STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW
BEFORE HONORABLE RICHARD MCGILL, ALJ

I/M/O the Verified Petition of JCP&L for Review and Approval of Increases in and Other Adjustments to its Rates and Charges for Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Filing")	)	**OAL Docket No. PUC 16310-12N** **BPU Docket No. ER12111052**

DIRECT TESTIMONY OF ANDREA C. CRANE ON BEHALF OF THE DIVISION OF RATE COUNSEL

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I. STATEMENT OF QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Andrea C. Crane and my business address is 90 Grove Street, Suite 211, Ridgefield, Connecticut 06877. (Mailing address: PO Box 810, Georgetown, Connecticut 06829)

Q. By whom are you employed and in what capacity?

A. I am President of The Columbia Group, Inc., a financial consulting firm that specializes in utility regulation. In this capacity, I analyze rate filings, prepare expert testimony, and undertake various studies relating to utility rates and regulatory policy. I have held several positions of increasing responsibility since I joined The Columbia Group, Inc. in January 1989. I became President of the firm in 2008.

Q. Please summarize your professional experience in the utility industry.

A. Prior to my association with The Columbia Group, Inc., I held the position of Economic Policy and Analysis Staff Manager for GTE Service Corporation, from December 1987 to January 1989. From June 1982 to September 1987, I was employed by various Bell Atlantic (now Verizon) subsidiaries. While at Bell Atlantic, I held assignments in the Product Management, Treasury, and Regulatory Departments.

Q. Have you previously testified in regulatory proceedings?

A. Yes, since joining The Columbia Group, Inc., I have testified in over 350 regulatory proceedings in the states of Arizona, Arkansas, Connecticut, Delaware, Hawaii, Kansas, Kentucky, Maryland, New Jersey, New Mexico, New York, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Vermont, Washington, West Virginia and the District of Columbia. These proceedings involved electric, gas, water, wastewater, telephone, solid waste, cable television, and navigation utilities. A list of dockets in which I have filed testimony since January 2008 is included in Appendix A.

Q. What is your educational background?

A. I received a Master of Business Administration degree, with a concentration in Finance, from Temple University in Philadelphia, Pennsylvania. My undergraduate degree is a B.A. in Chemistry from Temple University.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. On or about November 30, 2012, Jersey Central Power & Light Company ("JCP&L" or "Company") filed a Petition with the New Jersey Board of Public Utilities ("BPU" or "Board") requesting a distribution rate increase of $31.47 million. The Company's filing reflected an increase of approximately 1.4% in total revenue, based on a 2011 Test Year. JCP&L's filing was made to comply with a BPU Order in Docket No. EO11090528, requiring the Company to file a base rate case by November 1, 2012. In addition to its requested rate increase, the Company also sought to implement an Accelerated Reliability Enhancement Program ("AREP"). The Company subsequently updated its request to reflect additional costs associated with Superstorm Sandy. In its Supplemental Testimony, JCP&L increased its rate request to $112.32 million, or approximately 4.8%.

The Columbia Group, Inc. was engaged by The State of New Jersey, Division of Rate Counsel ("Rate Counsel") to review JCP&L's filing and to provide recommendations to the BPU with regard to the issues of consolidated income taxes and the proposed AREP. Rate Counsel Witness Robert Henkes has included my recommended consolidated income tax adjustment ("CTA") in his recommended rate base.

III. SUMMARY OF CONCLUSIONS

Q. Please summarize your conclusions and recommendations.

A. Based on my analysis of the Company's filing and other documentation in this case, my conclusions and recommendations are as follows:

1. The members of the consolidated income tax group, including JCP&L, benefit from the filing of a consolidated income tax return.
2. The Board should continue to recognize the benefits accruing to the group members as a result of the filing of a consolidated income tax return.
3. The benefits of filing a consolidated income tax return should be appropriately allocated to the member companies.

4. JCP&L's share should be reflected as a consolidated income tax adjustment to its revenue requirement.

5. Based on the methodology previously approved by the Board, the Board should adopt a rate base reduction of $511.66 million for JCP&L, representing accumulated consolidated income tax savings through December 31, 2011, the most recent period for which actual tax data is available (see Schedule ACC-1) and the Test Year in this case.

6. The Company's proposed AREP should be rejected by the Board.

7. Reliability is a basic responsibility of any electric distribution company pursuant to its obligation to provide safe and reliable utility service.

8. The Company's proposed AREP will accelerate recovery of reliability projects but may not increase the annual expenditures for such replacements over those currently budgeted by JCP&L.

9. The Company has not demonstrated that any change from the traditional method of recovering the costs of reliability projects is either necessary or desirable.

10. The Company's proposal could dilute its responsibility for managing its reliability project activities.

11. The Company has not shown that there are any net benefits to ratepayers of its proposed AREP.

12. The proposed AREP would reduce shareholder risk, transfer risk from shareholders to ratepayers, and increase shareholders' actual return on equity.

13. The Company's proposal results in single-issue ratemaking and has not been justified on either financial or operational grounds.

IV. DISCUSSION OF THE ISSUES

A. Consolidated Income Tax Adjustments ("CTA")

1. Application of a CTA

Q. How did the Company calculate its income tax expense claim in this case?

A. JCP&L calculated its pro forma income tax expense on a "stand-alone" basis. The Company's filing ignores the fact that JCP&L does not file its federal income taxes on a stand-alone basis, but rather files as part of a consolidated income tax group. By filing as part of a consolidated return, JCP&L can take advantage of tax losses experienced by other member companies. The tax loss benefits generated by one group member can be shared by the other consolidated group members, resulting in a reduction in the effective federal income tax rate. These tax savings should be flowed through to the benefit of New Jersey ratepayers. According to the response to RCR-CIT-22, JCP&L and its predecessors have been members of a consolidated income tax group "since at least the 1960s." Over this period, the specific members in the consolidated income tax group have varied due to "acquisitions, dispositions, mergers, liquidations, and various other transactions" as noted on page 4, lines 3-4 of Mr. Warren's testimony.

