



STATE OF NEW JERSEY
Board of Public Utilities
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www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF ATLANTIC CITY ELECTRIC COMPANY FOR APPROVAL TO IMPLEMENT FERC-APPROVED CHANGES TO ACE'S RETAIL TRANSMISSION (FORMULA) RATE PURSUANT TO PARAGRAPH 15.9 OF THE BGS-RSCP AND BGS-CIEP SUPPLIER MASTER AGREEMENTS AND TARIFF FILING REFLECTING CHANGES TO SCHEDULE 12 CHARGES IN PJM OPEN ACCESS TRANSMISSION TARIFF (2018)) DECISION AND ORDER APPROVING THE PASS-THROUGH OF FERC AUTHORIZED CHANGES IN FIRM TRANSMISSION SERVICE RELATED CHARGES DOCKET NO. ER18070711

Parties of Record:

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

BY THE BOARD:1

On July 11, 2018, Atlantic City Electric Company ("ACE" or "Company") filed a petition ("July 2018 Petition") with the New Jersey Board of Public Utilities ("Board") requesting recovery of Federal Energy Regulatory Commission ("FERC") approved changes in firm transmission service related charges with rates to be effective September 1, 2018.

The Company's proposed tariffs reflect changes to the Basic Generation Service ("BGS") Residential and Small Commercial Pricing ("BGS-RSCP") and Commercial and Industrial Pricing ("BGS-CIEP") rates to customers resulting from FERC approved changes in the PJM Open Access Transmission Tariff ("OATT") made in response to: (i) the annual formula rate update filings made by PPL Electric Utilities Corporation ("PPL") in FERC Docket No. ER09-1148, by Baltimore Gas and Electric Company in FERC Docket No. ER09-1100, by PECO Energy Company ("PECO") in FERC Docket No. ER17-1519, and by Tran-Allegheny Interstate Line Company ("TrAILCo") in FERC Docket No. ER07-562; and (ii) the formula rate update filings made by the public utility affiliates of Pepco Holdings Inc. ("PHI") in FERC Docket No. ER08-1423 and the respective utility affiliate compliance filings for formula rate updates made by ACE in FERC Docket No. ER09-1156, Delmarva Power and Light ("Delmarva") in FERC

1 Commissioner Robert M. Gordon did not participate.

Docket No. ER09-1158, and Potomac Electric Power Company ("PEPCO") in FERC Docket No. ER09-1159. The filings referred to in (i) and (ii) above are collectively referred to as the "Filings."

The Transmission Enhancement Charges ("TECs") detailed in Schedule 12 of the PJM OATT were implemented to compensate transmission owners for the annual transmission revenue requirements for "Required Transmission Enhancements" that are requested by PJM for reliability or economic purposes. TECs are recovered by PJM through an additional transmission charge in the transmission zones assigned cost responsibility for Required Transmission Enhancement projects.

On April 25, 2017, in Docket Nos. ER17-950-000 and ER17-940-001 ("ConEd Wheel Order"), FERC issued an Order that modified the PJM OATT as a result of the termination of a long-term firm point-to-point transmission service agreement between PJM and Consolidated Edison Company of New York, Inc. (the "ConEd Wheel"). The PJM tariff revisions remove ConEd as a party responsible for cost allocation under Schedule 12 of the PJM OATT. This, in turn, required that PJM reallocate the ConEd portion to the remaining entities as these costs relate to the ConEd Wheel. The cost reallocation being implemented pursuant to the ConEd Wheel Order is subject to ongoing legal challenges and protests before FERC by various interested entities.² By Order³ dated July 26, 2017, the Board authorized ACE and the other electric distribution companies (collectively, "EDCs")⁴ to begin collecting the TEC charges based on the reallocation related to the ConEd Wheel Order and track such collections until receipt of a Final FERC Order in the matter.

