BEFORE THE STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW
BOARD OF PUBLIC UTILITIES

I/M/O THE VERIFIED PETITION OF JERSEY CENTRAL POWER & LIGHT COMPANY FOR REVIEW AND APPROVAL OF AN ADJUSTMENT OF THE NON-UTILITY GENERATION CHARGE CLAUSE OF ITS FILED TARIFF ("2005 NGC FILING")	))))))	**OAL DKT. NO. PUC 1200-06** **BPU DKT. NO. ER05121018**

TESTIMONY OF DAVID E. PETERSON
ON BEHALF OF THE
NEW JERSEY DIVISION OF THE RATEPAYER ADVOCATE

SEEMA M. SINGH, ESQ.
RATEPAYER ADVOCATE

Division of the Ratepayer Advocate
31 Clinton Street, 11th Floor
P. O. Box 46005
Newark, New Jersey 07101
(973) 648-2690 - Phone
(973) 624-1047 - Fax
www.rpa.state.nj.us
njratepayer@rpa.state.nj.us

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PUBLIC VERSION

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is David E. Peterson. I am a Senior Consultant employed by Chesapeake Regulatory Consultants, Inc. ("CRC"). Our business address is 1698 Saefern Way, Annapolis, Maryland 21401-6529. I maintain an office in Dunkirk, Maryland.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE IN THE PUBLIC UTILITY FIELD?

A. I graduated with a Bachelor of Science degree in Economics from South Dakota State University in May of 1977. In 1983, I received a Master's degree in Business Administration from the University of South Dakota. My graduate program included accounting and public utility courses at the University of Maryland.

In September 1977, I joined the Staff of the Fixed Utilities Division of the South Dakota Public Utilities Commission as a rate analyst. My responsibilities at the South Dakota Commission included analyzing and testifying on ratemaking matters arising in rate proceedings involving electric, gas and telephone utilities.

Since leaving the South Dakota Commission in 1980, I have continued performing cost of service and revenue requirement analyses as a consultant. In December 1980, I joined the public utility consulting firm of Hess & Lim, Inc. I remained with that firm until August 1991, when I joined CRC. Over the years, I have analyzed filings by electric, natural gas, propane, telephone, water, wastewater, and steam utilities in connection with utility rate and certificate proceedings before federal and state regulatory commissions.

Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY IN PUBLIC UTILITY RATE PROCEEDINGS?

A. Yes. I have presented testimony in 99 other proceedings before the state regulatory commissions in Alabama, Arkansas, Colorado, Connecticut, Delaware, Indiana, Kansas, Maine, Maryland, Montana, Nevada, New Jersey, New Mexico, New York, Pennsylvania, South Dakota, West Virginia, and Wyoming, and before the Energy Subcommittee of the Delaware House of Representatives and the Federal Energy Regulatory Commission.

Collectively, my testimonies have addressed the following topics: the appropriate test year, rate base, revenues, expenses, depreciation, taxes, capital structure, capital costs, rate of return, cost allocation, rate design, life-cycle analyses, affiliate transactions, mergers, acquisitions, and cost-tracking procedures.

II. SUMMARY

Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A. My appearance in this proceeding is on behalf of the New Jersey Division of the Ratepayer Advocate ("Ratepayer Advocate").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I was asked by the Ratepayer Advocate to analyze Jersey Central Power & Light Company's ("Jersey Central," "JCP&L," or "the Company") proposed increase in its Non-Utility Generation Charge Clause, the so-called "2005 NGC Filing." The purpose of my testimony is to present the results of my analysis to the Board and to recommend alternative accounting and ratemaking treatments for several items included in the Company's deferred balance recovery request.

Q. ARE YOU FAMILIAR WITH JERSEY CENTRAL'S "DEFERRED BALANCE"?

A. Yes, I am. In its March 7, 2001 Restructuring Order, the Board authorized JCP&L, among other things, to defer for future recovery the costs it incurs under purchase power agreements ("PPAs) with non-utility generating companies ("NUGs") to the extent that they were not recovered on a current basis through the Company's capped rates during the Transition Period (August 1, 1999 through

July 31, 2003).[1] The Restructuring Order also allowed deferral treatment to continue following the Transition Period.