Q. Why should consolidated income tax benefits be flowed through to JCP&L ratepayers?

A. These tax benefits should be flowed through to ratepayers for several reasons. Establishing a revenue requirement based solely on a stand-alone federal income tax methodology would overstate the Company's expense, result in a windfall to shareholders, and result in rates that are higher than necessary. In addition, the Company's stand-alone methodology would be inconsistent with the BPU's traditional ratemaking treatment.

Q. Has this issue been addressed previously by the BPU?

A. Yes, the issue of consolidated income tax adjustments has been thoroughly reviewed by both the Board and the New Jersey courts, both of which have found that a consolidated income tax adjustment is appropriate.[1] In its Decision in the 1991 JCP&L base rate case (BPU Docket No. ER91121820J), dated June 15, 1993, at pages 7-8, the BPU held that:

> The Board believes that it is appropriate to reflect a consolidated tax savings adjustment where, as here, there has been a tax savings as a result of the filing of a consolidated tax return. Income from utility operations provides the ability to produce tax savings for the entire GPU system because utility income is offset by the annual losses of the other subsidiaries. Therefore, the ratepayers who produce the income that provides the tax benefits should share in those benefits. The Appellate Division has repeatedly affirmed the Board's policy of requiring utility rates to reflect consolidated tax savings and the IRS has acknowledged that consolidated tax adjustments can be made and there are no regulations which prohibit such an adjustment.

1 I am not an attorney and therefore my comments are limited to the ratemaking implications of these findings. I am not testifying on any underlying legal issues associated with consolidated income tax adjustments.

In the Board's Final Order, dated May 17, 2004, in the 2002 JCP&L base rate case, Docket No. ER02080506, page 45, it stated:

> As a result of making a consolidated tax filing during the years 1991-1999, GPU, JCP&L's parent company during that time period, as a whole paid less federal income taxes than it would have if each subsidiary filed separately, thus producing a tax savings. The law and Board policy are well-settled that consolidated tax savings are to be shared with customers.

The reality is that FirstEnergy Corp. ("FirstEnergy"), JCP&L's parent company, has elected to file a consolidated income tax return for its subsidiaries, including JCP&L. Moreover, JCP&L has been a member of a consolidated income tax group since the Board readopted consolidated income tax adjustments in the early 1990s.[2] Apparently the filing of a consolidated tax return still offers advantages to JCP&L and members of the consolidated income tax group. Because FirstEnergy has elected to file a consolidated tax return for its member companies, including JCP&L, I believe it is a settled matter that the tax savings should be shared with utility ratepayers.

Q. Does the Company's filing reflect the established BPU policy requiring a rate base deduction for tax savings arising from the utility's participation in a consolidated income tax filing?

A. No, JCP&L has not complied with accepted BPU policy and has instead requested rate recognition for federal income tax expense on a stand-alone basis.

2 It is my understanding that the BPU applied CTAs at least as far back as the 1950s but had terminated such adjustments during the 1980s when a question arose as to whether such adjustments violated the normalization requirements of the tax code. The BPU subsequently reinstated the CTA in the early 1990s after the IRS issued a statement that CTAs did not violate the normalization requirements.

Q. Do you believe the Company has provided any new or compelling reason to justify a change in Board policy on the issue of consolidated tax savings?

A. No, I do not. The Company's position is described in the testimony of James I. Warren. Mr. Warren discusses why he believes consolidated income tax adjustments are inappropriate. I understand that JCP&L would prefer not to share tax benefits with its customers but the Company has not introduced any compelling new argument to support a departure from Board policy.

Q. Is there anything in Mr. Warren's testimony that would distinguish JCP&L from the other utilities for which the BPU has adopted consolidated income tax adjustments?

A. No, there is not. There is nothing in Mr. Warren's testimony to distinguish JCP&L from the other companies for which the BPU has ordered consolidated income tax adjustments. The arguments raised by Mr. Warren in his testimony are not new or unique to JCP&L. Accordingly, Mr. Warren has not justified any change from well-established BPU policy on this issue.

Q. Has JCP&L, and its parent company, been aware of the application of consolidated tax adjustments in New Jersey for some time?

A. Yes. The BPU has a long history of consolidated income tax adjustments, as does the Pennsylvania Public Utility Commission, which regulates several other subsidiaries of FirstEnergy. Moreover, the BPU has addressed the issue of consolidated income taxes in several cases specifically involving JCP&L, as noted above. In addition, the Board ordered a consolidated income tax adjustment in JCP&L's most recent base rate case, according to comments filed by the Company in BPU Docket No. EO12121072.[3] Therefore, the imposition of a consolidated income tax adjustment should not come as a surprise to JCP&L.

2. Quantification of the CTA

Q. How does FirstEnergy determine the actual amount of taxes paid by JCP&L to its parent each year?

A. The payment of taxes is governed by a Tax Sharing Agreement among the members of the consolidated income tax group. Pursuant to the agreement, JCP&L, and other subsidiaries with positive taxable income, pay the amount of their stand-alone tax liability to FirstEnergy. The parent company then pays the amount of taxes due by the consolidated group to the IRS. Any excess funds are then allocated by FirstEnergy to the members of the consolidated income tax group with tax losses, resulting in a contractual means to have the regulated and profitable subsidiaries subsidize unregulated and unprofitable ventures. These procedures transfer the excess amounts collected from ratepayers for income tax expense from the utility to the affiliates that generated the income tax losses, effectively resulting in a subsidization of the unregulated affiliates by New Jersey ratepayers. The consolidated income tax adjustment adopted by the BPU partially compensates ratepayers for this subsidization, by crediting ratepayers with

3 See page 15 of the letter from Gregory Eisenstark to Kristi Izzo in BPU Docket No. EO12121072, In the Matter of the Board's Review of the Applicability and Calculation of a Consolidated Tax Adjustment, filed on May 3, 2012,

carrying costs on these funds. The existence of a Tax Sharing Agreement does not negate the validity of a consolidated income tax adjustment. The Tax Sharing Agreement was not approved by the BPU and is nothing more than a contractual means to have the regulated and profitable subsidiaries subsidize unregulated ventures with ratepayer funds.