On May 1, 2017, in FERC Docket No. ER17-1519-000, PJM filed with FERC, on behalf of PECO for approval of a transmission formula rate template and formula rate protocols in the PJM OATT. PECO previously had a stated rate and sought authorization to move to a forward-looking formula rate under the PJM tariff. PECO requested an effective date of the proposed tariff revisions of July 1, 2017. On June 27, 2017, FERC issued a letter order ("FERC PECO Order") accepting PECO's filing, subject to refund, effective December 1, 2017. By Order⁵ dated February 28, 2018, the Board authorized the EDCs to begin collecting the charges related to the FERC PECO Order and track such collections until receipt of a Final FERC Order in the matter.

² With the exception of a protest filed by the Board, the entities challenging (i.e., Linden VFT, Hudson Transmission Partners, and New York Power Authority (collectively, "Merchant-related Protestors")) the cost reallocation allege that less costs should be allocated to them and more costs should be allocated to the zones of the New Jersey EDCs.

³ In re the Provision of Basic Generation Service and Compliance Tariff Filing Reflecting Changes to Schedule 12 Charges in PJM Open Access Transmission Tariff - May 12, 2017 Filing, BPU Docket No. ER17050499 (July 26, 2017).

⁴ The other EDCs are Jersey Central Power and Light Company, Public Service Electric and Gas Company, and Rockland Electric Company.

⁵ In re the Provision of Basic Generation Service and Compliance Tariff Filing Reflecting Changes to Schedule 12 Charges in PJM Open Access Transmission Tariff - December 20, 2017 Joint Filing, BPU Docket No. ER17121310 (February 28, 2018).

On December 15, 2017, in Docket Nos. EL-17-84-000 and EL17-90-000 (“HTP and Linden VFT Orders”), FERC issued orders, effective January 1, 2018 that modified the PJM OATT as a result of a change in Hudson Transmission Partners’ (“HTP”) and Linden Variable Frequency Transformer Project (“VFT’s”) responsibility for certain transmission cost allocations resulting from the conversion of Firm to Non-Firm Transmission Withdrawal Rights. The revisions remove HTP and Linden VFT as parties responsible for cost allocation under Schedule 12 of the PJM OATT. While FERC has ruled on these matters through the issuance of the HTP and Linden VFT Orders, the cost reallocations being implemented are still subject to ongoing challenges before FERC.

July 2018 Petition

The Company’s proposed rates included in the petition’s amended tariff sheets reflect transmission and TEC costs effective as of June 1, 2018 resulting from all of the FERC-approved Filings. The proposed rates also include the rate adjustments resulting from the ConEd Wheel Order, the PECO Order and the HTP and Linden VFT Orders (collectively, “FERC Orders”).

ACE also requested authorization to compensate the BGS suppliers for the changes resulting from the implementation of these updates to formula rates, subject to the terms and conditions of the applicable Supplier Master Agreement(s) (“SMAs”). Any differences between payments to BGS suppliers and charges to customers would flow through the BGS Reconciliation Charges.

The Company stated that this filing satisfies the requirements of paragraphs 15.9(a)(i) and (ii) of the BGS-RSCP and BGS-CIEP SMAs, which mandate that BGS-RSCP and BGS-CIEP suppliers be notified of rate increases and decreases for firm transmission service, and that the electric distribution companies (“EDCs”) file for and obtain Board approval of an increase or decrease in retail rates commensurate with the FERC-implemented rate changes.

ACE states that an adjustment to BGS supplier accounts for the period June 1, 2018 through May 31, 2019 will be made upon the Board’s approval of this request. For the period beginning June 1, 2018, ACE represents that it will track amounts associated with the rate change to BGS suppliers in accordance with paragraphs 15.9(a)(iii) and (iv) of the BGS-RSCP and BGS-CIEP SMAs until receipt of final FERC action on its 2018 informational filing.

Based on the allocation of the Company’s formula transmission rates and other TEC charges among the service classes in accordance with ACE’s tariff, the monthly bill for a typical ACE residential customer using 679 kWh per month will increase by approximately \$0.55 (including Sales and Use Tax) or 0.45%.

