Agenda Date: 6/22/18
Agenda Item: 2E

STATE OF NEW JERSEY

Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
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 ("2016 RAC FILING")	DECISION AND ORDER APPROVING STIPULATION DOCKET NO. ER17111191

Parties of Record:

Gregory Eisenstark, Esq., Windels Marx Lane & Mittendorf, 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 28, 2017, Jersey Central Power and Light Company ("JCP&L" or "Company") filed a petition ("2016 RAC Petition") with the New Jersey Board of Public Utilities ("Board") seeking review and approval of the actual costs and expenditures incurred by JCP&L relating to the environmental remediation of its former manufactured gas plant ("MGP") sites for the period January 1, 2016 through December 31, 2016 ("2016 RAC Period") and an adjustment to the Remediation Adjustment Clause ("Rider RAC") component of the Company's Societal Benefits Charge ("SBC"). By this Decision and Order, the Board considers a stipulation of settlement ("Stipulation") executed by JCP&L, Board Staff, and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, "Parties") which seeks to resolve the 2016 RAC Petition.

BACKGROUND AND PROCEDURAL HISTORY

JCP&L's Rider RAC, which is a separate component of its SBC,[1] allows for the recovery of reasonably incurred MGP remediation program costs ("MGP Costs"), including carrying costs, amortized over a seven-year rolling average period.

[1] The 2016 RAC Petition did not seek any adjustment of other SBC rate components, i.e. the New Jersey Clean Energy Program, the Universal Service Fund, and Lifeline charges.

In the 2016 RAC Petition, the Company requested an increase in its Rider RAC charge to allow the recovery on an additional $2.031 million (excluding Sales and Use Tax ("SUT")) on an annual basis. The 2016 RAC Period costs totaled $14.572 million as calculated below:

$ = $000	Amount
Remediation Costs	$12,691
+ Accrued Interest	$1,016
= Net MGP costs	$13,707
- NRD expenses	($52)
- Incentive comp	($14)
= 2016 MGP expenses	$13,642
+ Deferred RAC balances	$930
= Total recoverable	$14,572

In accordance with previous Board Orders, the Company's proposed Rider RAC charge of $0.000658[2] was determined by calculating the sum of: (1) one seventh of the Board approved deferred RAC under recovered balance at December 31, 2015 of $73,052,760, exclusive of Natural Resource Damages ("NRD") related and incentive compensation costs; and (2) one seventh of the 2016 RAC related costs (including an under recovered balance of $929,827) of $14,571,829. The sum of these amounts total $12,517,799, which was divided by the projected retail sales volumes to yield the proposed Rider RAC charge of $0.000658.[3]

After publication of notice in newspapers of general circulation in JCP&L's service territory, public hearings in this matter were held on April 16, 2018 in Morristown, New Jersey and April 25, 2018 in Freehold, New Jersey. No members of the public attended either hearing or filed written comments.

STIPULATION

Following a review of discovery and subsequent settlement discussions, the Parties reached an agreement on the 2016 RAC Petition, and on June 4, 2018 executed the Stipulation. The key terms of the Stipulation are as follows:[4]

1. The Company's Rider RAC rate will be increased by $0.000100 per kWh (excluding SUT) to $0.000616 per kWh (excluding SUT).

[2] All rates quoted herein include SUT, unless otherwise noted.
[3] On September 26, 2017, the Board Secretary issued a letter under Docket No. ER17090984 advising all New Jersey electric and gas utilities, pursuant to P.L. 2016, c. 57, that the SUT to be charged to customers for utility service had been changed from 6.875% to 6.625% effective January 1, 2018. As a result of this change in the SUT rate, the $0.000658 rate per kWh was changed to $0.000657 per kWh effective January 1, 2018.
[4] Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation are controlling, subject to the findings and conclusions of this Order.

2. The impact of the increase on a residential customer taking service under rate classification RS and having an average monthly usage of 500 kWh would be a change in the monthly bill from $67.89 to $67.95, an increase of $0.06 per month or 0.09%.