Q. How did you quantify your adjustment?

A. There are two principal methods of calculating consolidated income tax adjustments, the rate base method and the operating income method. With the rate base method, a utility's rate base is reduced its share of the accumulated tax benefits allocated to each entity that has positive taxable income. This method does not directly reduce the income tax expense included in a utility's revenue requirement, but rather provides for the treatment of these accumulated benefits as cost-free capital. This is the method adopted by the BPU.

The second method, the operating income or actual taxes paid method, provides for a direct reduction to pro forma income taxes to reflect the utility's allocable share of tax benefits resulting from tax losses of affiliates.

To calculate a consolidated income tax adjustment for JCP&L, I have utilized the rate base method adopted by the BPU. Specifically, I utilized the methodology approved by the Board in its Order in the base rate case proceeding involving Rockland Electric Company, BPU Docket No. ER02100724. It is my understanding that this is the last litigated case where the BPU addressed the methodology to be used for consolidated income tax adjustments. It is also the method that I used to develop my recommended CTAs in the most recent base rate proceedings involving Atlantic City Electric Company, Public Service Electric and Gas Company, New Jersey Natural Gas Company, and the New Jersey-American Water Company.

Q. How were consolidated income taxes calculated in the referenced proceeding involving Rockland Electric Company?

A. In that proceeding, the BPU allocated tax losses to all members of the consolidated income tax group that had cumulative positive taxable income. Pursuant to the BPU's methodology employed in that case, the first step is to determine if each company included in the consolidated group had cumulative taxable income or a cumulative tax loss for the period 1991 to the present, which I will refer to as the Review Period. This analysis results in two groups of companies, those with cumulative taxable income over the Review Period or those with cumulative tax losses.

The second step is to calculate the tax loss, by year, for those companies that had a cumulative taxable loss for the Review Period. The tax loss for each company in the group is then accumulated, by year, in order to determine the total annual loss for the consolidated group by year. The total annual loss, by year, is then multiplied by that year's annual federal income tax rate, in order to determine the tax loss benefit for the consolidated group by year. Adjustments are also made to reflect any alternative minimum tax ("AMT") payments made by the group. The annual tax loss benefits, net of AMT, are then accumulated for the entire Review Period, to determine the total tax loss benefit that is subject to allocation.

In step three, the accumulated tax loss benefit is then allocated to each company that had positive taxable income on a cumulative basis during the Review Period. The accumulated tax loss benefit is allocated based on the percentage share of each entity's positive taxable income to the total accumulated positive taxable income of the group. This is the methodology that I have used to calculate my consolidated income tax adjustment.

Q. What is the result of your adjustment?

A. Based on the rate base methodology that has been adopted by the BPU, I am recommending a rate base reduction of $511.66 million, as shown in Schedule ACC-1.

Q. Did JCP&L provide a similar calculation in its Comments Filed with the BPU in Docket No. EO12121072?

A. Yes, in that filing, the Company quantified a consolidated income tax adjustment of $493 million. JCP&L stated in those comments that the calculation of this adjustment was "modeled on the adjustment proposed by Rate Counsel's witness in the recently concluded 2011-2012 ACE base rate case", which used the methodology described above. The Company has refused to provide its workpapers for that calculation so I am unable to ascertain the differences between my recommended adjustment and the consolidated income tax adjustment calculated by JCP&L.[4] The difference between my calculation and the Company's calculation has a revenue requirement impact of approximately $2.05 million at Rate Counsel's recommended cost of capital.

Q. Do you have any comment regarding the magnitude of this consolidated income tax adjustment?

A. Yes, while this adjustment is quite large, the magnitude is not unexpected, given the cumulative rate base methodology that has been adopted by the BPU and the magnitude of the tax losses incurred by the consolidated group. I note that the consolidated income tax adjustment results in a revenue requirement adjustment of approximately $56.16 million, roughly equal to the Company's federal and state income tax claim in this case even though the consolidated income tax group did not pay any income taxes in two of the last three years.[5]

3. Comments on Mr. Warren's Testimony

Q. Please comment on Mr. Warren's contention on page 21 of his testimony that most regulatory jurisdictions do not impose a consolidated income tax adjustment.

A. I agree with Mr. Warren that the majority of state regulatory commissions do not currently impose a CIT. However, in spite of this fact, the New Jersey BPU does impose a consolidated income tax adjustment and has done so for at least twenty years. Moreover, consolidated income tax adjustments are also well-established

4 Per the response to RCR-CIT-53.
5 Per the response to RCR-CIT-18.

regulatory policy in the neighboring state of Pennsylvania, where FirstEnergy has extensive regulated operations. The implications of filing a consolidated income tax return are well known to FirstEnergy and its subsidiaries, including the tax loss subsidiaries. Tax decisions made at the corporate level about the filing of consolidated returns are made with this knowledge that New Jersey and Pennsylvania have adopted consolidated income tax adjustments. The fact is that FirstEnergy has chosen to file consolidated income taxes and that such a filing creates benefits – these benefits need to be shared with New Jersey ratepayers.

Q. What are the major issues that Mr. Warren states should be addressed with regard to consolidated income tax filings?

A. As stated on page 6, lines 10-14 of his testimony, Mr. Warren has identified three primary issues: 1) does the filing of a consolidated income tax return provide benefits to the group, 2) if so, how should such benefits be quantified, and 3) how much of any quantifiable benefit should be allocated to the regulated utility?

Q. Do you agree that these are important issues?

A. Yes, I do. However, I disagree with the conclusions reached by Mr. Warren with regard to each of these issues.

Q. Please comment on Mr. Warren's statement on page 6, lines 17-19 of his testimony, that a consolidated filing "produces no tax benefit that couldn't be produced by alternative means..." and therefore "there exists no

consolidated tax benefit which should be subject to measurement and allocation."

