Agenda Date: 3/12/12
Agenda Item: 2H

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE VERIFIED PETITION OF JERSEY CENTRAL POWER & LIGHT COMPANY FOR THE REVIEW AND APPROVAL OF COSTS INCURRED FOR ENVIRONMENTAL REMEDIATION OF MANUFACTURED GAS PLANT SITES PURSUANT TO THE REMEDIATION ADJUSTMENT CLAUSE OF ITS FILED TARIFF ("2010 RAC FILING")	)	DECISION AND ORDER ADOPTING INITIAL DECISION AND APPROVING STIPULATION OF SETTLEMENT BPU DOCKET NO. ER11030141

Marc B. Lasky, Esq., Morgan, Lewis, & Bockius, Attorneys for the Petitioner, Jersey Central Power and Light Company
Stefanie A. Brand, Director, Division of Rate Counsel

BY THE BOARD:

On March 15, 2011, Jersey Central Power and Light Company ("JCP&L" or "Petitioner") filed a petition with the New Jersey Board of Public Utilities ("Board") for an Order finding that JCP&L's Manufactured Gas Plant ("MGP") remediation work performed during the MGP Remediation Adjustment Clause ("RAC") period January 1, 2010 through December 31, 2010 ("2010 RAC Period") was prudent, and that the resulting RAC costs are reasonable and appropriate for rate recovery.

The RAC allows for the recovery of reasonably incurred MGP remediation program costs ("MGP Costs") by Petitioner, amortized over a seven-year rolling average period, and carrying charges tied to seven-year treasuries plus sixty basis points.

The RAC is a component of the Societal Benefits Charge ("SBC") authorized by N.J.S.A. 48:3-60(a)(4).

JCP&L's March 15, 2011 petition sought to establish rates to recover $2.905 million of which approximately $1.8 million represents the Rider RAC Charge applicable to the RAC portion of the Company's 2009 SBC/SCC (System Control Charge) and RAC Filing. $2.911 million represents 1/7 of Petitioner's recoverable MGP remediation expenses as of December 31, 2010 in the amount of $20.379 million, which includes $377,790 of carrying costs less costs in the year 2010 applicable to an over-recovered SBC of $7.847 million, Natural Resource Damages ("NRD") of $53,563, and the costs related to JCP&L's Incentive Compensation Program ("ICP") of $13,785. JCP&L's Petition requested authority to increase its RAC factor rate from 0.0085 cents per kWh (including Sales and Use Tax or "SUT") to 0.0140 cents per kWh (including SUT).

This matter was transmitted to the Office of Administrative Law on August 4, 2011, and assigned to Administrative Law Judge ("ALJ") Richard McGill.

Notice of Petitioner's request for an increase in its RAC factor rate, including the date, time and place of the public hearings, was placed in newspapers having a circulation within the company's service territory, and was served upon the county executives and clerks of all municipalities within the company's service territory. Public hearings were scheduled and conducted on January 3, 2012.[1]. No members of the public appeared at the hearings.

Representatives of JCP&L, Board Staff, and the New Jersey Division of Rate Counsel (collectively "the Parties") entered into a Stipulation of Settlement[2] dated February 9, 2012 that provided for the following:

- Effective April 1, 2012 or as soon thereafter as the Board may approve, Petitioner will increase its Rider RAC charge by $0.000054 (including SUT), from $0.000085 per kWh (including SUT) to $0.000139 per kWh (including SUT), an overall increase of approximately 0.05% in total JCP&L revenues, to recover $1.147 million in additional revenue annually, based on forecasted sales, for the twelve months ended February 28, 2013, of 22,333,219 MWh applied to the amount of $2.911 million to be recovered annually, representing 1/7 of the RAC expenditures from 2004 through 2010 in the amount of $20.379 million, of which carrying costs were $377,790. The derivation of the revised RAC rate is provided in Appendix A to the Stipulation of Settlement, and the revised Tariff sheet is provided in Appendix B to the Stipulation of Settlement.

- The $2.911 million of annual recoverable MGP remediation expense is comprised of 1/7 of each of the annual RAC expenditures from 2004 through 2010 (after application of over-recoveries from other SBC components). As a result of this settlement, the annual bill for a residential customer using 7,800 kWh would increase from $1,273.04 (including SUT) to $1,273.46 (including SUT), an increase of $0.42 or 0.03%. The derivation of the revised RAC rate and the revised Tariff sheet are attached in Appendices A and B respectively of the Stipulation of Settlement.

- Petitioner indicates that no remediation properties were leased or sold during the RAC remediation period for which the current RAC rate is being established.

- JCP&L's recoverable deferred RAC balance at December 31, 2010 was an under-recovered balance of $20.379 million, after application of over-recoveries of $7.847 million from other components of Rider SBC, subject to the Parties' reservation of their rights to challenge the recovery of expenditures that might be found to have been recorded in error or improperly accounted for in the pending Board Staff audit of RAC expenditures for 2005. JCP&L has also deferred (i) $435,073 of costs related to NRD issues from 2005 through 2010, and (ii) $103,751 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2010. The Parties agree that it is appropriate for such NRD-related and incentive compensation costs to be deferred.

[1] One public hearing each was held in Freehold, New Jersey and Morristown, New Jersey.
[2] Although summarized in this Order, the detailed terms of the Stipulation of Settlement control, subject to the findings and conclusions of this Order

Petitioner indicates that this Stipulation of Settlement does not include the recovery of any administrative, legal, consulting or other costs associated with NRD claims currently being investigated by the New Jersey Department of Environmental Protection or any costs associated with the incentive compensation referenced above. Therefore, the Board should make no determination in this proceeding as to the reasonableness, or the recoverability under JCP&L's RAC filings, of NRD damages or related costs or of incentive compensation amounts, if any.

