Agenda Date: 6/29/23
Agenda Item: 2F

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 CITY ELECTRIC COMPANY FOR APPROVAL OF POWERING THE FUTURE, AN INFRASTRUCTURE INVESTMENT PROGRAM AND RELATED COST RECOVERY MECHANISM, PURSUANT TO N.J.A.C. 14:3-2A.1 ET SEQ.	)	DECISION AND ORDER APPROVING STIPULATION OF SETTLEMENT DOCKET NO. ER22100666

Parties of Record:

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

BY THE BOARD:[1]

By this Decision and Order, the New Jersey Board of Public Utilities ("Board") considers a stipulation of settlement ("Stipulation") executed by Atlantic City Electric Company ("ACE" or "Company"), the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff") (collectively, "Parties"), which resolves the above-captioned matter.

BACKGROUND AND PROCEDURAL HISTORY

On October 31, 2022, ACE filed a petition with the Board seeking approval to implement its proposed Powering the Future ("PTF") Infrastructure Investment Program ("IIP" or "Program") and an associated cost recovery mechanism pursuant to N.J.A.C. 14:3-2A.1 et seq. ("II&R Rules") ("Petition").[2]

By Order dated December 21, 2022, the Board determined that the Petition should be retained by the Board for hearing, and, pursuant to N.J.S.A. 48:2-32, designated Commissioner Dianne Solomon as the Presiding Commissioner authorized to rule on all motions that arise during the

[1] Commissioner Marian Abdou abstained from voting on this matter.

[2] On December 19, 2017, the Board adopted new regulations for utility "Infrastructure Investment and Recovery" supporting the implementation of an Infrastructure Investment Program, which allows a utility to accelerate its investment in the construction, installation, and rehabilitation of certain non-revenue producing utility plant and facilities that enhance safety, reliability, and/or resiliency. The rules are codified at N.J.A.C. 14:3-2A.1 et seq. and became effective on January 16, 2018.

pendency of the proceedings and modify any schedules that may be set as necessary to secure a just and expeditious determination of the issues.[3] Further, the December 2022 Order directed that any entities seeking to intervene or participate in this matter file the appropriate application with the Board by January 13, 2023 and that any party wishing to file a motion for admission of counsel, *pro hac vice*.

On December 16, 2022, the Solar Energy Industries Association ("SEIA") filed a motion to participate and a motion for admission *pro hac vice* of Jeanne B. Armstrong, Esq., in house counsel to SEIA. On January 12, 2023, Public Service Electric and Gas Company ("PSE&G") filed a motion to participate. On February 6, 2023, ACE field a letter with the Board indicating that it had no objection to SEIA's and PSE&G's motions to participate. By Order dated February 13, 2023, Commissioner Solomon approved a procedural schedule, granted participant status to SEIA and PSE&G, and granted admission of counsel *pro hac vice* for SEIA.[4]

Following proper notice, public hearings were held virtually on March 21, 2023, at 4:30 p.m. and 5:30 p.m.[5] Three (3) members of the public attended the public hearings, with all three (3) members of the public supporting the Program. The Board also received written correspondence from one (1) constituent supporting the Program.

On March 23, 2023, ACE submitted a letter requesting a suspension of the procedural schedule for 21 days in order to provide the Parties with additional time to facilitate the ongoing settlement discussions. By Order dated March 30, 2023, Commissioner Solomon granted ACE's request to suspend the procedural schedule.[6] The Suspension Order further directed the parties to provide a status update no later than May 2, 2023 in the event the parties failed to reach a settlement on or before May 1, 2023.

Pursuant to the Suspension Order, ACE filed a letter with the Board on May 2, 2023, stating that the Parties had reached a settlement in principle, and requested to further suspend the procedural schedule.

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[3] In re the Petition of Atlantic City Electric Company for Approval of Powering the Future, an Infrastructure Investment Program and Related Cost Recovery Mechanism, Pursuant to N.J.A.C. 14:3-2A.1 et seq., Order Designating Commissioner, Setting Manner of Service and Bar Date, BPU Docket No. ER22100666, Order dated December 21, 2022 ("December 2022 Order").

[4] In re the Petition of Atlantic City Electric Company for Approval of Powering the Future, an Infrastructure Investment Program and Related Cost Recovery Mechanism, Pursuant to N.J.A.C. 14:3-2A.1 et seq., Prehearing Order Setting Procedural Schedule and Ruling on Motions to Intervene and Participate, BPU Docket No. ER22100666, Order dated February 13, 2023 ("Prehearing Order").

[5] Due to the COVID-19 pandemic, public hearings were held virtually.

[6] In re the Petition of Atlantic City Electric Company for Approval of Powering the Future, an Infrastructure Investment Program and Related Cost Recovery Mechanism, Pursuant to N.J.A.C. 14:3-2A.1 et seq., Order Suspending Procedural Schedule, BPU Docket No. ER22100666, Order dated March 30, 2023 ("Suspension Order").

THE PETITION

According to the Petition, the Company proposed a four (4)-year Program with a total investment level of $379 million. ACE proposed to invest in the following subprograms: 1) Targeted Reliability Improvements; 2) Smart Technology Upgrades; 3) Infrastructure Renewal; 4) Solar/distributed energy resources ("DER") Enablement; and 5) Substation Improvements. As noted in the Petition, the proposed Program included 80 electric projects totaling approximately $379 million, excluding Operation and Maintenance ("O&M") expenses, as summarized below:

Subprogram	Projects	Cost
Targeted Reliability Improvements	Long Radial Remediation, New Feeders, Rear Lot Conversions, Reconductoring, Underground Residential Development ("URD"), Unfused Laterals, and Priority Feeders	$92.8 Million
Smart Technologies Upgrades	Capacitors, Reclosers, Smart Sensors, Fiber/Radio, Regulators, and Distribution Automation	$68.5 Million
Infrastructure Renewal	Abandoned Line, Cable URD, Network Renewal, Open Wire Secondaries, Cutout Replacement, and Recloser Replacement	$87.5 Million
Solar/DER Enablement	Substation Reverse Power Protection (Capital), Substation Reverse Power Protection (O&M), and Solar/DER Distribution Line Improvements	$34.9 Million
Substation Improvement	New Substation, Substation Additions, Substation Reliability, Substation Renewal	$96.8 Million

ACE proposed a cost recovery mechanism that would establish a new component of the Company's current Rider IIP to recover costs of the Program. The Company proposed to allocate the total revenue requirement of the Program proportionately to each rate class based upon the percentage of total authorized distribution revenue for that rate class as authorized by the Board in its most recent base rate case. Once the revenue targets are established, the rates for Rider IIP would be designed for each rate class based upon the class's distribution rate design components.

According to the Petition, the proposed cost recovery mechanism would be set semi-annually based upon the Company's forecasted revenue requirement, adjusted for any prior period over- or under-recoveries, including interest, and a forecast of the Company's kWh deliveries to customers for each annual period. The Company proposed six (6) rate adjustment filings that would include at least six (6) months of investments and a minimum investment level of 10% of the total authorized program. To initiate a roll-in filing, ACE would provide advance notice of no less than 30 days prior to the rate recovery request. After filing the petition for a specified investment period, ACE would update the petition's forecasted investment data and related information to actuals no later than 30 days after the end of the specified investment period. ACE further proposed that the changes to the rates specified in the Rider IIP rates become effective no earlier than the first day of the fourth month following the investment period in that filing. The Company also requested that the final roll-in be treated as a closeout filing and extend the last filing date to no later than December 2027, with associated rates effective April 1, 2028. The proposed cost recovery filing would provide for: 1) the recovery of the Program revenue requirement for the period; and 2) the recovery of any over- or under-recovered balances including interest.

ACE proposed to roll any unrecovered Program or project investment costs into base rates during future base rate cases. The proposed cost recovery mechanism would continue to be used until all Program costs are rolled into base rates.

As noted in the Petition, as proposed, the cumulative bill impact for a typical residential customer with an average annualized monthly usage of 680 kWh is estimated to be an overall increase of $5.01 or 3.55% at the end of the four-year IIP period.

STIPULATION

Following discovery and several settlement conferences, the Parties executed the Stipulation resolving this matter. The Stipulation provides, in pertinent part, as follows:[7]

1. Subject to Board approval of the Stipulation, ACE may implement Powering the Future with modifications to the Program as filed and pursuant to the terms and conditions agreed to in the Stipulation. PTF will include investments in ACE's electric distribution system; an accelerated rate recovery mechanism ("PTF Rate Mechanism"), including periodic rate adjustments for investments included in the PTF Rate Mechanism; an annual baseline for electric capital expenditures ("Baseline Capital Expenditures"); and other provisions as described in the Stipulation.

I. Program Term

2. The project work under the Program will commence on or about July 1, 2023, and conclude no later than June 30, 2027, except as provided in the Stipulation (i.e., trailing/closeout work). The Company may undertake Program-related non-construction expenditures, such as planning and engineering, upon Board approval of the Program. The chart in Exhibit A of the Stipulation summarizes the projected IIP capital investment per project per year and in total.