3. The Company represents that no remediation properties were sold during the RAC remediation period for which the current RAC rate is being established. The Company also represents that any revenues it received from the lease of any remediation properties during the 2016 RAC Period were credited to the deferred RAC balance.

4. The Parties agree that the Company's ending recoverable deferred RAC balance at December 31, 2016 was an under-recovered balance of $86,694,762, 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, 2016 of $86,694,762, the Company has deferred: (i) $801,633 of costs related to NRD issues from 2005 through 2016; and (ii) $169,876 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2016. The Parties agree that it is appropriate for such NRD-related and incentive compensation costs to be deferred. The Company represents that the 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 agree that it is appropriate for NRD-related and incentive compensation costs be deferred. The Parties 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.

5. The Parties agree that NRD-related MGP expenditures of $51,947 incurred during the 2016 RAC Period are not included in the $86,694,762 recoverable RAC balance as of December 31, 2016. The Parties agree that incentive compensation of $13,551 incurred during the 2016 RAC period is not included in the $86,694,762 recoverable RAC balance as of December 31, 2016. The deferred NRD and incentive compensation amounts have been excluded from the RAC rates set forth above. The Parties expressly reserve their rights to argue their respective positions on these issues in future proceedings, as appropriate.

6. JCP&L 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 is 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. The Company also reserves all of its rights to contest any such challenge by the Parties. The Company 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. The Parties agree that the Company shall be authorized to continue to defer all additional reasonable and prudent MGP remediation costs and expenses incurred and deferred subsequent to December 31, 2016, 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 the Company's independent auditors, the deferred RAC balance at December 31, 2016 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 that 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 which was approved by Board Decision and Order dated March 9, 2011 (Docket No. ER09030194).

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, the Company will be required to show that competitive bidding was not practical or advantageous under the circumstances.

11. The Company will make annual RAC filings, which will not be combined with SBC or System Control Charge filings, regardless of whether it is seeking any change in its RAC recovery rate.

12. The Company agrees to provide a final reconciliation of its annual RAC factor recovery within ninety 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 RAC expenditures and reconciliation thereof in the Company's future RAC and/or SBC proceedings.

13. The Parties agree that the terms of the 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 the Company's deferred RAC balance through and at December 31, 2016, except as described in the Stipulation with respect to NRD-related costs and incentive compensation costs.

14. JCP&L agrees to file its next annual RAC Filing for the period January 1, 2017 through December 31, 2017 no later than September 15, 2018.

DISCUSSION AND FINDINGS:

The Board has reviewed the record in this matter, including the Stipulation. The Board **FINDS** the Stipulation to be reasonable and in the public interest, being persuaded that the MGP Costs have been thoroughly reviewed. The Board **HEREBY FINDS** that, the Company's MGP remediation work performed during the 2016 RAC Period was prudent, and the resulting MGP Costs for the 2016 RAC Period are reasonable and prudent.

Accordingly, the Board **HEREBY ADOPTS** the Stipulation as its own, as if fully set forth herein and **HEREBY ORDERS** that the Company's RAC rate be set at $0.000657 per kWh, including SUT for services rendered on or after July 1, 2018 and shall remain in effect until further Order of the Board. Based on the Stipulation, a typical residential customer using 500 kWh per month will see an increase in their monthly bill of $0.06 or 0.09%.

The Board **HEREBY DIRECTS** the Company to file revised tariff sheets that conform to the terms and conditions of this Order by July 1, 2018.

The Board **FURTHER ORDERS** that the NRD related costs of $801,633 covering the period 2005 through 2016, and $169,876 for incentive compensation related to the period 2006 through 2016 shall continue to be deferred until such time as the Board addresses the rate recoverability of expenditures related to NRD and incentive compensation via the RAC mechanism.

The Company's costs, including those related to the RAC, will remain subject to audit by the Board. Additionally, the Company 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.