A. Mr. Warren is mistaken. The fact that the Company could have organized differently or that a different organizational structure may have produced similar tax benefits is immaterial. The Company's parent, in this case, FirstEnergy, chose to organize the way it did and to file a consolidated income tax return for the consolidated group. Moreover, since organizing as a consolidated group does provide tax benefits, then there are undoubtedly benefits that can be measured and allocated.

Under the Company's tax sharing agreement, JCP&L pays taxes to its parent company that are never paid to the IRS. The BPU generously viewed these payments as a "loan", and only requires the Company to provide a consolidated income tax adjustment based on the time value of these loans, hence, the cumulative loans are deducted from rate base. The BPU could have taken a broader range view and actually imposed a consolidated income tax adjustment based on the methodology used in Pennsylvania, which results in a reduction to the pro forma income tax expense that utilities are permitted to recover from ratepayers in their revenue requirement.

Q. Please comment on Mr. Warren's testimony on page 10, lines 16-23, where he discusses the ability of a company to manage its own tax losses.

A. Mr. Warren ignores the fact that the methodology adopted by the BPU for consolidated income tax adjustments only utilizes tax losses from companies that have cumulative tax losses since 1991. Therefore, if a company has tax losses in several years, but has sufficient income to offset these losses in other years, that company's tax losses are not allocated to other members of the group. Therefore, the first step in the Board's methodology is to ensure that a company with tax losses could not have utilized those losses over the period in question.

Q. Please address Mr. Warren's second argument, on page 11 of his testimony, that the Board's methodology for measurement of the consolidated income tax benefit is flawed.

A. Mr. Warren fails to address the conceptual reason why the BPU initially chose the rate base methodology or to provide a comprehensive alternative to the methodology utilized by the BPU. While he discusses an alternative calculation in general terms, it is unclear if he is proposing an operating expense adjustment or some form of a cumulative rate base adjustment. It should be noted that the rate base adjustment initially resulted in a much lower adjustment than an operating expense adjustment and therefore was presumably more acceptable to the utilities. The current methodology has been in place at least since the RECO Decision in 2004 and some form of a rate base adjustment was in place prior to that decision. Mr. Warren did not provide a quantification of the resulting income tax benefit using his preferred methodology.

Regardless of any changes in measurement that may be proposed by Mr. Warren, the BPU was very clear in its Order issued on January 23, 2013 in BPU Docket No. EO12121072, which established a generic proceeding on the issue of consolidated income taxes. In that Order, the BPU stated that "until such time as the Board makes a final determination on the consolidated tax adjustment issues, the current consolidated tax savings policy shall apply."

Q. Please comment on Mr. Warren's third point, summarized on page 16 of his testimony, "that any consolidated tax benefit [should] be allocated to those companies that incurred the expenditures that produced the tax losses."

A. The BPU has already addressed the issue of allocation of consolidated income tax benefits. As explained in the Board's Final Order in Docket No. ER02080506, page 47,

> The consolidated tax savings in question could not be achieved without the income of the affiliates with positive income and it would not be equitable to say that it was achieved by using the positive income of some companies but not others. Therefore, the tax savings should be allocated to each of the affiliates with positive income by their percentage share of positive income regardless of whether or not they are regulated or unregulated.

Thus, the BPU has determined that for ratemaking purposes, tax losses should be allocated to all companies with positive taxable income, based on each company's share of positive income over the review period.

Q. Please comment on Mr. Warren's contention on pages 12-13 of his testimony that a consolidated income tax adjustment is analogous to having a home mortgage deduction "assigned to some third party who bore no part of the underlying expenditures nor any risk associated with ownership of the property."

A. Mr. Warren's analogy ignores the fact that when a couple file a joint tax return, both parties receive the benefit of a mortgage expense deduction, regardless of which party actually paid the mortgage. In addition, both parties are wholly liable for the resulting income tax liability.

In the case of consolidated income tax adjustments, it is not an underlying expense that is being assigned to the regulated entity. Instead, the tax savings enjoyed by the consolidated group, including the regulated entity, is being allocated among the companies with positive taxable income. Mr. Warren ignores the fact that the net operating losses have value only because they can be used to offset positive taxable income of other group members. Thus, it is the positive taxable income of JCP&L, and other consolidated group members, that give the net operating losses their value and result in the consolidated income tax savings. The consolidated income tax adjustment does not attempt to transfer to ratepayers the tax benefit of any unregulated entity; it simply recognizes that the filing of a consolidated tax return results in a collective benefit to all members of the consolidated income tax group, and that a portion of that benefit should be allocated to JCP&L and its ratepayers.

Once the parent company decided that a consolidated income tax return would be filed, all members of the consolidated group became individually responsible for the entire annual tax liability. Therefore, it is entirely reasonable for the Board to recognize that the consolidated group results in a lower effective tax rate for JCP&L.

If, on the other hand, the parent company wanted to retain the independence of each entity for income tax purposes, it should not have chosen to file a consolidated income tax return. In that case, each entity would individually retain the benefit of any tax losses. Moreover, in that case, each entity would only be responsible to the IRS for the taxes resulting from its own individual financial results.

Q. Do consolidated income tax adjustments violate a principle of "benefits follow burdens" as alleged on pages 13-19 of Mr. Warren's testimony?

A. No, they do not. Mr. Warren states that such adjustments violate the principle of cost responsibility because they attempt to incorporate transactions that would not otherwise be reflected in the ratemaking process. I disagree. Consolidated tax adjustments do not attempt to impute non-regulated transactions or disallowed utility transactions to a utility's revenue requirement. Such adjustments simply recognize the benefits accruing to each group member as a result of participating in a consolidated return. Moreover, it is abundantly clear from the Board Orders that consolidated income tax adjustments do not distinguish between losses generated by regulated or unregulated entities. The overriding fact is that the net operating losses of members of a consolidated tax group are of little value without the income generated by the positive taxable income of other group members. In the case of JCP&L, that taxable income is provided by ratepayers and it is well accepted that New Jersey ratepayers will share in any benefits generated by a consolidated tax filing. JCP&L's parent company could have chosen to file stand-alone returns, thereby retaining any benefits associated with net operating losses for the companies giving rise to those losses. It chose not to do so. Therefore it is appropriate to continue to calculate the consolidated income tax adjustment in accordance with Board precedent.

