Agenda Date: 2/20/13
Agenda Item: 2I

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 PETITION OF JERSEY CENTRAL POWER & LIGHT COMPANY FOR AUTHORITY TO ISSUE AND SELL UP TO $750,000,000 AGGREGATE PRINCIPAL AMOUNT OF SENIOR NOTES IN ONE OR MORE SERIES AND TO MAKE, EXECUTE AND DELIVER ONE OR MORE SUPPLEMENTAL INDENTURES IN CONNECTION THEREWITH	)	ORDER DOCKET NO. EF12111053

Parties of Record:

Gregory Eisenstark, Esq., Morgan, Lewis & Bockius, LLP, on behalf of Jersey Central Power & Light Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On November 30, 2012, Jersey Central Power & Light Company ("Petitioner" or "Company"), a public utility of the State of New Jersey, filed a petition with the New Jersey Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9, seeking authority to issue and sell, in one or more series from time to time through December 31, 2015, notes ("New Senior Notes") in an aggregate principal amount not to exceed $750,000,000, and to make, execute and deliver to The Bank of New York Mellon Trust Company, N.A., as successor trustee ("Senior Note Trustee"), one or more supplemental indentures to the indenture ("Senior Note Indenture") between the Company and the Senior Note Trustee, dated as of July 1, 1999, as amended from time to time for the purpose, among other things, of describing the terms of the New Senior Notes.

By Orders of the Board (i) dated March 18, 1999, October 26, 2000, April 25, 2001 and November 22, 2002, in Docket No. EF98121419; (ii) dated April 5, 2004, in Docket No. EF03100838; (iii) dated April 7, 2006, in Docket No. EF06020085; (iv) dated April 13, 2007, in Docket No. EF07010015 (the "2007 Order"); and (v) dated December 9, 2008, in Docket No. EF08090719 ("2008 Order" and, together with the other Orders referred to above, the "Prior Orders"), the Petitioner was granted authority to issue and sell, and subsequently issued and sold, among other things, $1,650,000,000 aggregate principal amount of senior notes (collectively, the "Prior Senior Notes") under the Senior Note Indenture.

The Prior Senior Notes, excluding the senior notes authorized under the 2008 Order, were secured by a corresponding principal amount of so-called "mirror" first mortgage bonds issued under the Company's mortgage Indenture dated as of March 1, 1946, as supplemented and amended (the "Mortgage"). Following the application of the proceeds of the Prior Senior Notes that were issued and sold in 2007 pursuant to the 2007 Order, consistent with the terms of the Note Indenture and the Prior Senior Notes and as contemplated by the 2007 Order, all of the "mirror" first mortgage bonds securing all of the Prior Senior Notes were cancelled and ceased to secure the Prior Senior Notes, which thereby became unsecured general obligations of the Company. In addition, the Mortgage was satisfied, and the lien cancelled and discharged, on September 14, 2007. As a result, and as recognized by the Prior Orders, including the 2007 Order and the 2008 Order, the Company cannot issue any additional first mortgage bonds, and no "mirror" first mortgage bonds will be issued to secure the New Senior Notes.

The Petitioner states that the New Senior Notes will be sold primarily based on their own credit ratings as unsecured general obligations of the Company, and that these and similar securities are treated by investors as relatively fungible as between issuers. The Petitioner asserts that securities such as the New Senior Notes are typically sold with interest rates negotiated at the time of sale based on spreads over comparable maturities of U.S. Treasury securities. Based upon past experience with its prior issuances and sales of the Prior Senior Notes, the Petitioner expects that there will be competition, not only among the institutional investors seeking to purchase the New Senior Notes within a given maturity range and credit rating, but also among the underwriters seeking to place the issue on behalf of the Petitioner, with the underwriters competing primarily in the areas of the "quality" of the investor base and investor pricing requirements. The Petitioner requests that should it determine based upon existing market conditions and other relevant factors, to issue and sell the New Senior Notes, it should be authorized to do so on a negotiated basis in a manner similar to that authorized in the past by the Board in the Prior Orders. The Company proposes that New Senior Notes will have maturity dates of not less than one year or more than thirty years from the date of issuance.