I have been involved in several JCP&L proceedings on behalf of the Ratepayer Advocate where issues relating to JCP&L's deferred balance were addressed. First, I was a witness for the Ratepayer Advocate in JCP&L's merger proceeding where FirstEnergy, Inc. acquired GPU and JCP&L. In that proceeding, JCP&L provided a $300 million credit to the deferred balance as a means to capture upfront merger synergy savings for New Jersey ratepayers. I was a witness for the Ratepayer Advocate in both Phase I and Phase II of Jersey Central's post-Transition Period base rate cases where different aspects of the Company's deferred balance were also addressed. Finally, I consulted with the Ratepayer Advocate on several of Jersey Central's NUG contract renegotiation proceedings and on the Phase II audit of Jersey Central's deferred balance.

Q. WHAT IS JERSEY CENTRAL REQUESTING AT THIS TIME?

A. By its 2005 NGC Petition and testimony, Jersey Central seeks Board approval to recover the incremental deferred balance that accumulated between August 1, 2003 and December 31, 2005. Specifically, Jersey Central's December 2, 2005 Verified Petition requests the following Board approvals:

(1) approving the reasonableness and prudence of all costs incurred by JCP&L under NUG PPAs from August 1, 2003 through December 31, 2005;

(2) approving an adjustment to JCP&L's non-utility generation charge clause to provide for recovery of the December 31, 2005 deferred balance, with interest in the amount authorized by the Board to be recovered over one year at a rate equal to the rate on one-year Treasuries plus 30 basis points to be added to JCP&L's deferred balance for future recovery;

[1] I/M/O JCP&L Rate Unbundling, Stranded cost and Restructuring Filings, BPU Dkt Nos. EO97070458, EO97070459 and EO97070460, p.109, Final Decision and Order, March 7, 2001.

(3) authorizing the continued deferral by the Petitioner of the NUG PPA costs that are not recovered on a current basis, with the continuing accrual of interest on the unamortized balance (net of deferred taxes) at the rate of 6.87% per annum; and

(4) granting such other and further relief as the Board shall deem just, lawful and proper.[2]

Q. WHAT AMOUNT IS JERSEY CENTRAL SEEKING TO RECOVER THOUGH THE PROPOSED ADJUSTMENTS TO ITS TARIFF RIDER NGC?

A. As a part of its December 2, 2005 Verified Petition, Jersey Central filed a proposed Tariff Rider NGC rate schedule that was designed to increase the currently effective NGC rate by 7.395 Mills/kWh. This increase was intended to generate $165,252,591 in 2006, representing the incremental amount deferred by Jersey Central during the period August 1, 2003 and December 31, 2005. Since at the time of the filing final numbers were not yet available for the months of November and December 2005, the Verified Petition contained estimated data for those months.

On February 23, 2006, Jersey Central filed revised schedules that replaced estimated data for November and December 2005 with actual operating results. Those schedules show that Jersey Central's deferred balance grew by $154,446,102, including $183,155 in interest charges, subsequent to July 31, 2003. The actual amount of the incremental deferral is $10.8 million less than what Jersey Central had estimated only two months earlier. Therefore, Jersey Central now proposes to increase Tariff Rider NGC by 6.912 Mills/kWh. This amount assumes the Board will approve Jersey Central's request to securitize the unamortized above-market NUG costs incurred during the Transition Period. If securitization is not approved, Jersey Central requests that the $48,447,998 balance of the unamortized above-market NUG costs incurred during the

[2] Verified Petition, December 2, 2005, pages 8-9.

Transition Period be included in the 2006 NGC Rider by increasing the proposed rider adjustment to 9.080 Mills/kWh.

Q. PLEASE SUMMARIZE THE ISSUES THAT YOU ADDRESS IN YOUR TESTIMONY.

A. Ratepayer Advocate witness Matthew I. Kahal will address the reasonableness of the Company's NUG mitigation efforts; the reasonableness of Forked River and Yards Creek costs recovery; and JCP&L's proposal to earn a full rate base type return on its deferred balance. My testimony addresses the following four issues.

The first issue that I address concerns the transaction costs that were incurred by Jersey Central when it renegotiated NUG PPAs. During the period August 1, 2003 through December 31, 2005, Jersey Central increased the deferred balance by $4,852,430, before interest, for transaction costs incurred in connection with the renegotiation of NUG PPAs. In orders approving the renegotiated NUG PPA contracts, the Board deferred approving recovery of transaction costs to a proceeding such as this where Jersey Central is given the opportunity to demonstrate the reasonableness and prudence of the transaction costs that were incurred. Neither JCP&L's Verified Petition in this matter, nor the testimonies of its two witnesses, even remotely attempt to establish that the transactions costs were reasonably and prudently incurred. Because the record in this proceeding is devoid of such a demonstration, I recommend that the transaction costs that were included in the deferred balance for recovery in this proceeding be eliminated and the associated interest charges be reversed.