- NRD-related MGP expenditures of $53,563 incurred during the 2010 RAC period are not included in the $20.379 million of 2010 RAC period costs. Incentive compensation of $13,785 incurred during the 2010 RAC period is also not included in the $20.379 million of 2010 RAC period costs. The deferred NRD and incentive compensation amounts have been excluded from the new RAC factors indicated under the first bullet above. The Parties expressly reserve their rights to argue their respective positions on these and related issues in future proceedings, as appropriate.

- Petitioner claims that it is entitled to retain NRD-related costs totaling approximately $76,000 from the RAC years 2003 and 2004. It is Rate Counsel's and Staff's position that NRD-related costs are not included within the scope of the Board's RAC recovery authorization and are therefore ineligible for recovery through utility RAC clauses. JCP&L does not agree with Rate Counsel's and Staff's position concerning NRD-related cost recovery, but nonetheless agrees that nothing shall affect or limit the Parties' rights to challenge such NRD-related cost recovery in connection with the JCP&L's previous RAC Filings. Petitioner also reserves all of its rights to contest any such challenge by the Parties. JCP&L further agrees that it will continue to defer NRD-related MGP costs in future RAC filings pending the final Board resolution of the issue concerning the inclusion of NRD-related costs within the scope of the Board's RAC recovery authorization.[3]

- JCP&L shall be authorized to continue to defer all additional reasonable and prudent MGP remediation costs and expenses incurred and deferred subsequent to December 31, 2010, including NRD-related and incentive compensation costs, together with accrued interest thereon, for review and inclusion in future annual RAC filings and related adjustments to Petitioner's Rider RAC, subject to the Board's review and approval. In accordance with Generally Accepted Accounting Principles ("GAAP") as applied by JCP&L's independent auditors, the deferred RAC balance at December 31, 2010 included certain RAC expense accruals. Although the Parties will continue to review the levels of such accruals in Petitioner's deferred RAC accounts in future proceedings, the Parties do not object to the use of such GAAP accrual accounting procedures as required by JCP&L's auditors.

[3] The NRD-related MGP expenditures for the years 2004 through 2010 are as follows:

2004	$35,139
2005	62,856
2006	157,594
2007	53,434
2008	18,046
2009	89,580
2010	53,563

- Consistent with its agreement in the 2005 RAC Filing Stipulation settling the 2005 Annual RAC Filing, which was approved by the Board by Decision and Order dated April 27, 2009 (Docket No. ER06030258), Petitioner performs outside legal and community relations activities for the purposes of supporting its remediation program and mitigating potential liabilities related to its remediation program. Petitioner will continue to provide a description and explanation of the expenses incurred for these services in subsequent RAC filings, with claimed confidential information provided pursuant to a confidentiality agreement.

- Also consistent with the 2005 RAC Filing Stipulation, Petitioner will continue to maintain a complaint log for each MGP site which will provide details about complaints (exclusive of formal legal claims or lawsuits) received from property owners, neighboring residents and municipal officials and a description of the Petitioner's actions responding to that complaint.

- JCP&L will continue to include with its RAC filings responses to the Minimum Filing Requirements ("MFRs") as indicated in Exhibit A to the 2006-2008 RAC Filing Stipulation, which was approved by Board Decision and Order dated March 9, 2011 (Docket No. ER09030194). A list of these MFRs is attached in Appendix C to the Stipulation of Settlement.

- JCP&L will competitively bid remediation projects expecting to cost in excess of $250,000 with respect to work at existing sites or work at any new sites identified in the future. If competitive bidding is not utilized as provided in this paragraph, JCP&L will be required to show that competitive bidding was not practical or advantageous under the circumstances.

- JCP&L will make annual RAC filings, which will not be combined with SBC or SCC filings, regardless of whether it is seeking any change in its RAC recovery rate.

- JCP&L will provide a final reconciliation of its annual RAC factor recovery within ninety (90) days of the completion of each RAC recovery year, which reconciliation will include the calculation of actual sales volumes that recovered the RAC factor and the resultant net expense or credit amount which is to be carried over to the next recovery year. Implementation and/or adjustment of the RAC factor is subject to the Parties' review of JCP&L's RAC expenditures and reconciliation thereof in JCP&L's future RAC proceedings.

On February 21, 2012, ALJ McGill closed the record and approved the Stipulation of Settlement. His Initial Decision found that the Parties had voluntarily agreed to the Stipulation of Settlement and that it fully disposes of all issues in controversy and is consistent with the law.

DISCUSSION AND FINDINGS:

The Board has reviewed the attached Initial Decision and Stipulation of Settlement of the Parties and FINDS them to be reasonable, in the public interest and consistent with the law. The Board HEREBY FINDS that JCP&L's MGP remediation work performed from January 1, 2010 through December 31, 2010 was prudent, and the resulting RAC balance as of December 31, 2010 in the amount of $20.379 million is reasonable and appropriate for recovery.

Accordingly, the Board HEREBY ADOPTS the Initial Decision and the Stipulation of Settlement in their entirety as if fully incorporated herein. The Board HEREBY ORDERS that Petitioner's RAC factor shall be increased from 0.0085 cents per kWh (including SUT) to 0.0139 cents per kWh (including SUT) effective for service rendered on and after April 1, 2012.

The Board FURTHER ORDERS that the NRD related costs of $435,073 from the period of 2005 through 2010 and $103,751 of incentive compensation related to the period of 2006 through 2010 shall continue to be deferred until such time as the Board addresses the rate recoverability of expenditures related to NRD and incentive compensation through the RAC mechanism.