Q. Please comment on the discussion on page 18 of Mr. Warren's testimony that it is reasonable to pay the tax loss affiliate for the loss when the loss is produced.

A. Paying the loss companies results in the transfer of millions of dollars from JCP&L ratepayers to other subsidiaries of FirstEnergy. These amounts were collected from ratepayers in order to pay federal income taxes, and not to pay affiliates for tax losses. Although the consolidated group has the right to determine inter-company cash flows based on a Tax Sharing Agreement, the BPU has the right, and the obligation, to protect ratepayers from excessive rates that ignore the fact that JCP&L is part of a consolidated group.

There is no benefit to allocate to shareholders that does not arise, at least in part, from ratepayer-supplied utility income. There is no tax benefit without income to offset losses and that income is provided primarily by regulated utility income. Moreover, the methodology adopted in New Jersey, i.e., calculating a rate base offset for the cost-free capital provided by the consolidated income tax filing, means that ratepayers are only benefiting by earning a carrying charge on the excess taxes reflected in rates. Even under the BPU-approved methodology, ratepayers are not compensated for the actual excess of income taxes that they pay in rates relative to the Company's allocated share of the actual taxes paid. Moreover, New Jersey ratepayers do not benefit from costs incurred by the parent company or unregulated affiliates that would otherwise have been disallowed if incurred by the utility. Instead, New Jersey ratepayers are benefiting only from the recognition that the Company's allocated share of the federal income liability is less than the amount collected in rates. Hence a rate base adjustment can be viewed as the ratepayers "loaning" the Company a sum equal to the difference between the statutory tax expense paid by JCP&L to FirstEnergy, and JCP&L's allocable share of the lower taxes actually paid by FirstEnergy to the IRS. The interest rate applied to this loan is the Company's allowed return on rate base. It really does not matter what the nature or source of the net operating losses are, only what the impact is on the effective tax rate. In this case, the Company simply does not have the tax expense that they have included in rates and ratepayers are entitled to a rate base credit to reflect that fact. Likewise it is not material to the consolidated income tax adjustment whether or not the tax benefit arose from a disallowed cost or was simply incurred by a non-regulated entity pursuing any other line of business. In New Jersey, it is well-established policy that a tax benefit arising from the filing of a consolidated income tax filing is to be shared with ratepayers.

Q. Please comment on Mr. Warren's discussion on page 20 of his testimony that consolidated income tax adjustments breach the separation between regulated and non-regulated operations.

A. Mr. Warren is incorrect. By making a consolidated income tax adjustment, the Board is not attempting to reach out and import non-regulated transactions. As previously noted in my discussion of cost responsibility, the consolidated income tax adjustment simply recognizes the impact on JCP&L of filing a consolidated income tax return. By filing a consolidated return, JCP&L is asking ratepayers to pay millions of dollars in tax expenses that are never paid to the IRS.

Q. Please comment on Mr. Warren's statement on page 18, lines 8-10 of his testimony that "no affiliate that produced taxable income, no matter how much, caused the group's tax liability to be reduced."

A. While the companies with positive taxable income may not have produced the tax loss, they are responsible for giving it value. As previously noted, the tax loss only has value when it can be used to offset positive taxable income. In the absence of such income, the tax loss would have no value and there would be no reason for the parent company to pay the losing entity for the value of its tax loss benefits.

Moreover, it is ultimately the utility's ratepayers that are the source of the tax payments made by JCP&L to its parent company. Therefore, any payments made to the tax loss companies are funded, at least in part, by ratepayers. The fact that these funds may be funneled through the parent company does not change the fact that ratepayers are the ultimate source of the funds provided by JCP&L. Consolidated income tax adjustments recognize that cost-free capital is provided by ratepayers, because they provide the utility income that generates the tax benefits. This point is addressed in the 1993 JCP&L decision quoted above. It should be apparent that requiring ratepayers to pay a statutory federal tax rate that exceeds the actual taxes paid, provides a cost-free source of capital to the Company, and ultimately to the consolidated group. It is undisputed that a consolidated tax filing for the group members results in an overall tax expense that is less than the sum of the tax expenses resulting from the application of a statutory tax rate.

In addition, Mr. Warren ignores the risks being taken by JCP&L for participating in a consolidated income tax return with other entities, some of which produce tax losses. As a member of a consolidated income tax return, JCP&L, along with other members of the group, are held responsible by the IRS for the entire group's tax liability. Thus, JCP&L itself faces risks by participating in a consolidated income tax return.

Q Are consolidated income tax adjustments a violation of the normalization requirements of the IRS?

A. No, they are not. Prior to 1990, there was some question as to whether or not consolidated income tax adjustments violated the normalization provisions of the IRS. However, around that time, the IRS determined that such adjustments do not violate the normalization rules. The BPU subsequently adopted consolidated income tax adjustments for New Jersey utilities. In the past 20 years, the IRS has never ruled that the consolidated income tax methodology used by the BPU violated the normalization requirements of the tax code. Mr. Warren acknowledged as much in another case, where he stated that he "knows of no IRS ruling denying a utility the use of accelerated depreciation based on a consolidated tax adjustment since the IRS changed its view of these adjustments in this regard in or about 1991."[6] When the BPU issued its policy on consolidated income taxes, New Jersey utilities had the opportunity to seek a ruling from the IRS as to whether this methodology violated the normalization requirements of the tax code. I am unaware of any request made by a New Jersey utility to the IRS seeking a ruling on whether the Board's method for calculating consolidated income tax adjustments violates any IRS requirements.