This Order shall be effective on June 30, 2018.

DATED: 6\22\18

BOARD OF PUBLIC UTILITIES
BY:

JOSEPH L. FIORDALISO
PRESIDENT

MARY-ANNA HOLDEN
COMMISSIONER

DIANNE SOLOMON
COMMISSIONER

UPENDRA J. CHIVUKULA
COMMISSIONER

ROBERT M. GORDON
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 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 ("2016 RAC FILING")
DOCKET NO. ER17111191

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June 4, 2018

Aida Camacho-Welch, Secretary
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Ste. 314
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Re: **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 ("2016 RAC Filing")**
BPU Docket No. ER17111191

Dear Secretary Camacho-Welch:

Enclosed for filing with the Board of Public Utilities is a fully-executed Stipulation of Settlement in the above-reference matter. This Stipulation fully-resolves this matter.

Thank you for your assistance in this matter.

Respectfully submitted,

Gregory Eisenstark

Enclosure
cc: Service List

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JERSEY CENTRAL POWER & LIGHT COMPANY
2016 RAC Filing
BPU Docket No. ER17111191

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2016 RAC Filing
BPU Docket No. ER17111191

JCP&L

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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 (**"2016 RAC Filing"**)	:	**STIPULATION OF SETTLEMENT** BPU Docket No. ER17111191

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

APPEARANCES:

Gregory Eisenstark, Esq. (Windels Marx Lane & Mittendorf, LLP) for the Petitioner, Jersey Central Power & Light Company

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

Renee Greenberg, Alex Moreau, and Timothy Oberleiton, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Gurbir S. Grewal,** Attorney General of New Jersey)

This Stipulation of Settlement (the "Stipulation") is hereby made and executed as of the dates indicated below, by and among the Petitioner, Jersey Central Power & Light Company ("JCP&L" or the "Company"), the Staff of the New Jersey 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 New Jersey Board of Public Utilities ("Board") issue an Order approving the Stipulation, based upon the following terms:

Background

On November 28, 2017, 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 ("2016 RAC Filing"). The RAC is a component of the Company's Societal Benefits Charge ("SBC"). The Verified Petition requested a calculated increase to JCP&L's Rider RAC charge of $0.000100 per kilowatt-hour ("kWh") (before Sales and Use Tax ("SUT")), which would recover an additional $2.031 million annually. The Company proposed that the new rate become effective on March 1, 2018.

The 2016 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, 2016 through December 31, 2016. As indicated in Attachment A-1 to the Company's Verified Petition (a copy of which is attached hereto as Appendix A), JCP&L sought to recover incremental expenses incurred in connection with its MGP remediation program during calendar year 2016 in the amount of $12,691,421. The Company also requested recovery of carrying costs for calendar year 2016 in the amount of $1,016,079, leaving a net balance of unrecovered MGP costs at December 31, 2016 of $13,707,500 (net of insurance recovery). The foregoing incremental expense amounts for calendar year 2016 included $51,947 of costs related to Natural Resource Damages ("NRD") issues and $13,551 related to incentive compensation. The Company proposed to continue to defer NRD-related and incentive compensation costs for 2016, 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 2016 would be deemed to have been recovered by application of over-recoveries from other components of Rider SBC. After subtracting the deferred NRD-related and incentive compensation costs, the net amount submitted for recovery was $13,642,002 (*see* Attachment A-1, line 31). In addition, the Company requested recovery of the under-recovered deferred RAC balance of $929,897 at the end of calendar year 2016, resulting in a total of $14,571,829. (*see* Attachment A-1, line 35).