The Board FURTHER ORDERS that JCP&L continue to defer all additional reasonable and prudent MGP remediation costs and expenses incurred and deferred subsequent to December 31, 2010, including NRD-related and incentive compensation costs, together with accrued interest thereon, for review and inclusion in future annual RAC filings and related adjustments to the JCP&L's Rider RAC

The Board HEREBY DIRECTS Petitioner to submit revised tariff sheets that conform to the terms and conditions of this Order within seven (7) days of the date of service of this Order.

The JCP&L's RAC costs shall remain subject to on-going audit by the Board. Additionally, the JCP&L will periodically conduct audits of these expenses. 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.

DATED: 3/12/2012

BOARD OF PUBLIC UTILITIES
BY:

Robert M Hanna

ROBERT M. HANNA
PRESIDENT

Jeanne M Fox

JEANNE M. FOX
COMMISSIONER

Joseph L. Fiordaliso

JOSEPH L. FIORDALISO
COMMISSIONER

Nicholas Asselta

NICHOLAS ASSELTA
COMMISSIONER

Mary-Anna Holden

MARY-ANNA HOLDEN
COMMISSIONER

ATTEST: Kristi Izzo

KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities

Kristi Izzo

IN THE MATTER OF THE VERIFIED PETITION OF JERSEY CENTRAL POWER & LIGHT COMPANY FOR THE REVIEW AND APPROVAL OF COSTS INCURRED FOR ENVIRONMENTAL REMEDIATION OF MANUFACTURED GAS PLANT SITES PURSUANT TO THE REMEDIATION ADJUSTMENT CLAUSE OF ITS FILED TARIFF ("2010 RAC FILING")

DOCKET NO. ER11030141

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 09865-11

BPU DKT. NO. ER11030141

1 MS
Legal-Beslow
V. Haynes
O. Lee-Thomas
J. May
RPA
DAG
S. Hotly

IN THE MATTER OF THE VERIFIED PETITION OF JERSEY CENTRAL POWER & LIGHT COMPANY FOR THE REVIEW AND APPROVAL OF COSTS INCURRED FOR ENVIRONMENTAL REMEDIATION OF MANUFACTURED GAS PLANT SITES PURSUANT TO THE REMEDIATION ADJUSTMENT CLAUSE OF ITS FILED TARIFF ("2010 RAC FILING").

Marc B. Lasky, Esq., and **Gregory Eisenstark**, Esq., for Jersey Central Power & Light Company (Morgan, Lewis & Bockius, LLP, attorneys)

Henry M. Ogden, Assistant Deputy Rate Counsel, for the Division of Rate Counsel (Stephanie A. Brand, Director of the Division of Rate Counsel, attorney)

Carolyn McIntosh, Deputy Attorney General, and **Alex Moreau**, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Jeffrey S. Chiesa, Attorney General of New Jersey, attorney)

Record Closed: February 14, 2012 Decided: February 21, 2012

BEFORE **RICHARD McGILL**, ALJ:

On March 15, 2011, Jersey Central Power & Light Company ("JCP&L" or "Company") filed a verified petition with the New Jersey Board of Public Utilities seeking review and approval of costs incurred for environmental remediation of manufactured gas plant sites pursuant to the Remediation Adjustment Clause ("RAC") in its filed tariff and an increase in its RAC charge. The Company proposed to increase its RAC factor for the 2010 RAC period by $0.000051 per kwh ($0.000054 including Sales and Use Tax or "SUT") to recover approximately $1,147,027 in additional revenue annually.

The matter was transmitted to the Office of Administrative Law on August 13, 2011, for determination as a contested case. Notices describing the petition and setting forth the dates of the public hearings were placed in newspapers having circulation in JCP&L's service territory and served on the county executives and clerks of all municipalities in the Company's service territory. Public hearings concerning the Company's petition were held on January 3, 2012, in Morristown, New Jersey, and Freehold Township, New Jersey. No one from the public attended the hearings.

Prior to the commencement of evidentiary hearings, the parties submitted a Stipulation of Settlement, which provides for an increase of $0.000051 in the RAC factor effective April 1, 2012, before SUT. The additional annual revenues of $1,147,027 represent an increase of approximately 0.03 percent.

Having reviewed the record and the settlement terms, I **FIND** as follows:

1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or the signatures of their representatives.

2. The settlement fully disposes of all issues in controversy and is consistent with the law.

Therefore, I **CONCLUDE** that the agreement meets the requirements of <u>N.J.A.C.</u> 1:1-19.1 and that the settlement should be approved. Accordingly, it is **ORDERED** that the parties comply with the terms of the settlement, and it is **FURTHER ORDERED** that the proceedings in this matter be concluded.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES,** which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

February 21, 2012
DATE

RICHARD McGILL, ALJ

Date Received at Agency:

2-23-12

Date Mailed to Parties: FEB 23 2012

DIRECTOR AND
CHIEF ADMINISTRATIVE LAW JUDGE

lr

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In the Matter of the Verified Petition of **Jersey Central Power & Light Company** For the Review and Approval of Costs Incurred For Environmental Remediation of Manufactured Gas Plant Sites Pursuant to the Remediation Adjustment Clause of Its Filed Tariff ("**2010 RAC Filing**")

STIPULATION OF SETTLEMENT

BPU Docket No. ER11030141

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

APPEARANCES:

Marc B. Lasky, Esq. and Gregory Eisenstark, Esq. (Morgan, Lewis & Bockius LLP, attorneys) for the Petitioner, Jersey Central Power & Light Company

Henry M. Ogden, Esq., Assistant Deputy Rate Counsel, Division of Rate Counsel (**Stefanie A. Brand, Esq.**, Director)

Carolyn McIntosh and Alex Moreau, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Jeffrey S. Chiesa,** Attorney General of New Jersey)

This Stipulation of Settlement (the "Stipulation") is hereby made and executed as of the 9th day of February, 2012, by and among the Petitioner, Jersey Central Power & Light Company ("JCP&L" or the "Company"), the Staff of the Board of Public Utilities ("Staff") and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, the "Parties").

