In addition, Petitioner states that it is engaged in a construction program with estimated expenditures of \$910 million 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 permanently finance up to \$298 million of short-term debt anticipated to be incurred for outlays associated with its 2015 – 2017 construction program.

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 to The Bank of New York Mellon, as successor trustee; Senior Notes issued under the Company’s Indenture (for Senior Debt Securities) dated as of April 1, 2004 to The Bank of New York Mellon, as trustee; or unsecured Notes issued under the Company’s Indenture dated March 1, 1997 to The Bank of New York Mellon, as trustee.

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

¹ Commissioner Joseph L. Fiordaliso was not present at the December 16, 2015 agenda meeting.

Debt Securities may 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. 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

<u>Range of Maturities</u>	<u>Maximum Coupon Spread (Basis Points)</u>
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	250
15 years to less than 20 years	250
20 years to less than 30 years	225
30 years to less than 40 years	225

According to the Petition, 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 has acknowledged that it will seek Board approval for an updated yield spread schedule. The prices to be paid to Petitioner, the interest rates, the maturity dates, the redemption premium and the public offering price of any Debt Securities will be determined at the time of closing, depending upon the results of the offering(s) to be made at future date(s), but not later than December 31, 2017.

Petitioner requested that the authorized 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.

By letter dated November 17, 2015, the New Jersey Division of Rate Counsel (“Rate Counsel”) stated that it has reviewed the Petition and supporting documents and does not oppose Board approval of the Petition with certain conditions that are set forth below. Rate Counsel also recommended that the Company be authorized to redeem Debt Securities prior to maturity without Board approval to achieve cost savings or a more efficient capital structure.

The Board, after investigation and review of the Petition and exhibits as well as Petitioner's representations, 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, that the proposed issuance and sale of the long-term Debt Securities is in accordance with the law, and is 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 the Petitioner be and the same **IS HEREBY AUTHORIZED**, from time to time, but not later than December 31, 2017, to:

- (i) issue and sell, from time to time, the Debt Securities in an aggregate principal amount not to exceed \$300 million; and
- (ii) take any other actions which may be necessary or desirable in connection with the above transactions.

This Order is subject to the following provisions:

1. This Order 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 to be owned by Petitioner.
2. This Order shall not be construed as certification that the Debt Securities herein authorized will be represented by tangible or intangible assets of commensurate value or investment cost.
3. Except as previously set forth herein, this Order shall neither affect nor in any way limit the exercise of the authority of this Board or of the State in any future petition or in any future proceeding with respect to rates, franchises, services, financing (including method of sale of securities), accounting, capitalization or any other matters affecting Petitioner. Rate Counsel, Board Staff, and any other parties reserve the right to examine the transactions authorized by this Order and their impact on rates in the Company's next base rate case.
4. This Order shall not constitute pre-approval or presumed approval of any costs associated with the Debt Securities. All such costs shall be subject to review for reasonableness in Petitioner's next base rate case.
5. This Order shall not affect or in any way limit the manner in which the Petitioner registers its securities with the SEC.
6. Petitioner shall provide Rate Counsel and the Board with a copy of its SEC registration statement for this debt issue, upon request.
7. Petitioner shall furnish the Board with copies of all executed indentures.
8. Whether the Debt Securities are sold in an offering that is registered under the Securities Act or sold on a competitively bid basis, Petitioner shall not issue Debt Securities at coupon rates in excess of those that would result from the Market Yield Spread Table set forth in this Order. In the event that market conditions change, Petitioner may request Board approval to issue Debt Securities at coupon rates in excess of those that would result from the Market Yield Spread Table. Any such request shall be

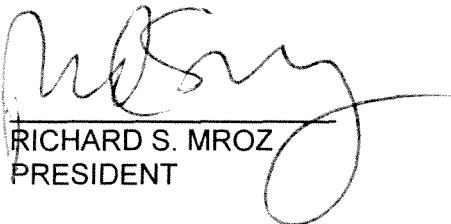
accompanied by Petitioner's statement on the basis or the rationale therefor. If the Board approves a different Market Yield Spread Table proposed by Petitioner, Petitioner may then issue the Debt Securities in conformance with the revised table.

9. The Debt Securities authorized herein shall not be redeemed prior to maturity without further Board approval unless to achieve cost savings or more efficient capital structure. Petitioner shall maintain the records and documentation necessary to demonstrate the prudence of any such redemption.
10. The Debt Securities authorized in this docket shall be used only for the purposes identified in the Petition, and not to fund any affiliate transactions.
11. Petitioner should undertake long-term debt financings in a manner that achieves the lowest reasonable cost of capital for customers. From time to time, Petitioner shall review opportunities for economic refinancing of outstanding long-term debt.
12. Petitioner is obligated to use a prudent mix of capital to finance its utility operations and investments.
13. The authority granted in this Order shall become null and void and of no effect with respect to any portion thereof which has not been exercised by December 31, 2017.

This Order shall be effective December 26, 2015.

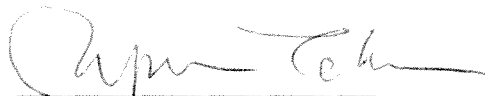
DATED: 12/16/15

BOARD OF PUBLIC UTILITIES
BY:

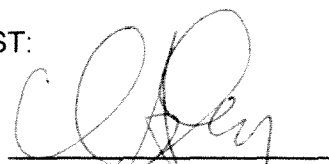

RICHARD S. MROZ
PRESIDENT


MARY-ANNA HOLDEN
COMMISSIONER

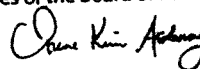

DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST:


IRENE KIM ASBURY
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 \$300 MILLION OF LONG-TERM DEBT SECURITIES
PURSUANT TO N.J.S.A. 48:3-9 (2016-2017)

DOCKET NO.EF15091078

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