The resulting net deferred RAC account balance at December 31, 2016, after deduction of such NRD-related and incentive compensation costs, was $87,624,589, as shown in the following chart:

Jersey Central Power & Light Company

Manufactured Gas Plant Remediation Adjustment Clause (RAC)

	Balances through YEAR 2006	YEAR 2007	YEAR 2008	YEAR 2009	YEAR 2010	YEAR 2011	YEAR 2012	YEAR 2013	YEAR 2014	YEAR 2015	YEAR 2016	Balances through YEAR 2016
Actual Expenditures [1]	$12,270,993	$5,584,093	$7,692,538	$9,039,821	$15,578,890	$7,700,028	$7,999,166	$9,455,463	$17,085,278	$7,883,897	$12,691,421	$ 112,981,588
NRD Expenses Included Above [2]	220,450	53,434	18,046	89,580	53,563	33,404	83,412	5,116	94,065	98,616	51,947	801,633
Incentive Compensation Incl.Above	27,479	32,141	30,346	-	13,785	10,874	11,328	10,259	6,865	13,248	13,551	169,876
Net Recoverable Costs	$12,023,064	$5,498,518	$7,644,146	$8,950,241	$15,511,542	$7,655,750	$7,904,426	$9,440,088	$16,984,348	$7,772,033	$12,625,923	$ 112,010,079
Carrying Charges	(805,631)	37,079	45,846	194,024	377,790	474,978	358,615	400,136	830,971	851,961	1,016,079	3,781,848
Total Including Carrying Cost	$11,217,433	$5,535,597	$7,689,992	$9,144,265	$15,889,332	$8,130,728	$8,263,041	$9,840,224	$17,815,319	$8,623,994	$13,642,002	$ 115,791,927
SBC Over-Recovery Application [3]	(11,465,362)	(5,621,172)	(2,640,262)	(1,523,158)	(7,847,211)	-	-	-	-	-	-	(29,097,165)
Subtotal												$ 86,694,762
End'g Under-recovered Dfd RAC Bal.											$ 929,827	$ 929,827
Recoverable Bal. at Dec. 31, 2016												$ 87,624,589

Notes:

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

[2] The Company maintains that it is entitled to retain NRD-related costs totaling approximately $76,000 from 2003-2004.

[3] 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.

The annual amount of $14,571,829 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. Accordingly, the total annual net recovery amount is $12,517,799, representing 1/7 of each of the RAC expenditures in the years for each applicable seven-year amortization period, plus the amortization of the deferred RAC expenditures at December 31, 2016. After applying the forecasted retail sales volume of 20,311,022 MWh for the twelve months ending February 28, 2019, the resulting calculated RAC factor is $0.000616 per kWh (not including SUT), which would be an increase of $0.000100 per kWh (before SUT) to the current RAC factor of $0.000516 per kWh (not including SUT), and an increase in annual RAC revenue of approximately $2.031 million.

Public hearings on the 2016 RAC Filing were duly noticed and thereafter held on April 16, 2018 in Morristown, New Jersey and on April 25, 2018 in Freehold, New Jersey. No members of the public attended.

Following the filing of the 2016 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 2016 RAC Filing in accordance with the terms set forth below.

Stipulation

1. The Company's Rider RAC will be increased by $0.000100 per kWh (not including SUT) to $0.000616 per kWh (not including SUT).

2. The impact of this increase on a residential customer taking service under rate classification RS and having an average monthly usage of 500 kWh would be a change in the monthly bill from $67.89 to $67.95, an increase of $0.06 per month, or 0.09%.

3. The Company represents that no remediation properties were sold during the RAC remediation period for which the current RAC rate is being established. The Company also represents that any revenues it received from the lease of any remediation properties during the 2016 RAC period were credited to the deferred RAC balance.

4. The Parties agree that the Company's ending recoverable deferred RAC balance at December 31, 2016 was an under-recovered balance of $86,694,762, 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, 2016 of $86,694,762 referred to above, JCP&L has deferred (i) $801,633 of costs related to NRD issues from 2005 through 2016, and (ii) $169,876 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2016. 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.