The Parties do hereby join in recommending that the Board of Public Utilities ("Board") issue an Order approving the Stipulation, based upon the following stipulations:

Background

On March 15, 2011, JCP&L filed with the Board a Verified Petition, including supporting schedules, seeking review and approval of costs incurred for environmental remediation of manufactured gas plant sites pursuant to the Remediation Adjustment Clause ("RAC") of its filed Tariff and the imposition of, and an increase in, the RAC charge. ("2010 RAC Filing"). The RAC is a component of the Company's Societal Benefits Charge ("SBC").

The 2010 RAC Filing provided an opportunity to conduct a review of all actual costs and expenditures incurred by JCP&L relating to environmental remediation of its former manufactured gas plant ("MGP") sites for the period from January 1, 2010 through December 31, 2010, and proposed that the Company increase its RAC factor for the 2010 RAC period by $0.000051 per kWh ($0.000054 including Sales and Use Tax or "SUT") to recover approximately $1,147,027 in additional revenue annually.[1] As indicated in Appendix A, which is a revision of Attachment A to the Company's Verified Petition, based on the Board Order in the Company's 2009 SBC Proceeding, dated June 15, 2011, JCP&L sought to recover incremental expenses incurred in connection with its MGP remediation program during calendar year 2010 in the amount of $15,578,890. The Company also requested recovery of carrying costs in the amount of $377,790 on its unamortized remediation balance, leaving a net balance of unrecovered MGP costs at December 31, 2010 of $28,294,013 (net of insurance recovery) before application of over-recoveries from other components of Rider SBC in the amount of

[1] When JCP&L filed its 2010 RAC Filing, the Company's 2009 RAC Filing was still pending. Hence, in the March 15, 2011 Petition, JCP&L requested a total RAC Rider increase of $2.9 million annually ($1.1 million for the 2010 RAC period and $1.8 million associated with the 2009 RAC period). On June 15, 2011 the Board issued a Final Order approving, *inter alia*, the 2009 RAC Filing, and JCP&L implemented the new RAC Rider rates of $0.000079 kWh ($0.000085/kWh including SUT) on July 1, 2011.

$7,847,21 The foregoing amounts included $53,563 of costs related to MGP Natural Resource Damage ("NRD") issues applicable to calendar year 2010, and $13,785 of MGP-related incentive compensation for 2010. The Company proposed to continue to defer NRD-related and incentive compensation costs for 2010, but not to recover such NRD-related and incentive compensation costs, including interest, until there was a final resolution of the issue concerning the inclusion of these costs within the scope of the Board's RAC recovery mechanism. No such NRD-related or incentive compensation costs for 2010 would be deemed to have been recovered by application of over-recoveries from other components of Rider SBC. The resulting net deferred RAC account balance at December 31, 2010, after deduction of such NRD-related and incentive compensation costs, and after application of over-recoveries from other components of Rider SBC, was $20,379,454, as shown in the following chart:

Jersey Central Power & Light Company

Manufactured Gas Plant Remediation Adjustment Clause (RAC)

	Balance at 12/31/2003	2004	2005	2006	2007	2008	2009	2010
Actual Expenditures (a)	4,334,131	2,778,421	2,781,777	2,376,664	5,584,093	7,692,538	9,039,821	15,578,890
NRD Expenses included above (b)	-	-	62,856	157,594	53,434	18,046	89,580	53,563
Incentive Compensation included above	-	-	-	27,479	32,141	30,346	-	13,785
Net Recoverable Costs	4,334,131	2,778,421	2,718,921	2,191,591	5,498,518	7,644,146	8,950,241	15,511,542
Annual Amortization								
Carrying Charges	(1,068,789)	213,279	24,966	24,913	37,079	45,846	194,024	377,790
Total Including Carrying Cost	3,265,342	2,991,700	2,743,887	2,216,504	5,535,597	7,689,992	9,144,265	15,889,332
SBC Over-Recovery Application (c)		(6,424,026)	(2,639,759)	(2,401,577)	(5,621,172)	(2,640,262)	(1,523,156)	(7,847,211)
Recoverable Balance at December 31, 2010								20,379,454

(a) Net of insurance proceeds, revenue previously collected through base rates and write-off in accordance with BPU Order, Docket No. ER03121020.

(b) The Company maintains that it is entitled to retain NRD-related costs totaling approximately $76,000 from 2003-2004.

(c) The application of other over-recovered SBC components, in accordance with JCP&L Tariff Rider SBC, is first applied to the deferred carrying cost and next applied to deferred cost.