4. <u>CTA Recommendation</u>

Q. Please summarize your recommendation with regard to consolidated income taxes.

A. The BPU has a long-standing policy on consolidated income tax adjustments, and on how such adjustments should be quantified. The Company has not provided any rationale for why the BPU should deviate from its policy or why the BPU should treat JCP&L differently from the other utilities in New Jersey. Accordingly, the BPU should adopt the consolidated income tax adjustment that I have quantified at Schedule ACC-1. While this is a large adjustment, the BPU should keep in mind the amount of taxes paid by JCP&L to its parent company, relative to the actual tax liability incurred by First Energy. "Excess" funds have been redistributed to other subsidiaries. Ratepayers should continue to be

6 Response to RCR-CIT-39, I/M/O The Petition of New Jersey American Water Company, Inc. for Approval of Increased Tariff Rates and Charges for Water and Sewer Service; Change in Depreciation Rates; and Other Tariff Modifications, BPU Docket No. WR11070460.

compensated through a consolidated income tax adjustment for these payments to the parent company that exceed JCP&L's share of actual taxes paid to the IRS.

B. Accelerated Reliability Enhancement Program ("AREP")

1. Description of the Proposed AREP

Q. Please provide a brief summary of the Company's AREP proposal.

A. As stated on page 17 of Mr. Mader's testimony, JCP&L is proposing to implement an accelerated reliability enhancement program ("AREP") and associated cost recovery mechanism. The Company claims that this program is being proposed in response to "increasing expectations of customers for higher service levels, following the two extraordinary storm events of 2011." The Company also claims that the AREP will stimulate economic activity in New Jersey and produce additional tax revenues for local, county and state governments. JCP&L is proposing to recover the costs of the AREP through a new cost recovery rider, the AREP Rider.

Q. What programs would be included in the Company's AREP?

A. JCP&L has not identified the specific programs that would be included in the AREP. Instead, the Company has stated that "[t]he specific projects and time frame for the AREP will be developed collaboratively with the BPU Staff."

Q. What program costs are included in the Company's initial proposal?

A. Since the Company has not yet identified specific projects that would be included in the AREP, we do not know at this time how much the Company would propose to include in the AREP.

Q. How does the Company propose to determine the AREP Rider?

A. JCP&L is proposing to implement an initial AREP Rider charge, based on projected revenue requirements for the 2014 calendar year. The Company proposes that the initial charge take effect on January 1, 2014. In subsequent years, JCP&L proposes to implement a new rate on March 1st of each year to reflect the projected revenue requirement for the upcoming year and to true-up the actual vs. projected revenue requirement from the prior year ("Actual Rate Period").

JCP&L proposes that the revenue requirement associated with the AREP Rider include: 1) return on investment, net of accumulated depreciation and accumulated deferred income taxes, 2) depreciation expense associated with the AREP projects, and 3) cost of removal expense, as applicable. The Company proposes to apply the Weighted Average Cost of Capital ("WACC") granted in this rate case to its AREP investment. In addition, it is proposing that the WACC also be used as the applicable interest rate for over/under-recoveries in the true-up process.

Q. How does the Company propose to allocate the incremental revenue requirement among rate classes?

A. As described on page 21 of Mr. Mader's testimony, JCP&L proposes to allocate the AREP revenue requirement to each rate schedule, based on the ratio of the distribution base rate revenue billed under each schedule during the Actual Rate Period to the total distribution base rate revenue billed for all rate schedules. A separate per kWh charge will be developed for each rate class, based on the revenue requirement allocated to that rate class and each rate class's billing units during the Actual Rate Period.

2. <u>Need For the AREP</u>

Q. Is reliability a new concept?

A. No, of course not. Insuring reliability is an integral part of managing any electric distribution system. The regulatory compact provides that in exchange for being granted a monopoly franchise area, a utility will provide safe and reliable utility service at reasonable rates. The obligation to provide safe and reliable service is a cornerstone of the utility's obligations. Thus, the concept of undertaking reliability improvements, when required, is not new or novel. Rather, this is a fundamental obligation of any electric distribution company.

Q. Has the Company's obligation with regard to reliability changed over the years?

A. No, it has not. While there may have been changes in certain regulations with regard to safety and reliability over the years, the utility has always had, and continues to have, an obligation to operate its business in a reliable manner. This has not changed.

Q. What types of projects would the Company consider for the AREP program?

A. JCP&L has not proposed specific projects, or a specific annual budget, for the AREP. However, according to the testimony of Mr. Mader at page 18, lines 3-12, the Company would consider the following types of projects:

> technology deployment and process enhancements to improve storm response; equipment deployment that exceeds the Company's normal operating practice to provide a higher level of system reliability; costs associated with implementing the Board's directives arising from the recommendations of the EPP [Emergency Preparedness Partnership] Report; pilot projects to explore the benefits of smart-grid technologies; and concentrated right-of-way improvements, whereby the Company receives permission to trim vegetation beyond its normal operating practice specifications, including removal of identified danger trees outside of the right-of-way corridor.

Q. Does the Company already undertake these types of projects?

A. Yes, of course it does. Even though the Mr. Mader claims that "[t]hese are projects JCP&L would not undertake as part of JCP&L's planned course of capital investment",[7] the Company acknowledged in response to discovery that it does, in fact, undertake these types of investments. With regard to technology deployment, the Company acknowledged in response to RCR-I-7 that it "has implemented many technology deployment projects over the past five years." Moreover, it went on to state that "the Company is in the process of deploying a work management initiative that includes the installation of mobile data terminals to enhance the productivity and customer service of work crews. The Company is

7 Testimony of Mr. Mader, page 18, lines 16-17.

continuously evaluating technology improvements that can result in better and more efficient operations or service to customers." In response to RCR-I-10, JCP&L stated that it "has implemented many process enhancements to improve storm response projects over the past five years….The Company is continuously evaluating storm response enhancements that can result in better and more efficient operations or service to customers." With regard to equipment deployment, in the response to RCR-I-14, JCP&L stated that "[t]he Company is continuously monitoring reliability, analyzing trends, creating and deploying solutions for transmission and distribution operations which, in conjunction with the Company's experience, are used in decisions such as determining equipment that is deployed."