3. The Company will have the option of seeking Board approval to extend the end date for the Program beyond the term provided in the Stipulation. Any such extension proposal shall be supported, at minimum, by the results of activities from the first two (2) years under this Program. To the extent the Company determines that any such extension is necessary, the Company will make electronic notice to Board Staff and Rate Counsel no later than 30 days after the Company makes that determination and will seek Board approval for such extension no sooner than 15 days following that electronic notice. The Parties reserve all rights to take any positions regarding any such extension request.

II. Program Expenditures and Rate Recovery Mechanism

4. The Parties agree that the specific IIP investment projects to be recovered through the IIP cost recovery mechanism, including the projects' maximum subprogram investment levels

[7] Although summarized in this Order, should there be any conflict between this summary and the Stipulation, the detailed terms of the Stipulation are controlling, subject to the findings and conclusions of this Order. Paragraphs are numbered to coincide with the Stipulation.

for accelerated recovery, without any inflation adjustments, are listed in the following table:

Table 1

Category: Targeted Reliability Improvements	**$4,875,000**
Sub-Program: Reconductoring	**$4,875,000**
New Feeder Ties NJ1111 and NJ1166	$4,000,000
New Feeder Ties NJ1112 and NJ1114	$875,000
Category: Smart Technology Upgrades	**$33,058,750**
Sub-Program: Capacitors	**$4,125,000**
Capacitor Bank Upgrade Project	$2,200,000
Capacitor Controller Upgrade Project	$1,925,000
Sub-Program: Distribution Automation	**$19,185,000**
DA Feeder Improvement Project	$5,500,000
DA Substation Improvements	$3,685,000
Strengthen DA Feeder Ties	$10,000,000
Sub-Program: Reclosers	**$7,614,750**
ACE NJ Recloser Installation	$7,614,750
Sub-Program: Regulators	**$2,134,000**
Regulator Controller Upgrade Project	$2,134,000
Category: Solar/DER Enablement	**$33,110,798**
Sub-Program: Solar/DER Distribution Line Improvements	**$19,954,798**
Solar/DER Distribution Line Improvements	$19,954,798
Sub-Program: Substation Reverse Power Protection	**$13,156,000**
Substation Reverse Power Protection Project	$13,156,000
Category: Substation Improvements	**$22,064,535**
Sub-Program: Substation Reliability	**$22,064,535**
ACE NJ -Distribution Flood remediation	$11,420,785
Cedar Substation	$1,843,750
Fairton Relay & Bus Upgrades	$5,700,000
Laurel - Install new Relays	$3,100,000
Powering the Future Total	**$93,109,083**

Exhibit A of the Stipulation consists of schedules detailing the component projects of the PTF subprograms, including their estimated costs and projected year of the plant addition (i.e., the “in-service” year), as well as a summary of projected plant additions by year. Accelerated recovery investment funds may be reallocated among the identified electric subprograms. The Parties recognize that the infrastructure initiatives covered under PTF will be of a significant scale and scope, and there are many variables associated with this type of work that make it difficult to precisely budget each subprogram project initiative. The reallocation process shall be as follows: for reallocation among PTF subprograms in the cumulative amount of five percent (5%) or less of the overall Program investment set forth in the Stipulation, ACE shall be authorized to make adjustments on an immediate basis. “Cumulative amount” in this paragraph shall mean cumulative for the entire period of the program. ACE shall notify Board Staff and Rate Counsel of the changes within 30 days following a change of five percent (5%) or less. ACE shall not make reallocations among the PTF subprograms exceeding five percent (5%) of the overall PTF program investment without 15 days prior electronic notification to Board Staff (Director, Division of Water and Energy or designee) and Rate Counsel (Director and Electric Division Manager), or designees, providing them with the opportunity to object within that time period. If Board Staff or Rate Counsel do not object within 15 days of receipt of the electronic notice, the Company may make the reallocation. Should Board Staff or Rate Counsel object within 15 days of receipt of the electronic notice, the Company, Board Staff, and Rate Counsel will make their best efforts to resolve the objection within 90 days of Board Staff's or Rate Counsel's objection.

5. To the extent the Company decides not to proceed with any of the subprogram projects identified in Paragraphs 4 and 6 of the Stipulation, as originally planned, the Parties stipulate that those projects will no longer be recovered through the PTF program and the total PTF budget will be decreased by the stipulated cost. The Company is free to seek recovery of prudently incurred costs through a future base rate case as normal base spend.

6. ACE's PTF shall consist of the following categories, subprograms and projects:

i. Category: ***Targeted Reliability Improvements***

The Company will invest up to $4.9 million to further enhance the reliability of the ACE distribution system, including the following reconductoring projects: New Feeder Ties NJ1111 and NJ1166 ($4,000,000) and New Feeder Ties NJ1112 and NJ1114 ($875,000).

ii. Category: ***Smart Technology Upgrades***

The Company will invest up to $33.1 million in Smart Technology Upgrades, including projects in the following subprograms:

Capacitors: ACE will invest up to $4,125,000 in the Capacitor Bank Upgrade Project ($2,200,00) and the Capacitor Controller Upgrade Project ($1,925,000).

Distribution Automation: ACE will invest up to $19,185,000 in the DA Feeder Improvement Project ($5,500,000), the DA Substation Improvements Project ($3,685,000) and the Strengthen DA Feeder Ties Project ($10,000,000).

Reclosers: ACE will invest up to $7,614,750 in the Recloser Installation Project ($7,614,750).

Regulators: ACE will invest up to $2,134,000 in the Regulatory Controller Upgrade Project ($2,134,000).

iii. Category: ***Solar/DER Enablement***

The Company will invest up to $33.1 million to maintain reliability while enabling the deployment of additional solar and other DER projects on ACE's distribution system, including projects related to Substation Reverse Power Protection

($13,156,000) and Solar/DER Distribution Line Improvements ($19,954,798). No later than August 30, 2024, and each year of the Program thereafter, ACE will provide the Parties with a list of closed feeders, for each month, included in the Solar/DER Enablement Subprogram with an identification of the factors contributing to the addition/deletion of feeders on the list from the prior year, showing this data for each month. In addition, the Company will continue to clearly identify, using monthly data, the specific closed feeders (to new DER/solar interconnections) and the number of solar/DER projects that were denied or issued interconnection restrictions due to system constraints associated with these closed feeders or other factors creating or leading to system constraints negatively impacting solar/DER interconnection and operation. The Company will prepare a monthly accounting of such projects that will include the identification of closed feeders and all solar or other DER projects that have been denied interconnection, or have restricted interconnection. Each solar or DER project that has been denied or restricted interconnection will be accounted for on an individual basis and the following information will be maintained by the Company: the specific location of the denied solar/DER project including identifying its respective closed feeder or other constraint; the capacity of the denied project; the type of solar/DER project (i.e., residential solar, commercial solar, community solar, other DER, etc.); whether the project was denied or was restricted; and the reason for the denial or restriction.

The Company shall also demonstrate, on an annual basis, how its DER/solar investments in this section of the Stipulation have resulted in additional solar interconnection approvals, including an accounting of all interconnection approvals, the types of solar/DER projects that were approved, and the total capacity of solar/DER projects that were approved in any way due to system constraints alleviated by this project.

iv. Category: ***Substation Improvements***

The Company will invest up to $22.1 million to complete projects to further improve substation reliability, including: substation flooding remediation projects ($11,420,785) at the Ontario substation, Paulsboro substation, Nortonville substation, Huron substation, Ship Bottom substation, Higbee substation, Merion substation, Scull substation, Lake Avenue substation, Sea Isle substation, Peermont substation, B.L. England substation, and Marven substation, plus the following projects: Cedar Substation ($1,843,750), Fairton Relay and Bus Upgrades ($5,700,000) and Laurel Install New Relays ($3,100,000). See Exhibit A of the Stipulation.

7. Costs eligible for recovery under the PTF Rate Mechanism shall not exceed $93.1 million, which excludes the cost associated with Allowance for Funds Used During Construction ("AFUDC").

III. Capital Structure and Return on Equity

8. ACE's weighted average cost of capital ("WACC") for PTF will be set based upon the WACC established in the Company's most recently approved base rate case. The current WACC based upon the approved 2020 base rate case is 6.99%, or 6.38% on an after-tax basis based on current tax rates.[8]

IV. Total Program Expenditures

9. All costs found to be prudently incurred on PTF Projects above $93.1 million, as determined during prudency review, will count toward Baseline Capital Expenditures as discussed in Paragraph 10 of the Stipulation.

V. Baseline Capital Expenditures

10. During the term of the Program, the Company agrees to maintain the following minimum annual baseline capital expenditure levels, which are based upon the Company's historical baseline spending, as calculated in the table below.