DISCUSSION AND FINDING

In the Board’s Order dated December 2, 2003, in Docket No. EO03050394, the Board found that the pass through of any changes in the network integration transmission charge, and other charges associated with the FERC-approved OATT, is appropriate. Furthermore, by subsequent Orders, the Board approved paragraph 15.9 of the SMAs as filed by ACE and the other EDCs which requires that the EDCs file for Board approval of any increases or decreases

in their transmission charges that have been approved by FERC. The SMAs also authorize the EDCs to adjust the rates paid to suppliers for FERC-approved rates and increases to Firm Transmission Services once approved by the Board. The Board Orders further require that the EDCs review and verify the requested FERC authorized changes.

After review of the verification and supporting documentation, the Board **HEREBY FINDS** that the July 2018 Petition satisfies ACE's obligations under paragraphs 15.9(a)(i) and (ii) of the relevant SMAs, and **HEREBY APPROVES** the changes to the BGS-RSCP and BGS-CIEP rates requested by ACE for its transmission charges resulting from the FERC-approved changes to the TECs effective as of September 8, 2018. However, with respect to the reallocations derived from the FERC Orders, the Board notes that these are not Final FERC Orders and are subject to ongoing challenges at FERC. The Board's December 22, 2006 Order⁶ at page 12 states, "Upon receipt of Board approval for the increase in the rates charged to BGS Customers, the EDCs would begin collecting the increase from BGS Customers, tracking that portion of the rates charged to BGS Customers attributable to the rate increase, and retaining such tracked amounts for the ultimate benefit of the BGS Suppliers. Upon approval by the FERC of a proposed rate increase, in a Final FERC Order not subject to refund, the EDCs would increase, by the amount approved by the Board, the BGS-FP auction price paid to BGS-FP Suppliers, and the BGS-CIEP Transmission Charge paid to BGS-CIEP Suppliers, and would pay each BGS Supplier, in proportion to its BGS Supplier Responsibility Share, the amounts tracked and retained for the benefit of BGS Suppliers until the date final FERC approval was received." Accordingly, with respect to the allocations resulting from the FERC Orders, the Board **DENIES** ACE's request to pay suppliers at this time and **AUTHORIZES** ACE to collect the costs associated with the FERC Orders and track such collections until receipt of Final FERC Orders in the matters. For the remaining TEC changes, ACE is **HEREBY ORDERED** to compensate the BGS suppliers for this transmission rate change subject to the terms and conditions of the SMAs.

Further, the Board **HEREBY DIRECTS** ACE to file tariffs and rates consistent with the Board's findings by September 8, 2018.

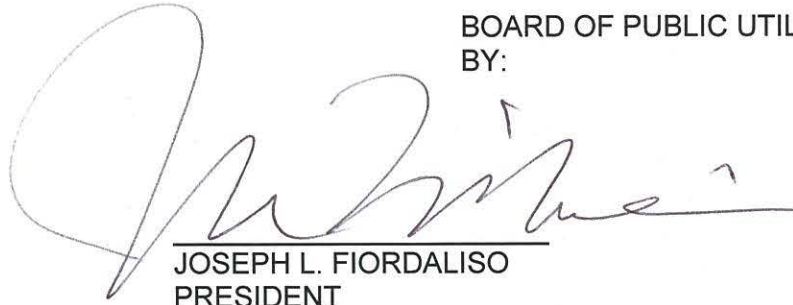
The Company's rates remain subject to audit by the Board. This Decision and Order does not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

⁶ In re the Provision of Basic Generation Service for the Period Beginning June 1, 2007, BPU Docket No. EO06020119 (December 22, 2006).

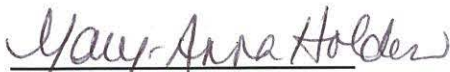
The effective date of this Order is August 31, 2018.

DATED: 8/29/18

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



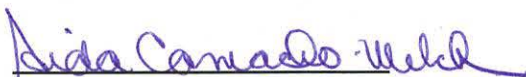
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DIANNE SOLOMON
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UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST: 
AIDA CAMACHO-WELCH
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 to Implement FERC Approved Changes to ACE's Retail Transmission (Formula) Rate Pursuant to Paragraph 15.9 of the BGS-RSCP and BGS-CIEP Supplier Master Agreements and Tariff Filing Reflecting Changes to Schedule 12 Charges in PJM Open Access Transmission Tariff (2018)
 BPU DOCKET NO. ER18070711

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