This $20,379,454 amount was proposed to be amortized over a period of seven years, in accordance with the Board Order dated December 16, 1994 in Docket No ER91121820J, resulting in an annual recovery amount of $2,911,351, representing 1/7 of each of the RAC expenditures in the years 2004 through 2010 (after application of over-recoveries from other SBC components). After applying the forecasted retail sales volume of 22,333,219 MWh for the twelve months ending February 28, 2013, the resulting calculated RAC factor is 0.130 mills/kWh, which is an increase to the RAC factor of 0.051 mills/kWh and an increase in annual RAC revenue of approximately $1.147 million

On August 4, 2011, the Company's 2010 RAC filing was transmitted to the Office of Administrative Law ("OAL") as a contested case and Administrative Law Judge ("ALJ") Richard McGill was assigned to the case. Public hearings were held with respect to the RAC increase proposed in Docket No. ER11030141 at 1 p.m. on January 3, 2012 in Morristown, New Jersey, and at 6 p.m. on January 3, 2012 in Freehold, New Jersey, with ALJ McGill presiding. Following the filing of the 2010 RAC Filing, the Parties engaged in discovery and exchanged additional information during informal discussions and meetings. Based thereon, the Parties have determined to resolve the 2010 RAC Filing in accordance with the terms set forth below.

Stipulation

Effective April 1, 2012 or as soon thereafter as the Board may approve, the Company will increase its Rider RAC charge from $0.000079 per kWh to $0.000130 per kWh, to recover approximately $1.147 million in additional revenue annually. The revised RAC factor of $0.000130 per kWh is derived as follows:

Derivation of Tariff Rider RAC:

Recoverable MGP remediation expenses at 12/31/10	$ 20,379,454
RAC recovery period (Years)	7
Annual recoverable MGP expenses	$ 2,911,351
Retail sales forecasted (MWh) for the 12 mos. ended 2/28/13	22,333,219
Calculated RAC factor (Mills/kWh) before SUT	0.130 ($2,911,351 divided by 22,333,219 MWh)
RAC factor currently in effect (Mills/kWh)	0.079
Calculated Increase in RAC Factor (Mills/kWh)	**0.051** (0.130 minus 0.079)
Proposed Change to RAC factor effective 4/1/12 before SUT	**0.051** Mills/kWh
Proposed Rider RAC revenue increase effective 4/1/12	**$ 1,147,027** (0.051 Mills /kWh X 22,333,219 MWh)[2]

2. The $2.9 million of annual recoverable MGP remediation expense represents 1/7 of each of the RAC expenditures from 2004 through 2010 (after application of over-recoveries from other SBC components). This would result in an increase in the Company's RAC factor of $0.000051 per kWh ($0.000054 including Sales and Use Tax or "SUT"), from $0.000079 per kWh ($0.000085 including SUT), to $0.000130 per kWh ($0.000139 including SUT), an overall increase of approximately 0.05% in total JCP&L revenues. As indicated in Paragraph 1 above, the Company's recoverable MGP remediation expenses on December 31, 2010 was $20,379,454, of which carrying costs were $377,790.[3] As a result of this settlement, the monthly bill for a

[2] *See* Appendix A.

[3] The breakdown of carrying costs for the seven-year period from 2004 through 2010 is as follows:

2004	$213,279	2009	$194,024
2005	24,966	2010	377,790
2006	24,913		
2007	37,079		
2008	45,846		

JCP&L residential customer using 803 kWh per summer month would increase from $132.53 (including SUT) to $132.57(including SUT), or $0.04, approximately 0.03%. The monthly bill for a JCP&L residential customer using 803 kWh per winter month would increase from $133.60 (including SUT) to $133.64 (including SUT), or $0.04, approximately 0.03%. The annual bill for a residential customer using 7,800 kWh would increase from $1,273.04 (including SUT) to $1,273.46 (including SUT), an increase of $0.42 or 0.03%. The derivation of the revised RAC rate is provided in Appendix A, and the revised Tariff sheet is attached hereto as Appendix B.

3. The Company represents that no remediation properties were leased or sold during the RAC remediation period for which the current RAC rate is being established.

4. The Parties agree that the Company's ending recoverable deferred RAC balance at December 31, 2010 was an under-recovered balance of $20,379,454, after application of over-recoveries of $7,847,211 from other components of Rider SBC, subject to the Parties' reservation of their rights to challenge the recovery of expenditures that might be found to have been recorded in error or improperly accounted for in the pending Board Staff audit of RAC expenditures for 2005. In addition to the deferred RAC net balance at December 31, 2010 of $20,379,454 referred to above, JCP&L has deferred (i) $435,073 of costs related to NRD issues from 2005 through 2010, and (ii) $103,751 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2010. The Parties agree that it is appropriate for such NRD-related and incentive compensation costs to be deferred. The Company represents that this Stipulation does not include the recovery of any administrative, legal, consulting or other costs associated with NRD claims currently being investigated by the New Jersey Department of Environmental Protection or any costs associated with the incentive compensation referenced above. The Parties accordingly stipulate and agree that the Board should make no

determination in this proceeding as to the reasonableness, or the recoverability under the Company's RAC filings, of NRD damages or related costs or of incentive compensation amounts, if any.

The Parties agree that NRD-related MGP expenditures of $53,563 incurred during the 2010 RAC period are not included in the $20,379,454 of 2010 RAC period costs. The Parties agree that incentive compensation of $13,785 incurred during the 2010 RAC period is not included in the $20,379,454 of 2010 RAC period costs. The deferred NRD and incentive compensation amounts have been excluded from the new RAC factors set forth in Paragraph 1 above. The Parties expressly reserve their rights to argue their respective positions on these issues in future proceedings, as appropriate.

