SUMMARY STATEMENT

ITEM NO.    SUBJECT:  Purchase of PATCO Power

COMMITTEE:     New Business

COMMITTEE MEETING DATE:  N/A

BOARD ACTION DATE:  November 3, 2010

PROPOSAL:  That the Board of Directors authorizes staff to enter into an Agreement with PECO to purchase a portion of the power required for PATCO operations.

Amount:  Less than $1.2 million per year based on current estimated prices. This will change as energy prices change. This cost for PECO power is offset by a reduction in the cost of energy purchased from PSE&G.

Contractor:  PECO

PURPOSE:  To enhance the reliability of the power supply required to run PATCO and to better accommodate contract work associated with the current PATCO Pole Line Project.

BACKGROUND:  When PATCO began service in 1969, it had the ability to receive power for its operations in New Jersey primarily from PSE&G through two feeds located in Westmont. It also had the ability to receive power from Atlantic City Electric Company through a feed in Lindenwold. That feed was used to supplement the PSE&G feeds and/or to use in an emergency involving the PSE&G feeds. Power for the Philadelphia operations was purchased from PECO through feeds at a substation at Front Street in Philadelphia.

In the mid 1990’s, PSE&G had the ability to offer its large high tension customers like PATCO a very favorable “off tariff” rate. The off tariff rate was much lower than the published rate, and PATCO wanted to take advantage of the lower rates offered through the off tariff program. It negotiated an agreement with PSE&G whereby it received the lower rate in return for PSE&G providing PATCO’s entire electric load. In order for PATCO to buy all its power from PSE&G, a “tie line” was built across the Ben Franklin Bridge so that the Philadelphia operations could be powered with energy from PSE&G.
The Off Tariff Rate Agreement resulted in considerable energy cost savings for PATCO, but created two significant vulnerabilities that did not exist prior to the agreement: (1) PATCO’s energy supply could now only be received from one source (the two Westmont PSE&G feeds) and (2) Power to run the Philadelphia side was dependent on the one tie line over the Ben Franklin Bridge.

PSE&G is no longer able to offer an off tariff rate. The Ben Franklin Bridge tie line and its associated electrical equipment are becoming less reliable with age and are in need of rehabilitation. In addition, a contract is underway to replace the PATCO pole line and electric cables in New Jersey. In order to perform that work, one of the two Westmont feeds has to be taken out of service and the entire PATCO system would have to run off the other feed. Although this is theoretically feasible, earlier in the year, we were operating this way and the in-service line tripped due to a power spike and PATCO was shut down for several hours.

Staff is recommending that PATCO return to the configuration whereby it receives a portion of its power from PECO. This configuration provides greater operating redundancy than the current one-supplier configuration and it will better facilitate the Pole Line work that is underway. The Pole Line contractor is quickly approaching the point where we will need to de-energize one of the two feeds in order for him to progress his work. Significant delay claims, perhaps as much as $85,000 per month, may be incurred if the contractor is delayed.

We estimate that approximately 20% of PATCO’s power will be supplied by PECO under the proposed configuration. Using an estimated traction power cost of approximately $5.6 million; that would equate to a purchase of $4.48 million from PSE&G and $1.12 million from PECO. There is no capital cost involved with resuming the purchase of power from PECO. We have evaluated the cost ramifications of purchasing the energy from both sources and believe it to be cost neutral because the rates of both companies are similar.
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<td>Capital Project #:</td>
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<td>Operating Budget:</td>
<td>Purchased Power</td>
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<td>Other Fund Sources:</td>
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RESOLUTION

RESOLVED: That the Board authorizes staff to negotiate a contract with PECO to purchase approximately 20% of the electrical power needed for PATCO operations.

RESOLVED: The Chair, Vice Chair and the President must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of PATCO. If such agreements, contracts, or other documents have been approved by the Chair, Vice Chair and President and if thereafter, either the Chair or Vice Chair is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of PATCO, along with the President. If both the Chair and Vice Chair are absent or unavailable, and if it is necessary to execute the said document(s), while they are absent or unavailable, then the President shall execute such document(s) on behalf of PATCO.

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