With regard to directives arising from the recommendations in the EPP Report, the Company acknowledged in response to RCR-I-16 that even if the AREP is not approved, "the Company will cooperatively and efficiently execute all Board directives." With regard to smart-grid pilot projects, JCP&L reported in response to RCR-I-19 that it "has explored installing smart-grid technologies on a limited basis, including the Integrated Distributed Energy Resources ('IDER') program. In addition, the Company is in the process of implementing the Board Order at Docket EO11090543, which consists of a number of items related to smart-grid technologies." In response to RCR-I-21, the Company was asked if it believes it has an obligation to undertake any pilot programs to explore the benefits of smart-grid technologies under the current ratemaking mechanism. In response, JCP&L stated that it "actively participates in the development of cutting edge technologies through its partnerships with EEI and EPRI. For example, the Company may deploy new technologies on a selective basis to learn, make better assessments and articulate the benefits to the ratepayers." With regard to right-of-way corridor improvements, the Company reported in response to RCR-I-22 that it "has implemented a corridor widening initiative in an attempt to widen traditional trimming corridors for the Company's distribution circuits where practical and to remove overhang on selected circuits…In addition, the Company is continuously evaluating improvements that can result in better and more efficient operations or service to customers." Thus, clearly the Company is already undertaking projects similar to those that would be included in the AREP.

Q. Is the proposed AREP an accelerated replacement program or an accelerated recovery program?

A. As currently structured, the proposed program is clearly an accelerated <u>recovery</u> program. The Company has not committed to undertaking a specific level of investment nor has the Company demonstrated that any such expenditures would be incremental to those that would otherwise be made in the normal course of business. The Company was asked to identify budgeted capital expenditures in each of the next five years, assuming that the AREP was approved. In response, JCP&L stated that "Specific projects and time frame for the AREP are proposed to be developed collaboratively with the BPU Staff. As a result, any additional information specific to AREP would not be available until such collaborative work is complete and budgets have been established."[8] Thus, the Company has not proposed the AREP to address necessary capital improvements that could not be undertaken in the absence of a new cost recovery mechanism. Instead, as currently proposed, the AREP is simply an alternative cost recovery mechanism - one that will require ratepayers to pay for certain costs earlier than they would under traditional ratemaking. The Company has not provided any evidence that the AREP will accelerate reliability projects, or allow it to undertake critical projects that would otherwise not be completed. The AREP will, however, significantly accelerate the recovery of reliability investment by shareholders.

In addition, not only does the proposed AREP accelerate recovery of costs that would not otherwise be recoverable until the Company filed a base rate case, but the Company's proposal further accelerates recovery by requiring ratepayers to pay for not only actual expenditures, but projected expenditures as well. According to Mr. Mader's testimony, the AREP Rider rate would be based on forecasted investment each year, so on March 1, ratepayers would be required to begin to pay for plant that was not yet in-service and which will not be in-service until several months into the future, if ever.

Q. Hasn't the Company indicated that the final amounts to be spent on the AREP will be determined annually in a collaborative process with Staff?

A. Yes, it has. JCP&L proposes that details of the AREP, including the level of annual expenditures and the specific projects to be undertaken, will be determined by a collaborative process with Staff. As a result of that process, the amount

8 Response to RCR-I-3.

spent on reliability could increase over the currently-projected expenditures. However, there is no guarantee that there will be any increase from the amounts currently budgeted. Nor is there any evidence to demonstrate that any such increase is necessary or desirable.

Q. Has the Company demonstrated that its financial condition warrants an accelerated recovery mechanism?

A. No, it has not. Rate Counsel witness Robert Henkes is providing testimony indicating that the Company is significantly over-earning. Therefore, the Company has not demonstrated that its financial condition warrants an accelerated recovery mechanism. There is no evidence that JCP&L has had difficulty in the past attracting the capital necessary to invest in reliability projects. The Company has not provided any evidence that it has had, or will have, difficulty attracting capital if the AREP is not approved. In this case, there is no evidence that either operational issues or financial issues necessitate implementation of a new accelerated recovery mechanism for distribution reliability projects. Thus, JCP&L has not demonstrated that its financial integrity will be jeopardized if the AREP is rejected by the BPU.

3. Other Concerns About the AREP

Q. Could the AREP change the process currently used by JCP&L to prioritize distribution projects?

A. Yes, it could. The AREP could reduce the Company's incentive to undertake reliability projects based on identified need, and instead could provide an incentive to spend up to a pre-approved, arbitrary allowance, knowing that shareholders will earn a return on any such expenditures and that recovery of such expenditures is guaranteed. Under the present regulatory mechanism, JCP&L has to prioritize not only its total expenditures, but also the expenditures earmarked for reliability projects. Therefore, the Company must make choices about how much to spend and how to spend it, while meeting its mandate to provide safe and reliable utility service. If, however, certain projects will be subject to advance recovery, JCP&L will have much less incentive to prioritize capital investment based on actual need and more incentive to undertake specific AREP projects, which are subject to accelerated cost recovery.

Q. Does the collaborative process envisioned by JCP&L have the potential to dilute the Company's responsibility relating to distribution reliability?

A. Yes, it does. According to the Company, JCP&L and Staff are going to determine which plant investments should be included in the AREP program and the associated annual budget for the AREP. Decisions regarding reliability investment should remain the responsibility of JCP&L. The Company's heavy reliance on a collaborative process interjects Staff into a management role for reliability concerns, a role that it is inappropriate for Staff to assume. It is the Company's obligation to operate its system reliably and to make the improvements necessary to meet that obligation. It is the Company's responsibility to budget for, and operate, its utility business, and to seek rate relief through a general base rate case if rates are inadequate at any time. While the collaborative process sounds appealing, it moves the management responsibility for reliability projects from the Company, where it belongs, to Staff.