5. The Parties agree that NRD-related MGP expenditures of $51,947 incurred during the 2016 RAC period are not included in the $86,694,762 recoverable deferred RAC balance as of December 31, 2016. The Parties agree that the incentive compensation of $13,551 incurred during the 2016 RAC period is not included in the $86,694,762 recoverable deferred RAC balance as of December 31, 2016. The deferred NRD and incentive compensation amounts have been excluded from the RAC factors set forth herein 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.[1] The Parties hereby agree that JCP&L shall be authorized to continue to defer all additional reasonable and prudent MGP remediation costs

[1] The NRD-related MGP expenditures for the years 2005 through 2016 are as follows ($):

2005	62,856				
2006	157,594	2009	89,580	2012	83,412
2007	53,434	2010	53,563	2013	5,116
2008	18,046	2011	33,404	2014	94,065
2015	98,616	2016	51,947		

and expenses incurred and deferred subsequent to December 31, 2016, 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, 2016 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 that 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, 2011 (Docket No. ER09030194). A list of these MFRs is attached hereto as Appendix B.

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.

11. 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 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, 2016, except as described in paragraphs 4, 5, and 6 above with respect to NRD-related costs and incentive compensation costs.

14. JCP&L agrees to file its next annual RAC Filing for the period January 1, 2017 through December 31, 2017 no later than September 15, 2018.

Conclusion

15. 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 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.

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

17. 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.

18. 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: Gregory Eisenstark Gregory Eisenstark, Esq. Windels Marx Lane & Mittendorf, LLP Dated: June 4, 2018	Gurbir S. Grewal Attorney General of New Jersey Attorney for **Staff of the Board of Public Utilities** By: Renee Greenberg Renee Greenberg Deputy Attorney General Dated: June 4, 2018
Stefanie A. Brand, Esq. Director, **Division of Rate Counsel** By: Maura Caroselli Maura Caroselli, Esq. Assistant Deputy Rate Counsel Dated: 6/4/18	

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JERSEY CENTRAL POWER & LIGHT COMPANY
Derivation of Manufactured Gas Plant (MGP) Remediation Adjustment Charge (RAC)
For Tariff Rider Effective March 1, 2018