MINIMUM ANNUAL BASELINE SPENDING CALCULATION

Project Category	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2023-2027 Forecast
Proposed ACE Capital Distribution Projects [1)]	$ 234.3	$ 260.1	$ 279.0	$ 283.1	$ 216.9	$ 1,273.3
Less: IIP 1.0 Projects	$ 7.2	$ -	$ -	$ -	$ -	$ 7.2
Less: IIP 2.0 Projects	$ 6.3	$ 19.8	$ 23.6	$ 28.9	$ 14.5	$ 93.1
Less: Special Projects - Non-Baseline	$ 74.4	$ 20.0	$ 20.0	$ 20.0	$ 20.0	$ 154.4
Less: New Business & Facilities Relocation (Customer Driven)	$ 28.4	$ 30.7	$ 32.0	$ 31.8	$ 33.8	$ 156.8
Less: Capital CM (Emergency)	$ 35.1	$ 35.2	$ 37.2	$ 38.2	$ 38.4	$ 184.0
Less: Eliminated	$ 17.4	$ 67.8	$ 87.4	$ 80.5	$ 34.3	$ 287.5
Total Net Distribution Spend (Minimum) [2)]	**$ 65.5**	**$ 86.6**	**$ 78.7**	**$ 83.6**	**$ 75.8**	**$ 390.3**
Adjusted Net Distribution Spend [3)]	**$ 32.7**	**$ 86.6**	**$ 78.7**	**$ 83.6**	**$ 37.9**	**$ 319.6**
Total Annual Spend (All Categories) [4)]	**$ 216.9**	**$ 192.3**	**$ 191.5**	**$ 202.5**	**$ 182.5**	**$ 985.8**
Less: IIP 1.0 Projects	$ 7.2	$ -	$ -	$ -	$ -	$ 7.2
Less: IIP 2.0 Projects	$ 6.3	$ 19.8	$ 23.6	$ 28.9	$ 14.5	$ 93.1
Less: Special Projects - Non-Baseline	$ 74.4	$ 20.0	$ 20.0	$ 20.0	$ 20.0	$ 154.4
Less: 75% of New Business & Facility Relocation (Customer Driven)	$ 21.3	$ 23.0	$ 24.0	$ 23.9	$ 25.4	$ 117.6
Less: 75% of Capital CM (Emergency)	$ 26.3	$ 26.4	$ 27.9	$ 28.7	$ 28.8	$ 138.0
Total Annual Baseline Spend (Minimum)	**$ 81.4**	**$ 103.1**	**$ 96.0**	**$ 101.1**	**$ 93.9**	**$ 475.4**

1) 2023 and 2027 Forecast reflects full year of forecasted spending
2) Total Net Distribution Spend (Minimum) reflects net forecasted spending following adjustments for IIP, Non-Baseline, Customer Driven, Emergency, and Eliminated projects
3) 2023 and 2027 Adjusted Net Distribution Spend reflects six months of Total Net Distribution Spend for 2023 and 2027
4) Total Annual Spend (All Categories) reflects CapEx forecast for 2023-2027 LRP 2.0 Distribution projects plus Incremental IIP projects

The capital investments made by the Company as part of its baseline capital expenditure requirements are solely within the discretion of the Company and may include additional investments in the PTF subprograms described in the Stipulation, and/or other costs incurred by the Company in excess of the maximum spending levels provided under the

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[8] In re the Petition of Atlantic City Electric Company for Approval of Amendments to Its Tariff to Provide for an Increase in Rates and Charges for Electric Service Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, and for Other Appropriate Relief (12/2020), BPU Docket No. ER20120746, Decision and Order Adopting Initial Decision and Stipulation of Settlement (dated July 14, 2021).

PTF Rate Mechanism. Investments made by the Company to extend service to new customers or extend additional service to existing customers will not be included as part of the annual baseline capital expenditures required pursuant to this paragraph.

VI. **Cost Recovery**

11. The Company may seek recovery through the PTF Rate Mechanism for the costs covered under Paragraph 4 of the Stipulation through a rate adjustment request with schedules, procedures, and filings as detailed in subsequent Paragraphs in the Stipulation. Consistent with *N.J.A.C.* 14:3-2A.6(d), the Company proposes to recover its costs associated with the PTF Rate Mechanism as a separate component of its existing Rider IIP in the Company's tariff. At the conclusion of the entire four-year Program, the estimated total monthly bill impact from the accelerated Program investments on a typical residential electric customer using 680 kilowatt-hours per month is expected to be approximately $1.22 or 0.84%.

12. The Company will make up to five (5) rate adjustments over the term of the Program in accordance with the parameters set forth below. Consistent with the IIP rules, each rate adjustment made by the Company must include a minimum investment level of 10% (or $9.31 million) of the total amount authorized to be recovered through the PTF Rate Mechanism. The Company must also meet the earnings test as specified in the IIP rules.

13. Following consultation with Board Staff and Rate Counsel, ACE will engage an independent monitor to review and report to Board Staff and Rate Counsel on the impact of the Program on overall system performance during severe weather events; cost effectiveness and efficiency; appropriate cost assignment; and other information deemed appropriate by the Company, Board Staff and Rate Counsel. The independent monitor shall continue until one (1) quarter following the completion of the PTF investments unless the Company, Board Staff, and Rate Counsel agree that the services of the independent monitor should continue. Independent monitor expenses shall be capitalized to the extent consistent with Generally Accepted Accounting Principles and recorded as a regulatory asset. The Company will seek recovery of the regulatory asset associated with the independent monitor through future base rate case proceedings and not through the Rider IIP.

14. The Parties agree that the review of the prudency of all project work undertaken in the Program will not take place prior to or in connection with the rate adjustments established in the Stipulation. ACE therefore agrees that the rate adjustments established in the rate filing proceedings shall be provisional and subject to refund based upon a Board finding that ACE imprudently incurred capital expenditures under the Program. Such prudency review shall take place in a future base rate case. Nothing in the Stipulation will preclude any party from raising in the base rate case prudency review any objection that could have been raised in a prior IIP rate filing.

15. ACE shall file up to five (5) rate adjustment requests over the course of the four (4)-year program term. To effectuate the cost recovery process for the PTF Rate Mechanism investments, the Company shall provide Board Staff and Rate Counsel with not less than 60 days' notice prior to the filing of a rate recovery petition. ACE shall be the sole determinant of the date of the filing of each rate adjustment request, but such rate adjustments shall not include less than six (6) months of investments.

16. Once filed, ACE shall proceed on the below schedule and implement new rates following public notice and public hearings, recognizing that the prudency of the PTF investments will be determined in the base rate case following the placement of the PTF investments into service.

17. The timing for a rate recovery petition and related activities are set forth in the illustrative table below:

Event	Timing	Example
Notice of Filing Date	Not less than 60 days prior to Filing Date	As early as Sept. 1, 2024
Filing Date	First day of calendar month	As early as Nov. 1, 2024
Net Investment in service as of	Net investment in service as of last day of the second month from “Filing Date”	Dec. 31, 2024
Update Filing for Actual Data	No later than 21 days following “Net Investment in Service as of” date	No later than Jan. 21, 2025
Rates Effective	No earlier than the 1st day of the fourth month following the “Net Investment in Service as of” date. After the completion of discovery and upon Board approval.	As early as April 1, 2025

18. In the rate adjustment proceedings provided for above, the revenue requirement associated with the PTF investments recovered through the PTF Rate Mechanism shall be calculated as summarized below:

PTF Rate Mechanism Costs - All capital expenditures recoverable through the PTF Rate Mechanism, including actual costs of engineering, design and construction, and property acquisition, including actual labor, materials, overhead, and capitalized AFUDC associated with the project work, will be recovered through rate adjustments for each of the time periods described above. The PTF Rate Mechanism capital expenditures will be recorded, during construction, in an associated Construction Work In Progress (“CWIP”) account or in a Plant in Service account upon the respective project work being deemed used and useful. The Company will follow its current policies and practices with regard to capitalizing costs, including overheads.

Net Investment - Is equal to the PTF Investment Costs that have been placed into service less the associated accumulated depreciation less accumulated deferred income taxes.

WACC – ACE shall earn a return on its net investment in the Program based upon the authorized WACC including income tax effects described in paragraph 8 of the Stipualtion.

The rate adjustments will be calculated using the following formula:

Revenue Requirement = (PTF Rate Mechanism Rate Base * After Tax WACC) + Depreciation Expense (net of tax) + Tax Adjustments) * Revenue Factors

i. PTF Rate Mechanism Rate Base – The PTF Rate Mechanism Rate Base will be calculated as Plant in Service, including CWIP transferred into service and associated AFUDC, less accumulated depreciation and less associated accumulated deferred income taxes. AFUDC will be calculated using the same methodology used for current distribution assets consistent with the Company's AFUDC policy, and as permitted by Order 561 issued by the Federal Energy Regulatory Commission, which includes compounding AFUDC on a semi-annual basis.

ii. Depreciation Expense – Depreciation expense will be calculated as the PTF Rate Mechanism Investment Costs by asset class multiplied by the associated depreciation rate applied to the same asset in current base rates and then calculated net of tax.

iii. Tax Adjustments - Includes the effects of any flow through items and any tax law changes codified by the Internal Revenue Service, the State of New Jersey or any other taxing authority.

iv. Revenue Factor – The Revenue Factor adjusts the Revenue Requirement Net of Tax for federal and state income taxes and the costs associated with the Board and Rate Counsel Annual Assessments. The then-current statutory state and federal income tax rates and the then-current Board/Rate Counsel Assessment rates will be utilized.