The second issue that I address in my testimony relates to the Societal Benefits Charge ("SBC") revenues and expenses. Under the SBC tariff currently in effect, net SBC over-recoveries are credited to the deferred balance in December of each year. Yet, there has been no proceeding to systematically review JCP&L's SBC revenues and costs. Therefore, I recommend that the Board direct the Company to file a petition requesting approval of revenues received and costs incurred under the SBC tariff.

The third issue addressed in my testimony relates to the amortization of Oyster Creek-related regulatory assets. The amounts currently included in the deferred balance do not match the amount that Jersey Central previously claimed was needed to amortize Oyster Creek nuclear fuel costs and FAS 109/ITC amortization. Jersey Central should either reconcile these two amounts and explain the difference, or reduce the deferral to match its prior claim.

Finally, the fourth issue that my testimony discusses is the timing of the recovery of the incremental increase in Jersey Central's deferred balance. The Board allows Jersey Central to file annually for increases in the NGC. Jersey Central, however, accumulated twenty-nine months of increases in the deferred balance before it filed for rate relief in this docket. When it finally sought rate relief, it requested that it be able to recover the entire twenty-nine months of increases over a twelve-month period. It is patently unfair to attempt to recover more than two years of cost increases in a single year. Therefore, I recommend that the recovery period be extended to twenty-nine months to match the deferral period.

III. TRANSACTION COSTS

Q. PLEASE DEFINE "TRANSACTION COSTS."

A. The Board has encouraged Jersey Central to renegotiate, to the extent possible, existing NUG PPAs that contain pricing provisions that result in above-market energy and capacity charges. Transaction costs, as I use that term throughout the remainder of my testimony, refers to the incremental costs incurred by Jersey Central for outside vendors (i.e., not including internal labor-related charges) in connection with renegotiating NUG PPAs.

Q. WHAT LEVEL OF TRANSACTION COSTS WAS REFLECTED IN JERSEY CENTRAL'S 2005 NGC FILING?

A. Attached to my testimony as Exhibit___(DEP-1) is a schedule provided by Jersey Central in response to a Ratepayer Advocate Discovery request showing that NUG PPA restructuring prepayment credits ($97,893,413) were reduced by transaction costs totaling $4,852,430 during the period August 1, 2003 through December 31, 2005.[3]

Q. WAS APPROVAL GRANTED FOR THE RECOVERY OF THESE TRANSACTION COSTS IN THE BOARD ORDERS APPROVING THE RESTRUCTURING OF THE NUG PPAS?

A. No, it was not. During the period August 1, 2003 through December 31, 2005, Jersey Central closed on three NUG contract restructurings. The three contracts that were renegotiated were with NJEA (Sayreville/South River), Calpine (Parlin) and Prime (Marcal). In the Order approving the NJEA PPA, the Board stated the following concerning recovery of the related transaction costs:

> JCP&L has sought recovery of certain transaction expenses related to the restructuring of the Existing PPA and the entering into of the Amended PPA. JCP&L asserted that the transaction expenses are comprised of financial advisor fees, legal fees and associated expenses, which the Company proposed to net against the amount of total restructuring savings that will be used to reduce the MTC deferred balance. The Board FINDS that it is neither necessary nor appropriate to consider the recovery of transaction expenses at this time. The Board therefore DEFERS consideration of the Company's request for recovery until such time as the Company provides information supporting said transaction expenses in its annual post-transition MTC deferred balance submission, as directed by the Board in its Final Order.[4]

Clearly, the Board contemplated that Jersey Central would be required to make a specific showing in a post-transition MTC deferred balance proceeding such as

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[3] Jersey Central's response to Data Request RAR-15, Attachment A.

[4] *I/M/O the Application of JCP&L for the Approval of an Amendment and Restatement of the PPA Currently Existing between it and NJEA*, BPU Dkt No. EM03060438, Order of Approval, p. 11 (Nov. 5, 2003).

this prior to receiving authorization to recover transaction costs incurred in connection with the NJEA restructuring.