6. The Company claims that it is entitled to retain NRD-related costs totaling approximately $76,000 from two previous RAC years, 2003 and 2004. It is Rate Counsel's and Staff's position that NRD-related costs are not included within the scope of the Board's RAC recovery authorization and therefore are not eligible for recovery through utility RAC clauses. JCP&L does not agree with Rate Counsel's and Staff's position concerning NRD-related cost recovery, but nonetheless agrees that nothing shall affect or limit the Parties' rights to challenge such NRD-related cost recovery in connection with the Company's previous RAC Filings. JCP&L also reserves all of its rights to contest any such challenge by the Parties. JCP&L further agrees that it will continue to defer NRD-related MGP costs in future RAC filings pending the final Board resolution of the issue concerning the inclusion of NRD-related costs within the scope of the Board's RAC recovery authorization.[4] The Parties hereby agree that JCP&L shall

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The NRD-related MGP expenditures for the years 2004 through 2010 are as follows:

2004	$35,139	2008	18,046
2005	62,856	2009	89,580
2006	157,594	2010	53,563
2007	53,434		

be authorized to continue to defer all additional reasonable and prudent MGP remediation costs and expenses incurred and deferred subsequent to December 31, 2010, including NRD-related and incentive compensation costs, together with accrued interest thereon, for review and inclusion in future annual RAC filings and related adjustments to the Company's Rider RAC, subject to the Board's review and approval. In accordance with Generally Accepted Accounting Principles ("GAAP") as applied by JCP&L's independent auditors, the deferred RAC balance at December 31, 2010 included certain RAC expense accruals. Although the Parties will continue to review the levels of such accruals in the Company's deferred RAC accounts in future proceedings, the Parties do not object to the use of such GAAP accrual accounting procedures as required by the Company's auditors.

7. Consistent with its agreement in the 2005 RAC Filing Stipulation settling the 2005 Annual RAC Filing, which was approved by the Board by Decision and Order dated April 27, 2009 (Docket No. ER06030258), the Company performs outside legal and community relations activities for the purposes of supporting its remediation program and mitigating potential liabilities related to its remediation program. The Company agrees to continue to provide a description and explanation of the expenses incurred for these services in subsequent RAC filings, with claimed confidential information provided pursuant to a confidentiality agreement.

8. Also consistent with the 2005 RAC Filing Stipulation, the Company agrees to continue to maintain a complaint log for each MGP site which will provide details about complaints (exclusive of formal legal claims or lawsuits) received from property owners, neighboring residents and municipal officials and a description of the Company's actions responding to that complaint

9. The Company agrees that it will continue to include with its RAC filings responses to the minimum filing requirements ("MFRs") as set forth in Exhibit A to the 2006-2008 RAC Filing Stipulation settling the 2006-2008 RAC Filing, which was approved by Board Decision and Order dated March 9, 201 (Docket No. ER09030194). A list of these MFRs is attached hereto as Appendix C.

10. Consistent with the 2006-2008 RAC Filing Stipulation, the Company will competitively bid remediation projects expecting to cost in excess of $250,000 with respect to work at existing sites or work at any new sites identified in the future. If competitive bidding is not utilized as provided in this paragraph 10, the Company will be required to show that competitive bidding was not practical or advantageous under the circumstances.

Also consistent with the 2006-2008 RAC Filing Stipulation, the Company will make annual RAC filings, which will not be combined with SBC or SCC filings, regardless of whether it is seeking any change in its RAC recovery rate.

12. Also consistent with the 2006-2008 RAC Filing Stipulation, the Company agrees to provide a final reconciliation of its annual RAC factor recovery within ninety (90) days of the completion of each RAC recovery year, which reconciliation will include the calculation of actual sales volumes that recovered the RAC factor and the resultant net expense or credit amount which is to be carried over to the next recovery year. Implementation and/or adjustment of the RAC factor is subject to the Parties' review of JCP&L's RAC expenditures and reconciliation thereof in JCP&L's future RAC and/or SBC proceedings.

13. The Parties agree that the terms of this Stipulation shall be deemed to resolve all factual and legal issues relating to the determination of all amounts that were or could have been included in the calculation of JCP&L's deferred RAC balance through and at December 31

2010, except as described in paragraphs 3, 4, and 5 above with respect to NRD-related costs and incentive compensation costs.

Conclusion

14. The Parties agree that this Stipulation contains mutual balancing and interdependent clauses and is intended to be accepted and approved in its entirety. In the event any particular provision of this Stipulation is not accepted and approved in its entirety by the Board, or is modified by a court of competent jurisdiction, then any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right, upon written notice to be provided to all other Parties within ten (10) days after receipt of any such adverse decision, 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 an appropriate Order, or is modified by a court of competent jurisdiction, then any Party hereto is free, upon the timely provision of such written notice, to pursue its then available legal remedies with respect to all issues addressed in this Stipulation, as though this Stipulation had not been signed.

15 The Parties agree that this Stipulation shall be binding on them for all purposes herein.

16. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and, except as otherwise expressly provided for herein:

a. By executing this Stipulation, no Party waives any rights it possesses under any prior Stipulation, except where the terms of this Stipulation supersede such prior Stipulation.

b. The contents of this Stipulation shall not in any way be considered, cited or used by any of the undersigned Parties as an indication of any Party's position on any related or other issue litigated in any other proceeding or forum, except to enforce the terms of this Stipulation.

7. This Stipulation may be executed in any number of counterparts, each of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Parties.

WHEREFORE, the Parties hereto have duly executed and do respectfully submit this Stipulation to the Board, and recommend that the Board issue a Final Decision and Order adopting and approving this Stipulation in its entirety in accordance with the terms hereof. The Parties 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.