Attached as Exhibit B of the Stipulation is a sample revenue requirement calculation based on the estimated revenue requirement for the first rate adjustment.

19. The rate design for the rate adjustments agreed upon in the Stipulation will be structured consistent with the rate design methodology used to set rates in the Company's most recently concluded base rate case. Specifically, the Company will utilize the corresponding billing determinants, including the weather normalized billing determinants approved in the most recent base rate case.

VII. Base Rate Case Filing Requirement

20. The Company filed a base rate case on February 15, 2023, during the pendency of this IIP proceeding ("February 2023 Rate Case").[9] The prudency of any PTF investment not reviewed and determined by the Board in the February 2023 Base Rate Case shall be reviewed and determined in a subsequent base rate case. ACE agrees that it will file its next base rate case (following the conclusion of the pending February 2023 Rate Case) within five (5) years of the Board's order approving the Program, consistent with the provisions of N.J.A.C. 14:3-2A.6(f).

VIII. Minimum Filing Requirements

21. Each PTF Rate Mechanism rate adjustment filing will be accompanied by the Minimum Filing Requirements ("MFRs") set forth in Exhibit C of the Stipulation.

[9] In re the Petition of Atlantic City Electric Company for Approval of Amendments to Its Tariff to Provide for an Increase in Rates and Charges for Electric Service Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, and for Other Appropriate Relief (2/2023), BPU Docket No. ER23020091.

22. Consistent with the IIP rules, the Company will file semi-annual status reports with the Board, with a copy to Rate Counsel that will include at a minimum the following:

i. The estimated total quantity of work and the quantity completed to date or, if the project work cannot be quantified with numbers, the major tasks completed, e.g., design phase, material procurement, permit gathering, phases of construction;

ii. The forecasted and actual PTF costs-to-date for the reporting period and for the Program-to-date; where project work is identified by major category (with the actual variances from forecasted amounts expressed in dollar and percentage terms);

iii. The estimated PTF Project completion date, and estimated completion dates for each PTF subprogram and the Program as a whole;

iv. Anticipated changes to PTF Projects, if any;

v. Actual capital expenditures made by the utility in the normal course of business on similar project work, identified by major category; and

vi. Any other performance metric concerning the Program required by the Board.

vii. For circuits improved within the Targeted Reliability and Smart Technology Upgrades Subprograms, ACE will provide System Average Interruption Duration Index ("SAIDI") results for Major Event performance at the circuit level (redacted and confidential unredacted) for circuits affected by a Major Event during the reporting period and at the operating area level and system wide. The SAIDI results will be reported and measured against a baseline that reflects performance for each circuit under Major Event conditions for the prior five (5) years from the Program start date. The report will include the SAIDI results at the circuit level for the reporting period.

viii. For circuits improved upon within the Targeted Reliability and Smart Technology Upgrades Subprograms, ACE will include non-Major Event performance (where a non-Major Event excludes all "Major Events" as defined at N.J.A.C. 14:5-1.2) including circuit designation (information to be provided redacted and confidential unredacted), that reflects non-Major Event conditions for the reporting period. In addition to SAIDI, the Company will report non-Major Event data for Customer Average Interruption Duration Index ("CAIDI") and System Average Interruption Frequency Index ("SAIFI"). The SAIDI results will be reported and measured against a baseline that reflects performance for each circuit under non-Major Event conditions for the prior five (5) years from the Program start date.

ix. Excluding the flood mitigation, ACE will document utilization of the upgrades performed under the Substation Reliability Subprogram.

IX. <u>Federal Funding Opportunities</u>

23. The Company will employ best efforts to identify and secure federal funding through the implementation of the federal Infrastructure Investment and Jobs Act of 2021 (Pub.L. 117-58, also known as the Bipartisan Infrastructure Law) ("Federal Infrastructure Funding") as described under Section 40101 or other applicable sections identified by the Parties.

Board Staff and Rate Counsel will, where appropriate, reasonably assist the Company in its best efforts to obtain Federal Infrastructure Funding and, when appropriate, express support for the Company to receive Federal Infrastructure Funding.

24. If funding or credits from the Bipartisan Infrastructure Law, or any subsequent state or federal action, become available to the Company for Project reimbursement, applicable to work related to the Program, the Company agrees that any such funds will be credited to customers in a manner agreed to by the Parties to the extent permitted by Federal Infrastructure Funding requirements and the applicable law.

DISCUSSION AND FINDINGS

In evaluating a proposed settlement, the Board must review the record; balance the ratepayers' and shareholders' interests; and determine whether the settlement represents a reasonable disposition of the issues that will enable the Company to provide its customers with safe, adequate, and proper service at just and reasonable rates.[10] The IIP Rules were enacted to provide a rate recovery mechanism that encourages and supports all necessary accelerated construction, installation, and rehabilitation of certain utility plants and equipment. The Board believes IIPs are important for continued system safety, reliability, resiliency, and sustained economic growth.

With respect to the proposed cost recovery mechanism, the Stipulation provides that the Company may recover all expenditures related to the utility plant placed in service, but on a provisional basis subject to refund, and subject to review in ACE's next base rate case, unless the Board, in its discretion, requests that it be filed earlier. Based upon the Board's review of the record in this matter including the Petition and the Stipulation, no rates will be charged to customers until the facilities are in service, and the cost recovery mechanism will balance the Company's rate of return with the customers' need for rates that go no higher than reasonably necessary. The Stipulation also requires the Company to maintain certain reporting requirements, which provides additional protection to ratepayers.

As such, the Board **HEREBY FINDS** the Stipulation to be reasonable and in accordance with the law, striking an appropriate balance between the needs of customers and of the Company.

Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein, subject to any terms and conditions set forth in this Order.

The Board **HEREBY RATIFIES** the decisions made by Commissioner Solomon during the pendency of this proceeding for the reasons stated in her decisions and Orders.

The Company's costs, including those related to the Program, will remain subject to audit by the Board. This Decision and Order shall not preclude, nor prohibit, the Board from taking any actions determined to be appropriate as a result of any such audit.

[10] In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247, 258, 273-74 (App. Div.), cert. denied, 152 N.J. 12 (1997).

The effective date of this Order is June 29, 2023.

DATED: June 29, 2023

BOARD OF PUBLIC UTILITIES
BY:

JOSEPH L. FIORDALISO
PRESIDENT

MARY-ANNA HOLDEN
COMMISSIONER

DR. ZENON CHRISTODOULOU
COMMISSIONER

CHRISTINE GUHL-SADOVY
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 APPROVAL OF POWERING THE FUTURE, AN INFRASTRUCTURE INVESTMENT PROGRAM AND RELATED COST RECOVERY MECHANISM, PURSUANT TO N.J.A.C. 14:3-2A.1 ET SEQ.

BPU DOCKET NO. ER22100666

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June 15, 2023

VIA ELECTRONIC MAIL
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Sherri L. Golden
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Board of Public Utilities
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RE: In the Matter of the Petition of Atlantic City Electric Company for Approval of Powering the Future, an Infrastructure Investment Program and Related Cost Recovery Mechanism, Pursuant to *N.J.A.C.* 14:3-2A.1 *et seq.*
BPU Docket No. ER22100666

Dear Secretary Golden:

Enclosed herewith for filing with the New Jersey Board of Public Utilities (the "Board" or "BPU") is a fully executed Stipulation of Settlement in connection with the above-referenced matter.

Although setting the agenda is at the discretion of the Board, Atlantic City Electric Company respectfully requests the parties' assistance and consideration in scheduling this matter for consideration at the June 29, 2023 meeting.

Pursuant to the Order issued by Board in connection with *In the Matter of the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations,* BPU Docket No. EO20030254, Order dated March 19, 2020, this document is being electronically filed with the Secretary of the Board, the Division of Law, the New Jersey Division of Rate Counsel and the Service List. No paper copies will follow.

Thank you for your cooperation and courtesies. Feel free to contact me with any questions or if I can be of further assistance.

Respectfully submitted,

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

Enclosure

cc: Service List

IN THE MATTER OF THE PETITION OF ATLANTIC CITY ELECTRIC COMPANY FOR APPROVAL OF POWERING THE FUTURE, AN INFRASTRUCTURE INVESTMENT PROGRAM AND RELATED COST RECOVERY MECHANISM, PURSUANT TO *N.J.A.C.* 14:3-2A.1 *ET SEQ.*	STATE OF NEW JERSEY BOARD OF PUBLIC UTILITIES BPU DOCKET NO. ER22100666 STIPULATION OF SETTLEMENT

APPEARANCES:

Philip J. Passanante, Esq., Assistant General Counsel, Cynthia L.M. Holland, Esq., Assistant General Counsel and Colleen A. Foley, Esq. (Saul Ewing LLP), on behalf of Atlantic City Electric Company, Petitioner;

Steven Chaplar and Matko Ilic, Deputy Attorneys General (Matthew J. Platkin, Attorney General of New Jersey), on behalf of the Staff of the New Jersey Board of Public Utilities;

Brian O. Lipman, Esq., Director, T. David Wand, Esq., Managing Attorney, Bethany Rocque-Romaine, Esq., Assistant Deputy Rate Counsel, Robert Glover, Esq., Assistant Deputy Rate Counsel, Brian Weeks, Esq., Deputy Rate Counsel, and Megan Lupo, Assistant Deputy Rate Counsel, on behalf of the New Jersey Division of Rate Counsel;

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

It is hereby AGREED by and between Atlantic City Electric Company ("ACE" or the "Company"), the Staff of the New Jersey Board of Public Utilities ("Board Staff"), and the New Jersey Division of Rate Counsel ("Rate Counsel"), (collectively, "Parties" or "Signatories") to execute this Stipulation of Settlement ("Stipulation") resolving ACE's petition in this docket, and to recommend to the New Jersey Board of Public Utilities ("Board" or "BPU") that the Board issue a Final Decision and Order approving this Stipulation.