Line No.		Through 12/31/2015 (1)	Year 2016 (2)	Total as of 12/31/2016 (3)	Data Sources
	MGP Remediation Costs				
1	Total MGP remediation costs incurred (a)	$ 50,166,335			
2	Carrying cost on deferred MGP costs accrued	(150,892)			
3	Application of over-recovered SBC	(29,097,165)			Footnote (b)
4	Total net MGP costs at 12/31/10 after SBC applications	$ 20,918,278			Line Nos. 1 through 3
5	Less: Natural Resources Damages (NRD) expenses	435,073			Footnote (c)
6	Less: Incentive Compensation Program (ICP) Costs	103,751			Footnote (d)
7	Total MGP costs approved for recovery	$ 20,379,454			ER10020130 (6/15/11) & ER11030141 (3/12/12)
8	Total MGP remediation costs incurred	$ 7,700,028			ER12080751 (11/21/2014)
9	Carrying cost on deferred MGP costs accrued	474,978			ER12080751 (11/21/2014)
10	Total net MGP costs at 12/31/11	$ 8,175,006			Line Nos. 8 + 9
11	Less: Natural Resources Damages (NRD) expenses	33,404			Footnote (c)
12	Less: Incentive Compensation Program (ICP) Costs	10,874			Footnote (d)
13	Total MGP costs approved for recovery	$ 8,130,728			ER12080751 (11/21/2014)
14	Total MGP remediation costs incurred (Year 2012 through Year 2014)	$ 34,539,907			ER15040499
15	Carrying cost on deferred MGP costs accrued	1,589,722			ER15040499
16	Total unrecovered MGP costs at 12/31/14	36,129,629			Line Nos. 14 + 15
17	Less: Natural Resources Damages (NRD) expenses	182,593			Footnote (c)
18	Less: Incentive Compensation Program (ICP) Costs	28,452			Footnote (d)
19	Total MGP costs submitted for recovery	$ 35,918,584			ER15040499 (07/29/2016)
20	Total MGP remediation costs incurred	$ 7,883,897			ER16090922
21	Carrying cost on deferred MGP costs accrued	851,961			ER16090922
22	Total unrecovered MGP costs at 12/31/15	$ 8,735,858			Line Nos. 20 + 21
23	Less: Natural Resources Damages (NRD) expenses	98,616			Footnote (c)
24	Less: Incentive Compensation Program (ICP) Costs	13,248			Footnote (d)
25	Total MGP costs submitted for recovery	$ 8,623,994			Line Nos. 22 less 23 & 24
26	Total MGP remediation costs incurred		$ 12,691,421		Attachment B
27	Carrying cost on deferred MGP costs accrued		$ 1,016,079		Attachment G
28	Total unrecovered MGP costs at 12/31/16		$ 13,707,500		Line Nos. 26 + 27
29	Less: Natural Resources Damages (NRD) expenses		$ 51,947		Footnote (c)
30	Less: Incentive Compensation Program (ICP) Costs		$ 13,551		Footnote (d)
31	Total MGP costs submitted for recovery		$ 13,642,002		Line Nos. 28 less 29 & 30
32	Total recoverable MGP remediation expenses	$ 73,052,760	$ 13,642,002	$ 86,694,762	Columns (1) through (2)
	Derivation of Tariff Rider RAC:				
33	Total recoverable MGP remediation expenses	$ 73,052,760	$ 13,642,002	$ 86,694,762	Line 32
34	Ending under-recovered deferred RAC balances	0	929,827	929,827	Attachment A-2 (16)
35	Total recoverable MGP remediation costs incl.under-recovery	$ 73,052,760	$ 14,571,829	$ 87,624,589	Line Nos. 33 + 34
36	RAC recovery period (years)	7	7	7	ER91121820J 12/16/94 Order
37	Net annual recoverable MGP expenses	$ 10,436,109	$ 2,081,690	$ 12,517,799	Line 35 divided by Line 36
38	Retail sales forecasted (Mwh)			20,311,022	12 mos. Ended 2/28/19
39	Calculated RAC factor ($ per kWh) before SUT			$ 0.000616	Line 37 divided by Line 38
40	RAC factor currently in effect ($ per kWh)			$ 0.000516	Rider RAC Rate
41	Calculated increase/(decrease) in RAC Factor ($ per kWh) before SUT			$ 0.000100	Line 39 - Line 40
42	Proposed Rider RAC revenue increase effective 3/1/18			$ 2,031,000	Line 38 x Line 41

APPENDIX A

JERSEY CENTRAL POWER & LIGHT COMPANY
Derivation of Manufactured Gas Plant (MGP) Remediation Adjustment Charge (RAC)
For Tariff Rider Effective March 1, 2018

FOOTNOTES:

(a) Total cost incurred is net of:
(1) Write-off in accordance with RAC Stipulation and BPU Order ER03121020 ($2,500,000);
(2) Insurance proceeds received ($36,100,000);
(3) MGP revenue previously collected through base rates ($16,877,403).

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

	Annual	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)	
2010	(7,847,211)	$ (29,097,165)
2011	-	(29,097,165)
2012	-	(29,097,165)
2013	-	(29,097,165)
2014	-	(29,097,165)
2015	-	(29,097,165)
2016	-	(29,097,165)

(c) NRD Expenses incurred by year:

	Annual	Cumulative
2005	$ 62,856	
2006	157,594	
2007	53,434	
2008	18,046	
2009	89,580	
2010	53,563	$ 435,073
2011	33,404	468,477
2012	83,412	551,889
2013	5,116	557,005
2014	94,065	651,070
2015	98,616	749,686
2016	51,947	801,633

(d) ICP Costs by year:

	Annual	Cumulative
2006	$ 27,479	
2007	32,141	
2008	30,346	
2009	-	
2010	13,785	$ 103,751
2011	10,874	114,625
2012	11,328	125,953
2013	10,259	136,212
2014	6,865	143,077
2015	13,248	156,325
2016	13,551	169,876

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.