Q. WAS SIMILAR LANGUAGE REGARDING RECOVERABILITY OF TRANSACTION COSTS INCLUDED IN THE BOARD ORDERS RELATING TO THE CALPINE AND THE PRIME PPA RESTRUCTURINGS?

A. The Board's Orders approving the PPA restructurings in those two proceedings were even more specific about the type of showing that was required for Jersey Central to recover its transaction costs. For example, in the Order approving the restructured Calpine (Parlin) PPA, the Board stated the following with regard to Jersey Central's recovery of transaction costs:

> JCP&L is seeking recovery of certain transaction expenses related to the restructuring of the Existing PPAs and the entering into of the New PPA. JCP&L proposes to net said transaction expenses against the amount of total restructuring savings that will be used to reduce the MTC Deferred Balance. The Board <u>FINDS</u> that the recovery of reasonable and prudent NUG restructuring transaction expenses is appropriate, and JCP&L shall be afforded an opportunity to seek recovery of such transaction expenses in connection with JCP&L's annual post-transition MTC Deferred Balance submission, as directed by the Board in its Final Order.[5]

The Board entered an identical finding with respect to transaction costs incurred in connection with the restructuring of the Prime (Marcal) PPA.[6]

Q. IS THIS PROCEEDING AN "ANNUAL POST-TRANSITION MTC DEFERRED BALANCE SUBMISSION" THAT WAS CONTEMPLATED

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[5] *I/M/O the App. of JCP&L for the Approval of the Termination of the PPA Currently Existing between it and Calpine and Execution of a New PPA with CES Marketing*, BPU Dkt No. EM04010045, Order of Approval, p. 12 (March 24, 2004).

[6] *I/M/O the App. of JCP&L for the Approval of the Termination of the PPA Currently Existing between it and Prime Energy and Execution of a New PPA with Prime Power Sales,* , BPU Dkt No. EM05040314, Order of Approval, p. 9 (May 25, 2005).

IN THE PREVIOUSLY MENTIONED BOARD ORDERS ON NUG PPA RESTRUCTURINGS?

A. Yes, it is. The Market Transition Charge ("MTC") provided for in the Board's Restructuring Order, however, was renamed the Non-utility Generation Charge ("NGC") effective September 1, 2004. Thus, this 2005 NGC proceeding is precisely the type of proceeding envisioned by the Board for determining the reasonableness and prudence of Jersey Central's NUG restructuring transaction costs.

Q. DID JERSEY CENTRAL ADDRESS THE REASONABLENESS AND PRUDENCE OF ITS NUG RESTRUCTURING TRANSACTION COSTS IN ITS VERIFIED PETITION IN THIS MATTER?

A. No, it did not.

Q. DID EITHER OF JERSEY CENTRAL'S WITNESSES WHO FILED TESTIMONY IN THIS PROCEEDING ADDRESS THE REASONABLENESS AND PRUDENCE OF THE COMPANY'S NUG RESTRUCTURING TRANSACTION COSTS IN THEIR TESTIMONIES?

A. No, they did not.

Q. WHAT TYPES OF TRANSACTION COSTS DID JERSEY CENTRAL INCUR DURING THE PERIOD AUGUST 1, 2003 THROUGH DECEMBER 31, 2005?

A. The schedule presented in Exhibit___(DEP-1) shows that the majority of Jersey Central's transaction expenses, amounting to $4,823,073 or 99 percent of the total $4.85 million in transaction costs, were paid to Jersey Central's financial advisor McManus & Miles. For the period August 1, 2002 through July 31, 2003, Jersey

Central paid McManus & Miles fees totaling **(Begin Confidential)** [redacted] **(End Confidential).**[7]

Q. WHAT TYPE OF ARRANGEMENT DOES JERSEY CENTRAL HAVE WITH MCMANUS & MILES?

A. Exhibit___(DEP-2) is a copy of a February 15, 2001 confidential retainer agreement written by McManus & Miles to FirstEnergy setting forth the conditions for payment for financial advisory services. This retainer agreement was received in response to a request for information by the Ratepayer Advocate in connection with Jersey Central's Phase II audit in Docket Nos. EX02060363 and EA02060365. Under that agreement, **(Begin Confidential)** [redacted]

[7] Jersey Central's response to Data Request RAR-14 in Docket Nos. EX02060363 and EA02060365 (Phase II Audit).