The Petitioner proposes entering into underwriting agreements with one or more established underwriters from time to time, and intends to offer the New Senior Notes for sale to purchasers through those underwriters or directly to underwriters as principals. According to the Company, underwriters will utilize the competitive forces of the marketplace to sell the New Senior Notes at rates and on terms favorable to the Petitioner. In essence, the underwriters will solicit indications of interest for the purchase of the New Senior Notes so as to create the greatest demand practicable for the securities. According to the petition, to take advantage of the competition, new issues are typically announced with no price guidelines while the underwriter leads build an oversubscribed order book. The Petitioner maintains that this demand will generate competition among the potential purchasers for the New Senior Notes so as to achieve the most aggressive pricing levels. The Petitioner has also requested authority to utilize competitive bidding and direct private placement asserting that flexibility of use of these methods of sale will allow the Petitioner to get the best possible rates and terms, and satisfies the competitive bidding requirements of the Board because the price of the securities will be based on a competitive process.

On the basis of current and historical market conditions, including consideration of current U.S. Treasury securities rates and market all-in yield rates for comparable securities, which were described in the petition, the Petitioner anticipates that the maximum coupon spread over U.S. Treasury securities for the New Senior Notes will be as follows:

Range of Maturities	Maximum Coupon Spread Over U.S. Treasury Securities Basis Points
Up to 5 years	320
From 5 years to 10 years	340
From 10 years to 30 years	360

These proposed coupon spreads are based upon the difference between market yield of unsecured corporate debt securities having ratings comparable to the Petitioner's senior notes and U.S. Treasury securities with like maturities. The Company maintains that these maximum coupon spreads are designed to allow for differences in redemption provisions as well as for ordinary market volatility. If market conditions change materially, the Petitioner will deliver an updated yield spread schedule to the Board.

According to the petition, the purpose of the issuance of the New Senior Notes is to provide a portion of the permanent financing required by the Petitioner to provide safe, adequate and proper service to the public, including, but not limited to, repair and restoration of the electric utility system due to severe damage resulting from Hurricane Sandy. The Petitioner expects to apply the net proceeds of the sale of the New Senior Notes to the repayment of outstanding short-term debt (this would include any amounts outstanding under the FirstEnergy Intrasystem Utility Money Pool), to finance a portion of the Sandy-related repair and restoration costs as stated above, to the repurchase of equity, return of paid in capital, for construction purposes, and for other general corporate purposes, including reimbursement of the Petitioner's treasury for funds previously advanced for the above purposes. The Petitioner may also use proceeds to repurchase senior notes in the open market.

The Petitioner represents that it will not repurchase outstanding senior notes at a premium, i.e., at a price above par or stated value, unless the estimated present value savings derived from the difference between interest or dividend payments on a new issue of comparable securities and those securities refunded is on an after-tax basis greater than the estimated present value of all redemption, tendering and issuing costs, assuming an appropriate discount rate ("Repurchase Savings").

The Division of Rate Counsel ("Rate Counsel") has reviewed this matter and, by letter dated February 13, 2013, recommended that the Board approve the Company's petition subject to several conditions that are contained in this Order. In addition, Rate Counsel discussed several reasons including current market conditions and the Company's capital structure as to why the Company should accelerate its $750 million debt issue and complete it this year, preferably the first half of this year.

The Board, having considered the record and exhibits submitted in this proceeding as well as the comments submitted by Rate Counsel, is satisfied that the action proposed to be taken by the Petitioner will improve Petitioner's capital structure, reduce risk associated with fluctuations in short-term interest rates, allow the Petitioner to finance on a long-term basis a portion of the Sandy-related repair and restoration costs, and, through the reduction of common equity, the most expensive component of the capital structure, should result in savings which will be passed on to customers in the form of lower capital costs. Moreover, the proposed financing is consistent with the Board's policy that utilities engage in competitive sales of debt financing. Accordingly, the Board **FINDS** that the proposed transaction is in accordance with law, is in the public interest, and approving the purposes thereof **HEREBY ORDERS** that the Petitioner be and is **HEREBY AUTHORIZED**, from time to time through December 31, 2015:

1. Without further Order of the Board, to issue and sell, in one or more series through December 31, 2015, New Senior Notes in an aggregate principal amount not to exceed $750,000,000 and, in connection therewith, to make, execute and deliver to the Senior Note Trustee one or more supplemental indentures to the Senior Note Indenture for the purpose, among other things, of providing for the issuance of such New Senior Notes in series and describing the terms of the New Senior Notes; and

2. Without further Order of the Board, to repurchase senior notes at a premium, if such action yields Repurchase Savings.