1. 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.

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

14. 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.

15. 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.

Stacy Peterson, Director, Division of Energy, presented this matter for the agenda.

Agenda Item 2_:- In the Matter of the Verified Petition of Jersey Central Power & Light Company for the Review and Approval of Costs Incurred for Environment Remediation of Manufactured Gas Plant Sites Pursuant to the Remediation Adjustment Clause of its Filing Tariff ("2016 RAC Filing")- BPU Docket No. ER17111191

BACKGROUND AND DISCUSSION:

On November 28, 2017, Jersey Central Power & Light Company ("JCP&L" or "Company") filed a petition ("2016 RAC Petition") with the New Jersey Board of Public Utilities ("Board") seeking review and approval of the actual costs and expenditures incurred by JCP&L relating to the environmental remediation of its former manufactured gas plant ("MGP") sites for the period January 1, 2016 through December 31, 2016 ("2016 RAC Period") and an adjustment to the Remediation Adjustment Clause ("Rider RAC") component of the Company's Societal Benefits Charge ("SBC").

In the 2016 RAC Petition, the Company requested an increase in its Rider RAC charge to allow the recovery of an additional $2.031 million (excluding Sales and Use Tax ("SUT")) on an annual basis. The 2016 RAC Period costs totaled $14.572 million as calculated below:

$ = $000	Amount
Remediation Costs	$12,691
+ Accrued Interest	$1,016
= Net MGP costs	$13,707
- NRD expenses	($52)
- Incentive comp	($14)
= 2016 MGP expenses	$13,642
+ Deferred RAC balances	$930
= Total recoverable	$14,572

In accordance with previous Board Orders, the Company's proposed Rider RAC charge of $0.000658[1] per kWh was determined by calculating the sum of: (1) one seventh of the Board approved deferred RAC under recovered balance at December 31, 2015 of $73,052,760, exclusive of Natural Resource Damages ("NRD") related and incentive compensation costs; and (2) one seventh of the 2016 RAC related costs (including an under recovered balance of $929,827) of $14,571,829. The sum of these amounts total $12,571,799, which was divided by the projected retail sales volumes to yield the proposed Rider RAC charge of $0.000658.

Following a review of discovery and subsequent discussions, on June 4, 2018, JCP&L, Board Staff and the New Jersey Division of Rate Counsel (collectively, "Parties") executed a stipulation of settlement ("Stipulation") intended to resolve the 2016 RAC Petition. The Company will implement an SBC-RAC rate of $0.000657[2] per kwh.

[1] All rates quoted herein include sales and use tax ("SUT").

[2] On September 26, 2017, the Board issued a Secretary's Letter under Docket No. ER17090984, for all New Jersey Electric and Gas Utilities, pursuant to P.L. 2016, c. 57, that the SUT to be charged to customers for utility service had been changed from 6.875% to 6.625% effective January 1, 2018. As a result, the $0.000658 rate per kWh was changed to $0.000657 per kWh effective January 1, 2018.

Staff recommended that the Board issue an Order adopting the Stipulation. Staff further recommended that the Board direct JCP&L to file tariffs consistent with the Board's Order by July 1, 2018.

The monthly bill impact of the stipulated RAC rate on a residential customer using 500 kWh per month is an increase of $0.06, from $67.89 to $67.95, or 0.09% ($0.72 annually).

DECISION: After discussion, the Board adopted the recommendation of Staff as set forth above.

Roll Call Vote:	**President Fiordaliso**	**Aye**
	Commissioner Holden	**Aye**
	Commissioner Solomon	**Aye**
	Commissioner Chivukula	**Aye**
	Commissioner Gordon	**Aye**