Procedural History

On October 31, 2022, ACE filed a petition with the Board seeking approval of an Infrastructure Investment Program ("IIP"), and an associated cost recovery mechanism, with a four (4) year investment period and a total investment level of approximately $379 million ("Petition").

ACE named this 2nd IIP Powering the Future ("PTF" or the "Program"). The Petition states that the Program is compliant with the Board's IIP rules codified at N.J.A.C. 14:3-2A *et seq* ("IIP rules"). According to the Company, the proposed Program investments will enhance safety, reliability, and resiliency, and modernize the Company's electric distribution system to maintain reliability while also enabling greater levels of solar and distributed energy resources ("DER") deployment.[1] As proposed, PTF included 80 projects grouped in five (5) categories: 1. Targeted Reliability Improvements; 2. Smart Technology Upgrades; 3. Infrastructure Renewal; 4. Solar/DER Enablement; and 5. Substation Improvements. In total, the Petition proposed an estimated investment of approximately $379 million in electric infrastructure over four (4) years, with cost recovery based upon the Board's IIP rules.

On December 21, 2022, the Board ordered that the Petition be retained by the Board for hearing, and pursuant to N.J.S.A. 48:2-32, designated Commissioner Dianne Solomon as the Presiding Commissioner with authority to rule on all motions that arise during the pendency of the proceedings, and modify any schedules that may be set as necessary to secure a just and expeditious determination of the issues.[2] By way of Order dated February 13, 2023, Commissioner Solomon issued a procedural schedule and ruled on Motions to Participate and for Admission *Pro Hac Vice* in the proceeding.[3] Commissioner Solomon granted participant status to SEIA and Public Service Electric and Gas Company ("PSE&G"). In addition, Commissioner Solomon

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[1] Through this Stipulation of Settlement, the Parties do not proffer any position on whether enabling greater levels of solar and DER is consistent with the purpose of the IIP rules.

[2] *In re the Petition of Atlantic City Electric Company for Approval of Powering the Future, an Infrastructure Investment Program and Related Cost Recovery Mechanism, Pursuant to N.J.A.C. 14:3-2a.1 et seq.*, BPU Docket No. ER22100666, Order dated December 21, 2022.

[3] *In re the Petition of Atlantic City Electric Company for Approval of Powering the Future, an Infrastructure Investment Program and Related Cost Recovery Mechanism, Pursuant to N.J.A.C. 14:3-2a.1 et seq.*, BPU Docket No. ER22100666, Order dated February 13, 2023.

granted the Motion for Admission *Pro Hac Vice* of Jeanne B. Armstrong, Esq., in-house counsel to SEIA.[4]

Virtual public hearings were held at 4:30 P.M. and 5:30 P.M. on March 21, 2023. A variety of comments were received at each of these hearings as reflected in their respective transcripts. The Board also received written public comments from the Southern New Jersey Development Council.

Pursuant to the procedural schedule issued by Commissioner Solomon, the parties engaged in discovery and met on several occasions to facilitate further information gathering and multiple settlement conferences were held. On March 23, 2023, ACE filed a request to suspend the procedural schedule for twenty-one (21) days to enable the parties to continue settlement discussion. On March 30, 2023, Commissioner Solomon issued an Order granting that request.[5]

On May 1, 2023, the Parties reached a settlement agreement in principle, and the Parties agreed to request that Commissioner Solomon suspend the procedural schedule pending a final agreement. Based upon a letter filed by ACE on May 2, 2023, Commissioner Solomon agreed to suspend the procedural schedule.

The Signatories have reached an agreement resolving all issues in the instant proceeding. Accordingly, the Signatories agreed to submit this Stipulation, the terms of which are set forth below. Specifically, the Signatories hereby STIPULATE AND AGREE to the following:

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[4] *Id.* at 3.

[5] *In re the Petition of Atlantic City Electric Company for Approval of Powering the Future, an Infrastructure Investment Program and Related Cost Recovery Mechanism, Pursuant to N.J.A.C. 14:3-2a.1 et seq.*, BPU Docket No. ER22100666, Order dated March 30, 2023.

STIPULATED MATTERS

1. Subject to Board approval of this Stipulation, ACE may implement Powering the Future with modifications to the Program as filed and pursuant to the terms and conditions agreed to herein. PTF will include investments in ACE's electric distribution system; an accelerated rate recovery mechanism ("PTF Rate Mechanism"), including periodic rate adjustments for investments included in the PTF Rate Mechanism; an annual baseline for electric capital expenditures ("Baseline Capital Expenditures"); and other provisions as described herein.

I. Program Term

2. The project work under the Program will commence on or about July 1, 2023, and conclude no later than June 30, 2027, except as provided herein (i.e., trailing/closeout work). The Company may undertake Program-related non-construction expenditures, such as planning and engineering, upon Board approval of the Program. The chart in Exhibit A summarizes the projected IIP capital investment per project per year and in total.

3. The Company will have the option of seeking Board approval to extend the end date for the Program beyond the term provided above. Any such extension proposal shall be supported, at minimum, by the results of activities from the first two (2) years under this Program. To the extent the Company determines that any such extension is necessary, the Company will make electronic notice to Board Staff and Rate Counsel no later than 30 days after the Company makes that determination and will seek Board approval for such extension no sooner than 15 days following that electronic notice. The Parties reserve all rights to take any positions regarding any such extension request.

II. Program Expenditures and Rate Recovery Mechanism

4. The Signatories agree that the specific IIP investment projects to be recovered through the IIP cost recovery mechanism, including the projects' maximum subprogram investment levels for accelerated recovery, without any inflation adjustments, are listed in the following table:

Table 1

Category: Targeted Reliability Improvements	**$4,875,000**
Sub-Program: Reconductoring	**$4,875,000**
New Feeder Ties NJ1111 and NJ1166	$4,000,000
New Feeder Ties NJ1112 and NJ1114	$875,000
Category: Smart Technology Upgrades	**$33,058,750**
Sub-Program: Capacitors	**$4,125,000**
Capacitor Bank Upgrade Project	$2,200,000
Capacitor Controller Upgrade Project	$1,925,000
Sub-Program: Distribution Automation	**$19,185,000**
DA Feeder Improvement Project	$5,500,000
DA Substation Improvements	$3,685,000
Strengthen DA Feeder Ties	$10,000,000
Sub-Program: Reclosers	**$7,614,750**
ACE NJ Recloser Installation	$7,614,750
Sub-Program: Regulators	**$2,134,000**
Regulator Controller Upgrade Project	$2,134,000
Category: Solar/DER Enablement	**$33,110,798**
Sub-Program: Solar/DER Distribution Line Improvements	**$19,954,798**
Solar/DER Distribution Line Improvements	$19,954,798
Sub-Program: Substation Reverse Power Protection	**$13,156,000**
Substation Reverse Power Protection Project	$13,156,000
Category: Substation Improvements	**$22,064,535**
Sub-Program: Substation Reliability	**$22,064,535**
ACE NJ -Distribution Flood remediation	$11,420,785
Cedar Substation	$1,843,750
Fairton Relay & Bus Upgrades	$5,700,000
Laurel - Install new Relays	$3,100,000
Powering the Future Total	**$93,109,083**

Exhibit A of this Stipulation consists of schedules detailing the component projects of the PTF subprograms, including their estimated costs and projected year of the plant addition (i.e., the "in-service" year), as well as a summary of projected plant additions by year. Accelerated recovery investment funds may be reallocated among the identified electric subprograms. The Signatories recognize that the infrastructure initiatives covered under PTF will be of a significant scale and scope, and there are many variables associated with this type of work that make it difficult to precisely budget each subprogram project initiative. The reallocation process shall be as follows: for reallocation among PTF subprograms in the cumulative amount of five percent (5%) or less of the overall Program investment set forth above, ACE shall be authorized to make adjustments on an immediate basis. "Cumulative amount" in this paragraph shall mean cumulative for the entire period of the program. ACE shall notify Board Staff and Rate Counsel of the changes within 30 days following a change of five percent (5%) or less. ACE shall not make reallocations among the PTF subprograms exceeding five percent (5%) of the overall PTF program investment without 15 days prior electronic notification to Board Staff (Director, Division of Water and Energy or designee) and Rate Counsel (Director and Electric Division Manager), or designees, providing them with the opportunity to object within that time period. If Board Staff or Rate Counsel do not object within 15 days of receipt of the electronic notice, the Company may make the reallocation. Should Board Staff or Rate Counsel object within 15 days of receipt of the electronic notice, the Company, Board Staff, and Rate Counsel will make their best efforts to resolve the objection within 90 days of Board Staff's or Rate Counsel's objection.