[redacted] **(End Confidential)**

Q. IS THERE ANY INDICATION THAT JERSEY CENTRAL USED COMPETITIVE BIDS TO SELECT A FINANCIAL ADVISOR TO ASSIST IN RESTRUCTURING ITS NUG CONTRACTS?

A. No, there is not. It appears that FirstEnergy selected McManus & Miles for Jersey Central without seeking competitive bids.

Q. WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE TRANSACTION COSTS THAT JERSEY CENTRAL HAS INCURRED RELATING TO RESTRUCTURING ITS NUG CONTRACTS?

A. The Board orders approving the three restructured contracts during the period August 1, 2003 and December 31, 2005 clearly require Jersey Central to come forward in this proceeding and establish the reasonableness and prudence of the $4.85 million of transaction costs that were incurred during that period. Jersey Central's Verified Petition and testimonies in this proceeding, however, are silent on its transaction costs. Thus, there is no basis for the Board to conclude that Jersey Central's transaction costs were reasonably and prudently incurred. Therefore, I recommend that the $4.85 million in transaction costs, plus accumulated interest thereon, included in Jersey Central's deferred balance as of December 31, 2005 be excluded from recoverable costs under the Company's Tariff Rider NGC.

IV. SOCIETAL BENEFITS CHARGE

Q. WHAT IS THE SOCIETAL BENEFITS CHARGE?

A. Jersey Central's Societal Benefits Charge ("SBC") is a collection of tariff riders assessed against all kWh usage of any Full Service Customer or Delivery Service Customer. The Company's currently effective SBC includes separately established tariff riders for demand side management costs, nuclear plant decommissioning costs, manufactured gas plant remediation costs, uncollectible costs, consumer education costs and universal service fund costs.

Q. HOW MUCH REVENUE IS COLLECTED ANNUALLY UNDER JERSEY CENTRAL'S SBC?

A. Jersey Central collects over $75 million annually under the SBC riders. This amount does not include the Universal Service Fund rider which is excluded from the deferred balance calculation.

Q. HOW DOES THE SBC RELATE TO JERSEY CENTRAL'S 2005 NGC FILING?

A. The Company's Tariff Rider SBC provides the following:

> …with the exception of universal service fund costs component, all over- or under-recoveries of individual SBC components are to be applied to under- or over-recoveries of other SBC components, with any net overall SBC over-recoveries to be applied annually to reduce the MTC deferred balance as of each December 31.

Q. DID JERSEY CENTRAL APPLY ANY NET SBC OVER-RECOVERIES TO REDUCE ITS MTC/NGC DEFERRED BALANCE?

A. Yes. On December 31, 2004, Jersey Central applied a $20,892,483 credit to its deferred balance representing the annual net SBC over-recovery for that year. On December 31, 2005, Jersey Central applied an additional $18,539,347 credit to the deferred balance representing the net SBC over-recovery for the year 2005.

Q. HAS THE BOARD ESTABLISHED SYSTEMATIC REVIEW PROCEDURES TO EXAMINE REVENUES COLLECTED AND COSTS INCURRED UNDER JERSEY CENTRAL'S SBC TARIFFS?

A. My understanding is that Jersey Central makes an annual filing documenting its manufactured gas plant remediation activities and costs. For the remaining SBC elements, however, there is no systematic review of the reasonableness and prudence of the costs incurred.

Q. DID YOUR INVESTIGATION IN THIS PROCEEDING INCLUDE ANY FINDINGS AS TO THE REASONABLENESS AND PRUDENCE OF JERSEY CENTRAL'S SBC EXPENDITURES?

A. No, it did not. While the Ratepayer Advocate requested detailed explanations and source documentation supporting Jersey Central's SBC revenues and expenses, there simply was not enough information provided to allow us to make an informed determination as to the reasonableness and prudence of the Company's SBC expenditures.

