

Philip J. Passanante
Assistant General Counsel



An Exelon Company

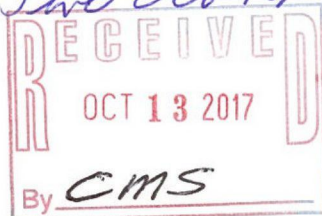
92DC42
PO Box 6066
Newark, DE 19714-6066

302.429.3105 - Telephone
302.429.3801 - Facsimile
philip.passanante@pepcoholdings.com

500 N. Wakefield Drive
Newark, DE 19702

atlanticcityelectric.com

Inv'd Oct. 16, 2017



BOARD OF PUBLIC UTILITIES

OCT 13 2017

MAIL RECEIVED

October 12, 2017

**VIA FEDERAL EXPRESS and
ELECTRONIC MAIL**
irene.asbury@bpu.nj.gov
board.secretary@bpu.nj.gov

Irene Kim Asbury, Esquire
Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
P.O. Box 350
Trenton, New Jersey 08625-0350

RE: Modified Tax Reform Act of 1986 ("TRA-86") Gross Up Factor Template
BPU Docket No. AX12070601

In the Matter of 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 (2017)
BPU Docket No. ER17030308

Dear Secretary Asbury:

On behalf of Atlantic City Electric Company, enclosed is a modified TRA-86 Gross Up
Factor Template pursuant to N.J.A.C. 14:3-8.6 (f) 4. An original and eleven (11) copies of this
communication and its exhibit are attached.

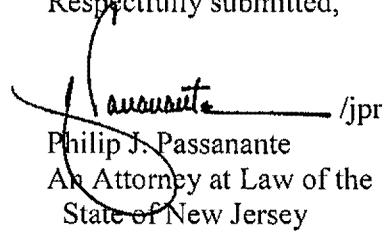
Please return one date stamped copy of this correspondence marked "Filed" in the self-
addressed, postage-prepaid envelope provided.

*Case mgmt / a. moreau
list copied*

Irene Kim Asbury, Esquire
October 12, 2017
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Thank you for your cooperation and courtesies. Feel free to contact me with any questions.

Respectfully submitted,

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

Enclosure

cc: Thomas Walker, BPU (by electronic and overnight mail)
Jacqueline Galka, BPU (by electronic and overnight mail)
Stacy Peterson, BPU (by electronic and overnight mail)
Ami Morita, Esquire, Rate Counsel (by electronic and First Class Mail)
Diane Schulze, Esquire, Rate Counsel (by electronic and First Class Mail)

TRA-86 Tax Gross Up Factor Template

Directions: Replace the sample data that is shown in the fields highlighted in yellow with your company's information. The formulas will calculate the Gross Up factor that you will use to gross up customer deposits for extensions, customer contributions for extensions, and customer refunds to reflect the consequences under the Tax Reform Act of 1986. If you are taking advantage of Bonus Depreciation (PATH Act), enter the bonus depreciation rate in cell D21; otherwise, enter 0 in cell D21.

Calculation of Tax Gross Up Factor:

Atlantic City Electric Company	
Gross Up Factor =	$F=(1-(NPV/C))/(1-T)$ 1.1569
Construction Cost (C)	1.00
Customer Deposit with Tax Gross Up	1.16
Net of Tax Rate of Return	6.4740%
Combined 35% FIT & CBT Rate (T) =	40.85%
Initial Tax Liability	0.47
NPV benefit of tax depreciation (NPV) =+NPV(\$J\$15,\$L\$25:\$L\$44)+\$L\$24	0.3157
Bonus Depreciation Rate =	50%

	Year	Tax Depreciation Rate	Federal Depreciation	NJ State Depreciation	Net Tax Cash Flow
Total deposit - CBT - FIT - Cost	0				(0.3157)
	1	3.750%	0.5188	0.0375	0.1838
	2	7.219%	0.0361	0.0722	0.0169
	3	6.677%	0.0334	0.0668	0.0156
	4	6.177%	0.0309	0.0618	0.0144
	5	5.713%	0.0286	0.0571	0.0133
	6	5.285%	0.0264	0.0529	0.0123
	7	4.888%	0.0244	0.0489	0.0114
	8	4.522%	0.0226	0.0452	0.0106
	9	4.462%	0.0223	0.0446	0.0104
	10	4.461%	0.0223	0.0446	0.0104
	11	4.462%	0.0223	0.0446	0.0104
	12	4.461%	0.0223	0.0446	0.0104
	13	4.462%	0.0223	0.0446	0.0104
	14	4.461%	0.0223	0.0446	0.0104
	15	4.462%	0.0223	0.0446	0.0104
	16	4.461%	0.0223	0.0446	0.0104
	17	4.462%	0.0223	0.0446	0.0104
	18	4.461%	0.0223	0.0446	0.0104
	19	4.462%	0.0223	0.0446	0.0104
	20	4.461%	0.0223	0.0446	0.0104
	21	2.231%	0.0112	0.0223	0.0052

Calculation of Net of Tax Rate of Return and Combined Federal Income Tax (FIT) and Corporate Business Tax (CBT) Rate:

	% of Capital Structure	Embedded Cost	Weighted Avg. Cost	Net of Tax Rate of Return
Atlantic City Electric Company				
Long Term Debt	49.53%	5.56%	2.75%	
Tax Deductible Capital Structure Components	0.00%		0.00%	
Tax Deductible Capital Structure Components	0.00%		0.00%	2.75%
Common Equity	50.47%	9.60%	4.85%	1.63%
	100.00%		7.60%	2.75%*(1-40.85%)
				4.85%
				6.4740%

Rate of Return Information from Docket No.: ER17030308, Order dated: September 22, 2017, Page: 3

Combined FIT and CBT Rate	=	40.85%	=	(9.00%	+	(35.00%	*	(1 -	9.00%))
				(CBT	+	(FIT	*	(1 -	CBT))

Note: If your company is not subject to Corporate Business Tax, enter 0 in cell J57.