5. To the extent the Company decides not to proceed with any of the subprogram projects identified in Paragraphs 4 and 6 of this Stipulation, as originally planned, the Parties stipulate that those projects will no longer be recovered through the PTF program and the total

PTF budget will be decreased by the stipulated cost. The Company is free to seek recovery of prudently incurred costs through a future base rate case as normal base spend.

6. ACE's PTF shall consist of the following categories, subprograms and projects:

i. Category: ***Targeted Reliability Improvements***

The Company will invest up to $4.9 million to further enhance the reliability of the ACE distribution system, including the following reconductoring projects: New Feeder Ties NJ1111 and NJ1166 ($4,000,000) and New Feeder Ties NJ1112 and NJ1114 ($875,000).

ii. Category: ***Smart Technology Upgrades***

The Company will invest up to $33.1 million in Smart Technology Upgrades, including projects in the following subprograms:

Capacitors: ACE will invest up to $4,125,000 in the Capacitor Bank Upgrade Project ($2,200,00) and the Capacitor Controller Upgrade Project ($1,925,000).

Distribution Automation: ACE will invest up to $19,185,000 in the DA Feeder Improvement Project ($5,500,000), the DA Substation Improvements Project ($3,685,000) and the Strengthen DA Feeder Ties Project ($10,000,000).

Reclosers: ACE will invest up to $7,614,750 in the Recloser Installation Project ($7,614,750).

Regulators: ACE will invest up to $2,134,000 in the Regulatory Controller Upgrade Project ($2,134,000).

iii. Category: ***Solar/DER Enablement***

The Company will invest up to $33.1 million to maintain reliability while enabling the deployment of additional solar and other DER projects on ACE's distribution system, including projects related to Substation Reverse Power Protection ($13,156,000) and Solar/DER Distribution Line Improvements ($19,954,798). No later than August 30, 2024, and each year of the Program thereafter, ACE will provide the Parties with a list of closed feeders, for each month, included in the Solar/DER Enablement Subprogram with an identification of the factors contributing to the addition/deletion of feeders on the list from the prior year, showing this data for each month. In addition, the Company will continue to clearly identify, using monthly data, the specific closed feeders (to new DER/solar interconnections) and the number of solar/DER projects that were denied or issued interconnection restrictions due to system constraints associated with these closed feeders or other factors creating or leading to system constraints negatively impacting solar/DER interconnection and operation. The Company will prepare a monthly accounting of such projects that will include the identification of closed feeders and all solar or other DER projects that have been denied interconnection, or have restricted interconnection. Each solar or DER project that has been denied or restricted interconnection will be accounted for on an individual basis and the following information will be maintained by the Company: the specific location of the denied solar/DER project including identifying its respective closed feeder or other constraint; the capacity of the denied project; the type of solar/DER project (i.e., residential solar, commercial solar, community solar, other DER, etc.); whether the project was denied or was restricted; and the reason for the denial or restriction.

The Company shall also demonstrate, on an annual basis, how its DER/solar investments in this section of the Stipulation have resulted in additional solar interconnection approvals, including an accounting of all interconnection approvals, the types of solar/DER projects that were approved, and the total capacity of solar/DER projects that were approved in any way due to system constraints alleviated by this project.

iv. Category: *Substation Improvements*

The Company will invest up to $22.1 million to complete projects to further improve substation reliability, including: substation flooding remediation projects ($11,420,785) at the Ontario substation, Paulsboro substation, Nortonville substation, Huron substation, Ship Bottom substation, Higbee substation, Merion substation, Scull substation, Lake Avenue substation, Sea Isle substation, Peermont substation, B.L. England substation, and Marven substation, plus the following projects: Cedar Substation ($1,843,750), Fairton Relay and Bus Upgrades ($5,700,000) and Laurel Install New Relays ($3,100,000). See Exhibit A.

7. Costs eligible for recovery under the PTF Rate Mechanism shall not exceed $93.1 million, which excludes the cost associated with Allowance for Funds Used During Construction ("AFUDC").

III. Capital Structure and Return on Equity

8. ACE's weighted average cost of capital ("WACC") for PTF will be set based upon the WACC established in the Company's most recently approved base rate case. The current WACC based upon the approved 2020 base rate case is 6.99%, or 6.38% on an after-tax basis based on current tax rates.[6]

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[6] *I/M/O the Petition of Atlantic City Electric Company for Approval of Amendments to Its Tariff to Provide for an Increase in Rates and Charges for Electric Service Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, and for Other Appropriate Relief (12/2020)*, BPU Docket No. ER20120746, Decision and Order Adopting Initial Decision and Stipulation of Settlement (dated July 14, 2021).

IV. Total Program Expenditures

9. All costs found to be prudently incurred on PTF Projects above $93.1 million, as determined during prudency review, will count toward Baseline Capital Expenditures as discussed in Paragraph 10, below.

V. Baseline Capital Expenditures

10. During the term of the Program, the Company agrees to maintain the following minimum annual baseline capital expenditure levels, which are based upon the Company's historical baseline spending, as calculated in the table below.

MINIMUM ANNUAL BASELINE SPENDING CALCULATION

Project Category	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2023-2027 Forecast
Proposed ACE Capital Distribution Projects [1]	$ 234.3	$ 260.1	$ 279.0	$ 283.1	$ 216.9	$ 1,273.3
Less: IIP 1.0 Projects	$ 7.2	$ -	$ -	$ -	$ -	$ 7.2
Less: IIP 2.0 Projects	$ 6.3	$ 19.8	$ 23.6	$ 28.9	$ 14.5	$ 93.1
Less: Special Projects - Non-Baseline	$ 74.4	$ 20.0	$ 20.0	$ 20.0	$ 20.0	$ 154.4
Less: New Business & Facilities Relocation (Customer Driven)	$ 28.4	$ 30.7	$ 32.0	$ 31.8	$ 33.8	$ 156.8
Less: Capital CM (Emergency)	$ 35.1	$ 35.2	$ 37.2	$ 38.2	$ 38.4	$ 184.0
Less: Eliminated	$ 17.4	$ 67.8	$ 87.4	$ 80.5	$ 34.3	$ 287.5
Total Net Distribution Spend (Minimum) [2]	**$ 65.5**	**$ 86.6**	**$ 78.7**	**$ 83.6**	**$ 75.8**	**$ 390.3**
Adjusted Net Distribution Spend [3]	**$ 32.7**	**$ 86.6**	**$ 78.7**	**$ 83.6**	**$ 37.9**	**$ 319.6**
Total Annual Spend (All Categories) [4]	**$ 216.9**	**$ 192.3**	**$ 191.5**	**$ 202.5**	**$ 182.5**	**$ 985.8**
Less: IIP 1.0 Projects	$ 7.2	$ -	$ -	$ -	$ -	$ 7.2
Less: IIP 2.0 Projects	$ 6.3	$ 19.8	$ 23.6	$ 28.9	$ 14.5	$ 93.1
Less: Special Projects - Non-Baseline	$ 74.4	$ 20.0	$ 20.0	$ 20.0	$ 20.0	$ 154.4
Less: 75% of New Business & Facility Relocation (Customer Driven)	$ 21.3	$ 23.0	$ 24.0	$ 23.9	$ 25.4	$ 117.6
Less: 75% of Capital CM (Emergency)	$ 26.3	$ 26.4	$ 27.9	$ 28.7	$ 28.8	$ 138.0
Total Annual Baseline Spend (Minimum)	**$ 81.4**	**$ 103.1**	**$ 96.0**	**$ 101.1**	**$ 93.9**	**$ 475.4**

1) 2023 and 2027 Forecast reflects full year of forecasted spending
2) Total Net Distribution Spend (Minimum) reflects net forecasted spending following adjustments for IIP, Non-Baseline, Customer Driven, Emergency, and Eliminated projects
3) 2023 and 2027 Adjusted Net Distribution Spend reflects six months of Total Net Distribution Spend for 2023 and 2027
4) Total Annual Spend (All Categories) reflects CapEx forecast for 2023-2027 LRP 2.0 Distribution projects plus Incremental IIP projects

The capital investments made by the Company as part of its baseline capital expenditure requirements are solely within the discretion of the Company and may include additional investments in the PTF subprograms described above, and/or other costs incurred by the Company in excess of the maximum spending levels provided under the PTF Rate Mechanism. Investments made by the Company to extend service to new customers or extend additional service to existing customers will not be included as part of the annual baseline capital expenditures required pursuant to this Paragraph.

