



Agenda Date: 7/13/22
Agenda Item: IIA

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/

IN THE MATTER OF THE PETITION OF ATLANTIC) ENERGY
CITY ELECTRIC COMPANY FOR AUTHORITY TO)
ISSUE UP TO \$700 MILLION OF LONG-TERM) ORDER
DEBT SECURITIES PURSUANT TO N.J.S.A. 48:3-9)
(2022 – 2024)) DOCKET NO. EF22020044

Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Philip J. Passanante, Esq., Assistant General Counsel, Atlantic City Electric Company

BY THE BOARD:

On February 4, 2022, Atlantic City Electric Company (“Petitioner” or “Company” or “ACE”), 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, 2024, at its option, issue and sell in one or more series up to \$700 million in aggregate of debt securities (“Debt Securities”) to finance a portion of its 2022 - 2024 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 requested action would continue the long-term debt authority issued by the Board on December 2, 2020, in BPU Docket No. EF20080522.

The Company represented in its filing that it has \$150 million in taxable bonds scheduled to mature during 2022 – 2024. Petitioner further stated that it is engaged in a construction program with estimated expenditures of \$1.4 billion for the years 2022 – 2024, designed to improve and extend its facilities to enable it to improve public service. The Company seeks the flexibility to issue long-term debt to finance various outlays associated with its 2022 - 2024 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 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.

According to the filing, 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 issuance or 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. Based on 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 Debt Securities 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 June 6, 2022, 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 certain provisions continuing to remain in the Order.

DISCUSSION AND FINDINGS

The Board, 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, **HEREBY 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 ACE is **HEREBY AUTHORIZED**, from time to time, and not later than December 31, 2024, as follows:

- (i) to issue and sell, from time to time, the Debt Securities in an aggregate principal amount not to exceed \$700 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 2022 - 2024 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:

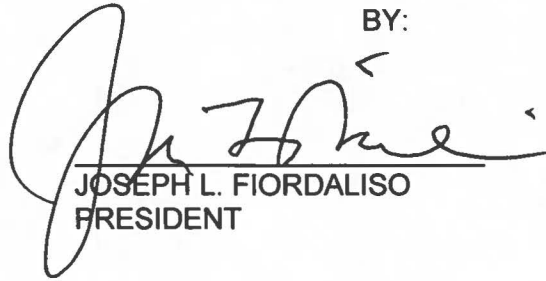
1. If (1) the interest rate of any series of new issuance, in relation to U.S. Treasury securities, does not exceed the range set forth in Exhibit C of the Petition, and (2) the compensation to the underwriters with respect to any series does not exceed 1.0% of the aggregate principal amount of the new 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 practicable after acceptance of an offer for, and the pricing of, any new issuance, notify the Board's 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. ACE shall furnish the Board with copies of all executed amendments and/or supplements, if any, of the ACE's Mortgage and Deed of Trust, or any successor mortgage thereto.
6. ACE shall furnish the Board with copies of all final documents as executed and filed with other regulatory agencies, including the SEC, if any, relating to the new issuances.
7. The Board's Order in this proceeding 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.

8. The Board's Order in this proceeding shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of any tangible or intangible assets now owned or hereafter owned by ACE.
9. The Board's Order in this proceeding 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, franchises, service, financing (including method of sale of securities), accounting, capitalization or any other matters affecting the Petition.
10. 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 is not exercised by December 31, 2024.
11. The Board Order on this proceeding shall not constitute pre-approval for any cost or authorization for rate recovery. All capital costs are subject to review in ACE's next base rate proceeding.
12. The debt issuance authority granted by the Board in this docket is to be used to fund utility operations and investments only, not to fund unregulated entities.
13. ACE shall endeavor to issue its planned long-term debt at lowest reasonable cost.
14. 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.

This Order shall be effective on July 20, 2022

DATED: July 13, 2022

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: 

CARMEN D. DIAZ
ACTING 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 \$700 MILLION OF LONG-TERM
DEBT SECURITIES PURSUANT TO N.J.S.A. 48:3-9 (2022 – 2024)

DOCKET NO. EF22020044

SERVICE LIST

<p><u>Board of Public Utilities</u> 44 South Clinton Avenue, 1st Floor Post Office Box 350 Trenton, NJ 08625-0350</p> <p>Carmen Diaz, Acting Secretary board.secretary@bpu.nj.gov</p> <p>Benjamin Witherell, Ph.D. Chief Economist benjamin.witherell@bpu.nj.gov</p> <p>Christine Lin christine.lin@bpu.nj.gov</p> <p>Farhana Rahman farhana.rahman@bpu.nj.gov</p> <p>Paul Lupo paul.lupo@bpu.nj.gov</p> <p>Carol Artale, Esq., Deputy Chief Counsel carol.artale@bpu.nj.gov</p> <p>Abe Silverman, Esq. abe.silverman@bpu.nj.gov</p> <p><u>Division of Law</u> Richard J. Hughes Justice Complex 25 Market Street., 7th Floor West P.O. Box 112 Trenton, NJ 08625</p> <p>Pamela Owen, Assistant Section Chief, DAG Matko Ilic, DAG Steven A. Chaplar, DAG pamela.owen@law.njoag.gov matko.ilic@law.njoag.gov steven.chaplar@law.njoag.gov</p>	<p><u>Division of Rate Counsel</u> 140 East Front Street, 4th Floor Post Office Box 003 Trenton, NJ 08625-0003</p> <p>Brian O. Lipman, Esq. Director blipman@rpa.nj.gov</p> <p>Maria Novas-Ruiz, Esq. Assistant Deputy Rate Counsel mnovas-ruiz@rpa.nj.gov</p> <p>T. David Wand, Esq., Managing Attorney dwand@rpa.nj.gov</p> <p>Robert M. Glover, Esq. rglover@rpa.nj.gov</p> <p>Bethany Rocque-Romaine, Esq. bromaine@rpa.nj.gov</p> <p>Debora Layugan dlayugan@rpa.nj.gov</p> <p>Tylise Hyman thyman@rpa.nj.gov</p> <p>David E. Peterson Chesapeake Regulatory Consulting 1815 Fenwicke Court Huntingtown, MD 20639 davep@chesapeake.net</p>
---	---

Petitioners

Atlantic City Electric Company
92DC42
500 N. Wakefield Drive
P.O. Box 6066
Newark, DE 19714-6066

Philip J. Passanante, Esq.
philip.passanante@pepcoholdings.com

Heather Hall, Manager
heather.hall@pepcoholdings.com

Julia Reilly
julia.reilly@pepcoholdings.com

Diana DeAngelis
diana.deangelis@pepcoholdings.com

Brian R. Collins
brian.collins@exeloncorp.com

Ryan Brown
ryan.brown@exeloncorp.com