This Order is issued subject to the following conditions:

1. With respect to each issue of New Senior Notes, the Petitioner shall provide the following material for informational purposes as soon as it is available and in no event later than 24 hours prior to the anticipated time for the pricing (which materials may be provided by facsimile transmission or by hand delivery to the Office of the Chief Economist, and confirmed by mail to the Board and is deemed provided upon dispatch):

   (a) a statement with respect to the indicative pricing for the New Senior Notes and the terms thereof which shall specify

      (i) the anticipated date and time for the pricing of the New Senior Notes,
      (ii) the aggregate principal amount of the New Senior Notes,
      (iii) the terms and conditions upon which the New Senior Notes may be redeemed, whether at the option of the Petitioner, pursuant to any mandatory provision, or otherwise, and
      (iv) such other provisions as may be established by the Petitioner with respect to the terms and conditions of the New Senior Notes and the pricing therefore and

   (b) an assessment of the then current financial markets applicable to the New Senior Notes which shall include

      (i) data with respect to recent sales of comparable securities and first mortgage bonds of other utilities,
      (ii) data with respect to current yields on certain outstanding Senior Notes of the Petitioner,
      (iii) anticipated compensation to and the names of the underwriters for the New Senior Notes,
      (iv) the anticipated range of the yield of the New Senior Notes based upon current market conditions, and
      (v) such other information as the Petitioner shall deem relevant to assess the expected sale of the New Senior Notes and the reasonableness of the annual cost of money rate thereof.

2. If (a) the interest rate on any series of New Senior Notes, in relation to U.S. Treasury securities, does not exceed the range set forth in the table above, and (b) the

compensation to the underwriters with respect to any series does not exceed 1.0% of the aggregate principal amount of the New Senior Notes to be issued and sold, the Petitioner may effect New Senior Notes transactions without further Order of the Board. If either the interest rate or the compensation to the underwriters exceeds such amounts, the proposed issuance and sale of such New Senior Notes shall not be consummated without further Order of the Board.

3. The Petitioner shall, as promptly as is practical after acceptance of an offer for, and the pricing of, any New Senior Notes, notify the Office of the Chief Economist in writing, by facsimile transmission or by hand delivery, and notify the Board by mail, of the action to be taken and include a statement setting forth the compensation to and names of all the underwriters, and, as applicable, the aggregate principal amount of New Senior Notes, the interest rate of the New Senior Notes and any other material provision with respect to the terms and conditions of the New Senior Notes. Copies shall be provided to Rate Counsel.

4. The Petitioner shall furnish the Board with copies of executed documents filed with other regulatory agencies relating to the New Senior Notes.

5. The New Senior Notes authorized herein shall not be redeemed at a premium prior to maturity without further Board approval, unless the estimated present value savings derived from the difference between interest or dividend payments on a new issue of comparable securities and those securities refunded is on an after-tax basis greater than the estimated present value of all redemption, tendering and issuing costs, assuming an appropriate discount rate.

6. This Order shall not constitute pre-approval of any costs or authorization for rate recovery. All capital costs shall be subject to review in the Company's next base rate proceeding.

7. This Order shall not be construed as a certification that the securities authorized to be offered for sale will be represented by tangible or intangible assets of commensurate value or investment costs.

8. The Petitioner shall furnish the Board with copies of all executed supplements to the Senior Note Indenture.

9. This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this state, in any future petition or any proceedings with respect to rates, franchises, services, financing (including method of sale of securities), accounting, capitalization, depreciation, or in any other matters affecting the Petitioner.

10. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by the Petitioner.

11. The Petitioner shall semi-annually file reports required in N.J.A.C. 14:1-5.9 (b) describing the terms and conditions of all the New Senior Notes issued during that period together with a calculation of the cumulative principal amount, and the manner in which the proceeds thereof have been disbursed.

12. The debt issuance authority granted by the Board in this docket is to be used to fund utility operations and investments only, not to fund unregulated affiliates.

13. The Company should endeavor to issue its planned long-term debt at lowest reasonable cost.

14. The Company should utilize a prudent and cost-effective capital structure and mix of capital to finance its utility rate base at lowest reasonable cost.

15. Rate Counsel reserves all rights to take appropriate positions in future Board proceedings involving the Company, including the pending base rate case.

The authority granted in this order shall become null and void and of no effect with respect to any portion which is not exercised on or before December 31, 2015.

This Order shall be effective on March 1, 2013.

DATED: 2/20/13

BOARD OF PUBLIC UTILITIES
BY:

ROBERT M. HANNA
PRESIDENT

JEANNE M. FOX
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:

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

SERVICE LIST

In The Matter Of The Petition Of Jersey Central Power & Light Company For Authority To Issue And Sell Up To $750,000,000 Aggregate Principal Amount Of Senior Notes In One Or More Series And To Make, Execute And Deliver One Or More Supplemental Indentures In Connection Therewith.

Docket No. EF12111053

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