VI. Cost Recovery

11. The Company may seek recovery through the PTF Rate Mechanism for the costs covered under Paragraph 4 through a rate adjustment request with schedules, procedures, and filings as detailed in subsequent Paragraphs herein. Consistent with *N.J.A.C.* 14:3-2A.6(d), the Company proposes to recover its costs associated with the PTF Rate Mechanism as a separate component of its existing Rider IIP in the Company's tariff. At the conclusion of the entire four-year Program, the estimated total monthly bill impact from the accelerated Program investments on a typical residential electric customer using 680 kilowatt-hours per month is expected to be approximately $1.22 or 0.84%.

12. The Company will make up to five (5) rate adjustments over the term of the Program in accordance with the parameters set forth below. Consistent with the IIP rules, each rate adjustment made by the Company must include a minimum investment level of 10% (or $9.31 million) of the total amount authorized to be recovered through the PTF Rate Mechanism. The Company must also meet the earnings test as specified in the IIP rules.

13. Following consultation with Board Staff and Rate Counsel, ACE will engage an independent monitor to review and report to Board Staff and Rate Counsel on the impact of the Program on overall system performance during severe weather events; cost effectiveness and efficiency; appropriate cost assignment; and other information deemed appropriate by the Company, Board Staff and Rate Counsel. The independent monitor shall continue until one (1) quarter following the completion of the PTF investments unless the Company, Board Staff, and Rate Counsel agree that the services of the independent monitor should continue. Independent

monitor expenses shall be capitalized to the extent consistent with Generally Accepted Accounting Principles and recorded as a regulatory asset. The Company will seek recovery of the regulatory asset associated with the independent monitor through future base rate case proceedings and not through the Rider IIP.

14. The Signatories agree that the review of the prudency of all project work undertaken in the Program will not take place prior to or in connection with the rate adjustments established herein. ACE therefore agrees that the rate adjustments established in the rate filing proceedings shall be provisional and subject to refund based upon a Board finding that ACE imprudently incurred capital expenditures under the Program. Such prudency review shall take place in a future base rate case. Nothing herein will preclude any party from raising in the base rate case prudency review any objection that could have been raised in a prior IIP rate filing.

15. ACE shall file up to five (5) rate adjustment requests over the course of the four (4)-year program term. To effectuate the cost recovery process for the PTF Rate Mechanism investments, the Company shall provide Board Staff and Rate Counsel with not less than 60 days' notice prior to the filing of a rate recovery petition. ACE shall be the sole determinant of the date of the filing of each rate adjustment request, but such rate adjustments shall not include less than six (6) months of investments.

16. Once filed, ACE shall proceed on the below schedule and implement new rates following public notice and public hearings, recognizing that the prudency of the PTF investments will be determined in the base rate case following the placement of the PTF investments into service.

17. The timing for a rate recovery petition and related activities are set forth in the illustrative table below:

Event	Timing	Example
Notice of Filing Date	Not less than 60 days prior to Filing Date	As early as Sept. 1, 2024
Filing Date	First day of calendar month	As early as Nov. 1, 2024
Net Investment in service as of	Net investment in service as of last day of the second month from "Filing Date"	Dec. 31, 2024
Update Filing for Actual Data	No later than 21 days following "Net Investment in Service as of" date	No later than Jan. 21, 2025
Rates Effective	No earlier than the 1st day of the fourth month following the "Net Investment in Service as of" date. After the completion of discovery and upon Board approval.	As early as April 1, 2025

18. In the rate adjustment proceedings provided for above, the revenue requirement associated with the PTF investments recovered through the PTF Rate Mechanism shall be calculated as summarized below:

> PTF Rate Mechanism Costs - All capital expenditures recoverable through the PTF Rate Mechanism, including actual costs of engineering, design and construction, and property acquisition, including actual labor, materials, overhead, and capitalized AFUDC associated with the project work, will be recovered through rate adjustments for each of the time periods described above. The PTF Rate Mechanism capital expenditures will be recorded, during construction, in an associated Construction Work In Progress ("CWIP") account or in a Plant in Service account upon the respective project work being deemed used and useful. The Company will follow its current policies and practices with regard to capitalizing costs, including overheads.
>
> Net Investment - Is equal to the PTF Investment Costs that have been placed into service less the associated accumulated depreciation less accumulated deferred income taxes.
>
> WACC – ACE shall earn a return on its net investment in the Program based upon the authorized WACC including income tax effects described above in paragraph 8.
>
> The rate adjustments will be calculated using the following formula:
>
> Revenue Requirement = (PTF Rate Mechanism Rate Base * After Tax WACC) + Depreciation Expense (net of tax) + Tax Adjustments) * Revenue Factors

i. PTF Rate Mechanism Rate Base – The PTF Rate Mechanism Rate Base will be calculated as Plant in Service, including CWIP transferred into service and associated AFUDC, less accumulated depreciation and less associated accumulated deferred income taxes. AFUDC will be calculated using the same methodology used for current distribution assets consistent with the Company's AFUDC policy, and as permitted by Order 561 issued by the Federal Energy Regulatory Commission, which includes compounding AFUDC on a semi-annual basis.

ii. Depreciation Expense – Depreciation expense will be calculated as the PTF Rate Mechanism Investment Costs by asset class multiplied by the associated depreciation rate applied to the same asset in current base rates and then calculated net of tax.

iii. Tax Adjustments - Includes the effects of any flow through items and any tax law changes codified by the Internal Revenue Service, the State of New Jersey or any other taxing authority.

iv. Revenue Factor – The Revenue Factor adjusts the Revenue Requirement Net of Tax for federal and state income taxes and the costs associated with the Board and Rate Counsel Annual Assessments. The then-current statutory state and federal income tax rates and the then-current Board/Rate Counsel Assessment rates will be utilized.

Attached as Exhibit B is a sample revenue requirement calculation based on the estimated revenue requirement for the first rate adjustment.

19. The rate design for the rate adjustments agreed upon herein will be structured consistent with the rate design methodology used to set rates in the Company's most recently concluded base rate case. Specifically, the Company will utilize the corresponding billing determinants, including the weather normalized billing determinants approved in the most recent base rate case.

VII. Base Rate Case Filing Requirement

20. The Company filed a base rate case on February 15, 2023, during the pendency of this IIP proceeding ("February 2023 Rate Case").[7] The prudency of any PTF investment not reviewed and determined by the Board in the February 2023 Base Rate Case shall be reviewed and determined in a subsequent base rate case. ACE agrees that it will file its next base rate case (following the conclusion of the pending February 2023 Rate Case) within five (5) years of the Board's order approving the Program, consistent with the provisions of N.J.A.C. 14:3-2A.6(f).

VIII. Minimum Filing Requirements

21. Each PTF Rate Mechanism rate adjustment filing will be accompanied by the Minimum Filing Requirements ("MFRs") set forth in Exhibit C hereto.

22. Consistent with the IIP rules, the Company will file semi-annual status reports with the Board, with a copy to Rate Counsel that will include at a minimum the following:

i. The estimated total quantity of work and the quantity completed to date or, if the project work cannot be quantified with numbers, the major tasks completed, e.g., design phase, material procurement, permit gathering, phases of construction;

ii. The forecasted and actual PTF costs-to-date for the reporting period and for the Program-to-date; where project work is identified by major category (with the actual variances from forecasted amounts expressed in dollar and percentage terms);

iii. The estimated PTF Project completion date, and estimated completion dates for each PTF subprogram and the Program as a whole;

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[7] *In re the Petition of Atlantic City Electric Company for Approval of Amendments to Its Tariff to Provide for an Increase in Rates and Charges for Electric Service Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, and for Other Appropriate Relief (2/2023)*, BPU Docket No. ER23020091.

iv. Anticipated changes to PTF Projects, if any;

v. actual capital expenditures made by the utility in the normal course of business on similar project work, identified by major category; and

vi. Any other performance metric concerning the Program required by the Board.

vii. For circuits improved within the Targeted Reliability and Smart Technology Upgrades Subprograms, ACE will provide System Average Interruption Duration Index ("SAIDI") results for Major Event performance at the circuit level (redacted and confidential unredacted) for circuits affected by a Major Event during the reporting period and at the operating area level and system wide. The SAIDI results will be reported and measured against a baseline that reflects performance for each circuit under Major Event conditions for the prior five (5) years from the Program start date. The report will include the SAIDI results at the circuit level for the reporting period.

viii. For circuits improved upon within the Targeted Reliability and Smart Technology Upgrades Subprograms, ACE will include non-Major Event performance (where a non-Major Event excludes all "Major Events" as defined at N.J.A.C. 14:5-1.2) including circuit designation (information to be provided redacted and confidential unredacted), that reflects non-Major Event conditions for the reporting period. In addition to SAIDI, the Company will report non-Major Event data for Customer Average Interruption Duration Index ("CAIDI") and System Average Interruption Frequency Index ("SAIFI"). The SAIDI results will be reported and measured against a baseline that reflects performance for each circuit under non-Major Event conditions for the prior five (5) years from the Program start date.

ix. Excluding the flood mitigation, ACE will document utilization of the upgrades performed under the Substation Reliability Subprogram.