Jersey Central Power & Light Company By: Greg Eisenstark Gregory Eisenstark, Esq. Morgan, Lewis & Bockius LLP Dated: 2-9-2012	**Jeffrey S. Chiesa** **Attorney General of New Jersey** **Attorney for** **Staff of the Board of Public Utilities** By: Carol McIntosh Carolyn McIntosh Deputy Attorney General Dated: 2-10-12
Stefanie A. Brand, Esq. **Director, Division of Rate Counsel** By: Henry M. Ogden, Esq. Assistant Deputy Rate Counsel Dated: February 13, 2012	

Appendix A

Attachment A to Filing -
Revised to Reflect 2009 RAC Order

JERSEY CENTRAL POWER & LIGHT COMPANY
DERIVATION OF MANUFACTURED GAS PLANT (MGP) REMEDIATION ADJUSTMENT CHARGE (RAC) FOR TARIFF RIDER EFFECTIVE APRIL 1, 2012

Line No.			Data Sources
	MGP expenditures and Carrying Cost		
1	Total Remediation costs incurred through 12/31/09	$ 90,064,848	ER10020130,Attachmt I, Line Nos.1 + 11
2	Write-off in accordance with RAC Stipulation and BPU Order	(2,500,000)	ER03121020,Attachmt A, Dec 03 Update, at Line No. 8
3	Insurance proceeds received	(36,100,000)	ER03121020,Attachmt A, Dec 03 Update, at Line No. 3
4	MGP revenue previously collected through base rates	(16,877,403)	ER03121020,Attachmt A, Dec 03 Update, at Line No. 4
5	Total remediation costs net of insurance recovery at 12/31/09	$ 34,587,445	Lines Nos. 1 through 4
6	Total Carrying Cost at 12/31/09	(528,682)	ER10020130,Attachmt I, Line Nos. 5 + 12
7	Application of over-recovered SBC through 12/31/09	(21,249,954)	(a) and ER10020130, Attachmt I, Footnote (a)
8	Total net MGP costs at 12/31/09 after SBC applications	12,808,809	Line Nos. 5 through 7
9	Expenses related to Natural Resources Damages (NRD) through 12/31/09	381,510	(b) and ER10020130,Attachmt I, Footnote (b)
10	**Total Recoverable MGP costs at 12/31/09**	12,427,299	ER10020130, Attachment I, Line 16
11	**Less: Incentive Compensation Program (ICP) Costs 2006-2009**	89,966	(c) and ER09030194 Order page 2
12	**Total recoverable MGP costs at 12/31/09**	12,337,333	Line 10 - Line 11 (ER10020130 Order dated 6/15/11)
13	**Total Expenses Incurred in current year 2010**	$ 15,578,890	Attachments B and G (Col. B, Line 16)
14	**Carrying cost on deferred MGP costs accrued in current year 2010**	377,790	Attachment G, Col. L, Line 16
15	**Total Recoverable MGP costs at 12/31/10**	28,294,013	Line Nos. 12 + 13 + 14
16	**Application of over-recovered SBC in current year 2010**	(7,847,211)	(a)
17	**Current year expenses related to NRD**	53,563	(b)
18	**Current year expenses related to ICP**	13,785	(c)
19	**Recoverable MGP remediation expenses at 12/31/10**	$ 20,379,454	Line Nos. 15+16 Less Line Nos. 17+18
	Derivation of Tariff Rider RAC:		
20	Recoverable MGP remediation expenses at 12/31/10	$ 20,379,454	Line 19
21	RAC recovery period (Years)	7	ER91121820J 12/16/94 Order
22	Annual recoverable MGP expenses	$ 2,911,351	Line 20 divided by Line 21
23	Retail sales forecasted (Mwh) for the 12 mos. ended 2/28/13	22,333,219	
24	Calculated RAC factor (Mills/kWh) before SUT	0.130	Line 22 divided by Line 23
25	RAC factor currently in effect (Mills/kWh)	0.079	ER10020130, Rider RAC effective July 1, 2011
26	**Calculated Increase in RAC Factor (Mills/kWh)**	0.051	Line 24 - Line 26
27	**Proposed Change to RAC factor effective 4/1/12 before SUT**	0.051	Mills / kWh
28	**Proposed Rider RAC revenue increase effective 4/1/12**	$ 1,147,027	Line 23 x Line 27

(a) Application of over-recovered SBC components at year-end in accordance with Tariff Rider SBC:

		Cumulative
2004	$ (6,424,026)	
2005	(2,639,759)	
2006	(2,401,577)	
2007	(5,621,172)	
2008	(2,640,262)	
2009	(1,523,158)	($21,249,954)
2010	(7,847,211)	($29,097,165)

(b) NRD Expenses incurred by year:

2005	$ 62,856	
2006	157,594	
2007	53,434	
2008	18,046	
2009	89,580	$381,510
2010	53,563	$435,073

(c) ICP Costs by year:

2006	$ 27,479	
2007	32,141	
2008	30,346	$89,966
2009	-	$89,966
2010	13,785	$103,751

Rider RAC
Remediation Adjustment Clause

APPLICABILITY: Rider RAC determines a Remediation Adjustment in accordance with the formula set forth below. The factor is included in the Societal Benefits Charge applicable to all KWH usage of any Full Service Customer or Delivery Service Customer.

The calculated RAC rate shall be prepared by the Company and filed with the BPU annually by the end of December with a requested effective date of June 1 of the subsequent year. Rider RAC provides for the recovery of manufactured gas plant remediation costs (net of insurance and other recoveries) over rolling seven year periods, including carrying costs on the unamortized balance. Carrying cost is calculated on a monthly basis at an interest rate equal to the rate on seven-year constant maturity Treasuries, as shown in the Federal Reserve Statistical Release on or closest to January 1 of each year, plus sixty basis points, compounded annually as of January 1 of each year.