Q. WHAT DO YOU RECOMMEND?

A. I agree that it is necessary and appropriate to return over-recoveries under the Company's SBC rates back to ratepayers and that crediting the deferred balance with the net over-recoveries is an expedient procedure for accomplishing that return. Given the large costs that are incurred each year under the various SBC elements, it is appropriate to establish a separate, systematic procedure for reviewing the reasonableness and prudence of the costs incurred under each element of the SBC rider. The deferred balance issues arising in Jersey Central's NGC filings are complex enough without having to burden the proceeding further by having to examine the reasonableness and prudence of the Company's SBC related costs and activities. I recommend the Board establish a separate, annual proceeding specifically designed to examine the reasonableness and prudence of the Company's SBC related costs and activities. I also recommend the Board direct Jersey Central to make a filing fully supporting the reasonableness and prudence of its annual SBC expenditures for the periods 2003 through 2005, no later than 120 days following a final Board order in this proceeding. Finally on this issue, I recommend that the Board order Jersey Central to immediately reduce its annual SBC collections by $18.5 million. This is the net amount by which JCP&L over-recovered SBC-related costs during 2005. Over the past two years, Jersey Central has over-recovered SBC costs by nearly $40 million. While net over-recoveries eventually are returned to ratepayers via a credit to the deferred balance, the SBC should not be used intentionally as a vehicle to reduce the deferred balance. That is, there is no good reason to retain higher than necessary SBC rates indefinitely. Jersey Central should be directed to relieve the burden that has been placed on its ratepayers by charging excessive SBC rates.

V. OYSTER CREEK REGULATORY ASSET

Q. HOW MUCH IS JERSEY CENTRAL ADDING TO THE DEFERRED BALANCE EACH MONTH FOR AMORTIZATION OF THE OYSTER CREEK REGULATORY ASSET?

A. Jersey Central is adding $261,600 per month to the deferred balance for the Oyster Creek Nuclear Fuel Amortization and an additional $206,559 per month for the Oyster Creek FAS 109/ITC Amortization. Together, these two amounts increase the deferred balance approximately $5.62 million per year.

Q. IS THIS THE AMOUNT THAT JERSEY CENTRAL CLAIMED WOULD RESULT FOR THE AMORTIZATION OF THE OYSTER CREEK DEFERRED ASSET?

A. No, it is not. In responding to a request by the BPU Staff, Jersey Central claimed a $3.73 million requirement for amortizing the Oyster Creek regulatory asset, as follows:

Oyster Creek Regulatory Asset Balance	
FAS 109 Regulatory Asset	$21.2 Million
Accum. Def. ITC	(16.6) Million
Unamortized Nuclear Fuel	32.7 Million
Total Regulatory Asset	$37.26 Million
Annual Recovery (10 years)	$ 3.73 Million[8]

[8] See response to RAR-17, Attachment A, attached as Exhibit ___(DEP-3).

Thus, without explanation, Jersey Central is now including approximately $1.9 million more per year in the deferred balance than what it previously claimed was necessary to cover the Oyster Creek regulatory asset amortization. Jersey Central should be compelled to fully explain the material difference between its earlier claim and what it is now adding to the deferred balance, or reduce the deferred balance so that it includes only $3.73 million per year for the amortization of the Oyster Creek Regulatory Asset.

IV. NGC RECOVERY PERIOD

Q. HOW OFTEN IS JERSEY CENTRAL PERMITTED TO FILE FOR A CHANGE IN ITS TARIFF RIDER NGC?

A. My understanding is that Jersey Central is permitted to file at least annually for a change in its NGC rate.

Q. WHAT PERIOD OF TIME IS COVERED IN JERSEY CENTRAL'S CURRENT FILING?

A. Jersey Central's 2005 NGC filing covers increases in the deferred balance occurring between August 1, 2003 and December 31, 2005; i.e., a twenty-nine month period.

Q. OVER HOW LONG A PERIOD IS JERSEY CENTRAL PROPOSING TO RECOVER FROM NEW JERSEY RATEPAYERS THE INCREASES IN THE DEFERRED BALANCE?

A. Jersey Central is proposing to recover over the next twelve months the increase in the deferred balance that accumulated over the prior twenty-nine months.

Q. DO YOU AGREE WITH THIS APPROACH?

A. No, I do not. It is unfair to New Jersey ratepayers for Jersey Central to compress recovery of twenty-nine months of cost increases into a twelve-month period.

This is especially true when Jersey Central had the opportunity to file for rate recovery much sooner, but, instead chose not to avail itself of that opportunity. Jersey Central alone chose the timing of its filing in this case. It could have, and probably should have, timed its filing to match the cost build-up period precisely to the length of the recovery period, i.e., twelve months, as is provided for in the Board's Order. Therefore, I recommend that the recovery period for the approved increase in the deferred balance established in this proceeding be set at twenty-nine months to properly match the cost increase build-up period.

Q. DOES THIS COMPLETE YOUR TESTIMONY AT THIS TIME?

A. Yes, it does.