IX. Federal Funding Opportunities

23. The Company will employ best efforts to identify and secure federal funding through the implementation of the federal Infrastructure Investment and Jobs Act of 2021 (Pub.L. 117-58, also known as the Bipartisan Infrastructure Law) ("Federal Infrastructure Funding") as described under Section 40101 or other applicable sections identified by the Parties. Board Staff and Rate Counsel will, where appropriate, reasonably assist the Company in its best efforts to obtain Federal Infrastructure Funding and, when appropriate, express support for the Company to receive Federal Infrastructure Funding.

24. If funding or credits from the Bipartisan Infrastructure Law, or any subsequent state or federal action, become available to the Company for Project reimbursement, applicable to work related to the Program, the Company agrees that any such funds will be credited to customers in a manner agreed to by the Parties to the extent permitted by Federal Infrastructure Funding requirements and the applicable law.

X. Other Provisions

25. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board in any applicable Order(s), then any Party

hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

26. The Signatories further agree that they consider the Stipulation to be binding on them for all purposes herein.

27. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, the Company, Board Staff, Rate Counsel, and any other Signatory shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein, in total or by specific item. The Signatories further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

28. The Signatories further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

29. This Stipulation may be executed in as many counterparts as there are Signatory Parties of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

WHEREFORE, the Signatories hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

ATLANTIC CITY ELECTRIC COMPANY

June 15, 2023
Date

By: ______________________
Philip J. Passanante, Esq.
Assistant General Counsel

MATTHEW J. PLATKIN
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

June 14, 2023
Date

By: ______________________
Steven A. Chaplar
Deputy Attorney General

BRIAN O. LIPMAN, ESQ.
DIRECTOR – DIVISION OF RATE COUNSEL

June 15, 2023
Date

By: ______________________
~~Brian O. Lipman, Esq.~~
~~Director, Division of Rate Counsel~~

Robert Glover, Esq.
Assistant Deputy Rate Counsel

Exhibit A

Table of Projected Powering the Future Investments In-Service By Year

Category, Sub-Program and Project	Total In-Service	2023 (Jul-Dec) In-Service	2024 In-Service	2025 In-Service	2026 In-Service	2027 (Jan-Jun) In-Service
Targeted Reliability Improvements	**$4,875,000**	**$0**	**$0**	**$0**	**$875,000**	**$4,000,000**
Reconductoring	**$4,875,000**	**$0**	**$0**	**$0**	**$875,000**	**$4,000,000**
New Feeder Ties NJ1111 and NJ1166	$4,000,000	$0	$0	$0	$0	$4,000,000
New Feeder Ties NJ1112 and NJ1114	$875,000	$0	$0	$0	$875,000	$0
Smart Technology Upgrades	**$33,058,750**	**$2,621,666**	**$9,494,834**	**$7,692,666**	**$7,472,666**	**$5,776,917**
Capacitors	**$4,125,000**	**$550,000**	**$814,000**	**$946,000**	**$1,001,000**	**$814,000**
Capacitor Bank Upgrade Project	$2,200,000	$275,000	$440,000	$495,000	$550,000	$440,000
Capacitor Controller Upgrade Project	$1,925,000	$275,000	$374,000	$451,000	$451,000	$374,000
Distribution Automation	**$19,185,000**	**$1,100,000**	**$6,242,500**	**$4,125,000**	**$3,850,000**	**$3,867,500**
DA Feeder Improvement Project	$5,500,000	$275,000	$1,650,000	$1,375,000	$1,100,000	$1,100,000
DA Substation Improvements	$3,685,000	$0	$2,392,500	$0	$0	$1,292,500
Strengthen DA Feeder Ties	$10,000,000	$825,000	$2,200,000	$2,750,000	$2,750,000	$1,475,000
Reclosers	**$7,614,750**	**$641,666**	**$1,998,334**	**$2,154,166**	**$2,126,666**	**$693,917**
ACE NJ Recloser Installation	$7,614,750	$641,666	$1,998,334	$2,154,166	$2,126,666	$693,917
Regulators	**$2,134,000**	**$330,000**	**$440,000**	**$467,500**	**$495,000**	**$401,500**
Regulator Controller Upgrade Project	$2,134,000	$330,000	$440,000	$467,500	$495,000	$401,500
Solar/DER Enablement	**$33,110,798**	**$0**	**$7,840,960**	**$9,437,343**	**$9,836,440**	**$5,996,055**
Solar/DER Distribution Line Improvement	**$19,954,798**	**$0**	**$3,990,960**	**$5,587,343**	**$5,986,440**	**$4,390,055**
Solar/DER Distribution Line Improvements	$19,954,798	$0	$3,990,960	$5,587,343	$5,986,440	$4,390,055
Substation Reverse Power Protection	**$13,156,000**	**$0**	**$3,850,000**	**$3,850,000**	**$3,850,000**	**$1,606,000**
Substation Reverse Power Protection	$13,156,000	$0	$3,850,000	$3,850,000	$3,850,000	$1,606,000
Substation Improvements	**$22,064,535**	**$550,000**	**$1,839,468**	**$2,984,942**	**$10,520,745**	**$6,169,380**
Substation Reliability	**$22,064,535**	**$550,000**	**$1,839,468**	**$2,984,942**	**$10,520,745**	**$6,169,380**
ACE NJ -Distribution Flood remediation	$11,420,785	$550,000	$1,839,468	$2,984,942	$2,976,995	$3,069,380
Cedar Substation	$1,843,750	$0	$0	$0	$1,843,750	$0
Fairton Relay & Bus Upgrades	$5,700,000	$0	$0	$0	$5,700,000	$0
Laurel - Install new Relays	$3,100,000	$0	$0	$0	$0	$3,100,000
Powering the Future Total	**$93,109,083**	**$3,171,666**	**$19,175,262**	**$20,114,952**	**$28,704,851**	**$21,942,352**

Exhibit B

SAMPLE REVENUE REQUIREMENT CALCULATION

Atlantic City Electric Company
Powering the Future
Example Revenue Requirement Calculation

		Example Revenue Requirement	Notes
Rate Base:			
Gross Plant		$22,346,928	(Plant only, not including AFUDC)
Accumulated Depreciation	$	368,391	
Deferred Taxes	$	59,952	
Net Rate Base	$	21,918,585	
Operating Income:			
Depreciation	$	736,782	
SIT-Current	$	(128,312)	
FIT-Current	$	(272,449)	
Deferred Taxes	$	59,952	
Total Operating Expenses	$	395,972	
Return Required	$	1,532,109	(At authorized 6.99% ROR from 2020 ACE rate case)
Required Oper. Income	$	1,928,081	
Revenue Conversion Factor		1.39522	
Revenue Requirement	**$**	**2,690,096**	

Exhibit C

MINIMUM FILING REQUIREMENTS

1. ACE's income statement for the most recent 12-month period prepared using the same Federal Energy Regulatory Commission ("FERC") reporting and accounting conventions that are reflected in the Company's Annual Report to the Board.

2. ACE's balance sheet for the most recent 12-month period, as filed with the Board prepared using the same FERC reporting and accounting conventions that are reflected in the Company's Annual Report to the Board.

3. ACE's capital spending for each of the past five (5) years, broken down by major categories (e.g., new business connections, facilities relocations, system performance, capacity expansion, corrective maintenance, general plant and other).

4. ACE's overall approved Program capital budget broken down by major categories, both budgeted and actual amounts.

5. For each PTF subprogram:
    a. the original project summary for each PTF sub-program,
    b. expenditures incurred to date for each sub-program,
        i. the cost of removal and
        ii. the amount of allocated overhead,
    c. appropriate metric (e.g., reclosers installed), and
    d. work completed, including identified tasks completed (e.g., design phase, material procurement, permit gathering, phases of construction).

6. Anticipated sub-program timeline with updates and expected changes.

7. A calculation of the proposed rate adjustment based on details related to PTF projects included in Plant in Service, including a calculation of the associated depreciation expense, based on those projects closed to Plant in Service during the period.

8. A list of any and all funds or credits received from the United States government, the State of New Jersey, a county or a municipality, for work related to any of the PTF projects, such as relocation, reimbursement, or stimulus money. An explanation of the financial treatment associated with the receipt of the government funds or credits shall also be provided.

9. A revenue requirement calculation showing the actual capital expenditures for the period for which the filing is made, as well as supporting calculations.

10. An earnings test calculation demonstrating that the calculated ROE does not exceed the Company's allowed ROE from the latest base rate case by 50-basis points or more. The Company should divide the actual net income of the utility for the most recent 12-month period filed with the Board or FERC by the average of the beginning and ending common equity balances for the corresponding period, subject to adjustments. Common equity will be as reflected on the Company's FERC financial statements, adjusted to reflect only the electric distribution allocation. The Company should provide nine (9) months actual data and three (3) months forecasted data at the time of each Initial Filing. The three (3) months of forecasted data should be updated with actuals at the same time the Company provides the Actuals Update for Investments.

I/M/O the Petition of Atlantic City Electric Company for Approval of Powering the Future, an Infrastructure Investment Program and Related Cost Recovery Mechanism, Pursuant to *N.J.A.C.* 14:3-2A.1 et seq.
BPU Docket No. ER22100666
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● Does **Not** Receive Discovery
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