CALCULATION OF THE REMEDIATION ADJUSTMENT CLAUSE FACTOR:

1) By using the following formula

RAC = Recoverable Cost / Sales

2) Where the terms are defined as follows:

RAC = The Remediation Adjustment Clause factor in cents per KWH to be applied to all applicable retail KWH sales.

Recoverable Cost = Manufactured Gas Plant remediation expenses (net of insurance and other recoveries) amortized over rolling seven year periods. The cost includes carrying costs on any unamortized balance of remediation costs, net of associated deferred tax balance, at an annual interest rate stated above.

Sales = The Company's forecasted retail KWH sales.

3) Effective April 1, 2012, the RAC computation is as follows ($ Millions):

RAC = $2.911 / 22,333,219 MWH = $0.000130 per KWH
($0.000139 per KWH including SUT)

Appendix C

Jersey Central Power & Light Company
RAC Minimum Filing Requirements

As part of the Company's annual RAC filing, the Company will provide responses to the following Minimum Filing Requirements ("MFRs"). The requests, unless noted otherwise, relate to the historical 12-month RAC period. The data shall be provided by February 15 of the calendar year following the historical 12-month RAC period.

The Company currently provides a vendor summary as Attachment D with its annual filing. This Attachment provides a summary of the expenditures incurred by vendor by site for the twelve-month RAC period. Hereafter, the Attachment will be supplemented with a general description of the services provided by each vendor. The data noting expenditures incurred through November are submitted to the Parties by December 31 of the filing period. The data are updated with the expenditures incurred through December and submitted to the Parties by January 31 of the year following the filing period.

2. Identify the three MGP sites with the highest level of expenditures during the prior RAC period. For each identified site, provide a copy of the latest work plan, remediation report, or major work product submitted to the NJDEP. The copies should include the narrative portion of the report or work plan but need not include the technical supporting workpapers, charts and tables.

3 For each of the same three MGP sites, provide all correspondence between the Company and the NJDEP concerning submissions for the site, reply comments, and other major items which have a material impact on remediation activities and associated costs incurred by the Company. The correspondence should span the twelve-months preceding December 31st of the most recent RAC period.

4 For each of the same three MGP sites, provide expense documentation for any contractor or supplier whose invoices for the RAC period exceed $250,000 in aggregate. The expense documentation should include descriptions of services rendered, applicable invoices, and any tracking of invoiced charges vs. budgets. The expense detail need not include expense reports or time sheets, but it should include supporting documentation for any subcontractor and third party expenses totaling $100,000 or more for the period.

5 For each of the same three MGP sites, provide a narrative description and organization chart for that site, showing the vendors and project control structure for the remediation effort. The response should show what entities supervise all significant contractors and subcontractors and which Company personnel are involved in site and remediation supervision and control.

6 Provide a detailed narrative describing Company activities and any reimbursements related to insurance claims or potentially responsible parties' liabilities for all of the Company's MGP sites. The narrative, with supporting documentation, should cover the prior RAC period. In addition, the Company will provide a listing of all insurance reimbursements received from each insurance company through the end of the year covered by the filing,

but need not disclose any insurance company's identity.

7. Provide copies of any RAC audit reports or related materials prepared by the Board's Audit Staff, FERC, or the Company's internal or external auditors during the previous twelve months. To the degree applicable, please also provide any materials prepared in response to the audits or in compliance with any audit findings.

8. Provide a narrative concerning all material events, whether related to NJDEP mandates or not, which could have an impact on the Company's ultimate MGP remediation liability, with claimed confidential information provided pursuant to a confidentiality agreement. The narrative should encompass all sites, whether or not active remediation efforts on the site are under way.

9. Provide schedules and supporting workpapers and documents, which show the reconciliation of the prior period RAC expenditures and recoveries as well as the derivation of the deferred tax credit and the interest accrual on any unamortized balances.

10. Provide the Company's bid evaluation studies, reports, workpapers or other material related to the two largest MGP remediation contracts awarded during the previous RAC period. The response should include the criteria utilized for bid evaluation and the comparisons between the terms and conditions offered by the competitive bidders.

11. Provide documentation relating to the two largest supplemental contract amendments authorized by the Company during the previous RAC period. The response should provide the contractor's request for supplemental funding, the reasons cited for the request, and the Company's evaluation and action taken concerning the request.

12. Provide documentation relating to any instances during the previous RAC period where the Company sought to modify, change, or eliminate the NJDEP site remediation requirements for any of its MGP sites. The response should provide copies of any such Company requests, the NJDEP responses, and the ultimate outcome concerning the requests.

Provide a calculation of the carrying costs that the Company seeks to recover in this filing, including workpapers and supporting documentation.

The Company currently provides a schedule that summarizes the expenditures incurred by major cost category by site on a quarterly basis. These data are, and will continue to be, reported as Attachment C with its annual filing.

For each of the Company's MGP sites, provide a schedule showing the status of the remediation effort and estimated dates for the completion of remaining milestones, along with a discussion of major remediation problems. The Parties understand that the timeframes to complete the remediation efforts are subject to a great deal of uncertainty due to factors beyond the Company's control.

16. Provide an update concerning the status of discussions with the NJDEP concerning its NRD initiative as well as any other NRD-related activities, with claimed confidential information provided pursuant to a confidentiality agreement. Such update will include information about NRD-related expenditures during the prior RAC period and related documentation, as well as total NRD-related expenses deferred to date.

17. Provide information about unreasonable delays in remediation efforts caused by the inability to obtain requisite approvals, clearances or other rights from the NJDEP, local authorities or property owners, or other circumstances that are unduly impeding remediation efforts. The Company will address issues that are outside of the ordinary experience for these matters.