Q. **Has the Company proposed a measurement and evaluation method to evaluate the AREP, in the event that it is adopted?**

A. No, it has not. As stated in the response to RCR-I-5, JCP&L "is willing to consider a wide array of potential methods to improve reliability that would form the foundation of AREP." The Company goes on to state that since specific projects and the timeframe for the AREP will be developed in collaboration with Staff, "any additional information specific to AREP and service quality would not be available until such collaborative work is complete." Accordingly, no measurement or performance standards have been proposed by JCP&L. This is another failure of the Company's proposal. Not only is the proposal ill-defined, but the Company has not proposed any measurement or evaluative criteria to assist the parties in determining, after the fact, whether the AREP has been successful.

4. <u>Impact of the AREP on Stakeholders</u>

Q. What is the impact of the Company's proposal on its customers?

A. Pursuant to the current ratemaking mechanism, plant additions are only included in rate base, and therefore in utility rates, once the plant is completed and placed into service. Between general base rate cases, plant that is booked to utility plant-in-service is not reflected in utility rates until the Company's next base rate case.

However, under the Company's proposal, ratepayers will bear higher costs sooner, as a result of the AREP. Pursuant to the AREP, ratepayers will pay an additional surcharge each year, beginning March 1, related to the AREP Rider. Moreover, these charges will include not only plant that has been completed to date, but also plant that is projected to be completed over the upcoming twelve months. From a financial perspective, these are serious detriments to ratepayers.

Q. What is the impact on shareholders of the Company's proposed AREP**?**

A. Contrary to economic theory and good ratemaking practice, the proposed AREP will increase shareholder return while significantly reducing risk. Shareholder return is directly proportional to the amount of investment made by the utility. Since shareholders benefit from every investment dollar that is spent by a utility, the proposed AREP will increase overall return to shareholders and accelerate recovery of that return.

In addition, the AREP will reduce shareholder risk, in two ways. First, since the AREP will accelerate recovery, shareholders will no longer have to wait for a general base rate case to receive a return on this investment. Nor will shareholders have to wait for a general base rate case in order to begin recovery of depreciation associated with the investment. Second, given the true-up mechanism included in the AREP, recovery of and on this investment is guaranteed. Under traditional ratemaking, shareholders are awarded a risk-adjusted return on equity and given the opportunity, but not a guarantee, to earn this return. Under the true-up mechanism proposed by JCP&L, shareholders would be guaranteed to recover both the return on this investment as well as the return of this investment. This guarantee results from the fact that any shortfalls would be charged to ratepayers in a subsequent period. This mechanism effectively eliminates all shareholder risk involving recovery of projects funded through the AREP.

Q. Would the Company's proposal to implement an AREP surcharge shift additional risk onto ratepayers?

A. Yes, it would. The Company's proposed mechanism would shift risk from shareholders, where it properly belongs, to ratepayers without any commensurate reduction in the Company's return on equity. In addition, the Company's proposal would result in single-issue ratemaking and would require the BPU to increase rates even if the Company was earning its authorized rate of return.

The AREP Rider also results in rate uncertainty for ratepayers. These annual rate increases will make it difficult for customers to anticipate their charges for electric utility service or to assess the accuracy of their bills. Rate stability can be especially important to residential and small commercial customers. Permitting these costs to be recovered between base rate cases will also reduce the Company's incentive to control and manage these costs. If the Company is required to file a base rate case to recover these costs, it is likely to work harder to keep costs down between base rate cases by investing in the most efficient projects and by managing construction of such projects effectively.

Adoption of an AREP Rider also puts the BPU in the position of preapproving rate increases without knowing the magnitude of those increases. The BPU has not examined important issues such as gradualism, rate stability, and the avoidance of rate shock, issues which should be thoroughly explored prior to implementing any adjustment mechanism proposed by JCP&L.

Q. What impact does the Company's proposal have on shareholder return?

A. In spite of the fact that the AREP will reduce shareholder risk, and will transfer that risk to ratepayers, the Company has not proposed any reduction to the cost of equity to be paid by ratepayers. As stated earlier, JCP&L is proposing that the return authorized in this proceeding for its rate base investment be used to calculate the AREP tariff rate. However, since this return will be accelerated, the impact to shareholders is an increase in the earned return on equity between base rate cases even though there is virtually no risk of cost recovery. Thus, the AREP provides exactly the wrong movement in return on equity that one would expect, given the significant reduction in shareholder risk.

Q. Does the Company's proposal result in single-issue ratemaking?

A. Absolutely. The Company's proposal clearly constitutes single-issue ratemaking since it proposes to increase rates for one component of the ratemaking equation without consideration of the overall revenue requirement or revenue levels being earned by JCP&L. Single-issue ratemaking violates the regulatory principle that all components of a utility's ratemaking equation be considered when new rate are established. The AREP Rider would permit the Company to impose increases each year on captive customers without regard for other ratemaking components. Mr. Mader states that other New Jersey utilities "have filed for and received approval of similar rate mechanisms for capital investment programs." However, those programs contained specific investment projects and specified the expenditures that would be included, neither of which has been provided in the Company's proposed AREP. In addition, many of those programs were undertaken by directive of the State in an effort to promote economic development in New Jersey. In this case, the Company is seeking pre-approval of costs without identifying any specific projects to be undertaken or even the level of costs that ratepayers may be required to bear.

Q. Did the Company quantify any additional benefits to the State of New Jersey that may result from the AREP?

A. No, it did not. In RCR-I-25, we asked the Company to quantify the additional benefits that are discussed in Mr. Mader's testimony on page 18, lines 13-19. JCP&L responded that "[t]he Company does not have workpapers and calculations specific to this request." Given the fact that the Company has not identified any specific AREP projects, it stated in this response that "…any additional information specific to AREP and economic projects would not be available until such collaborative work [with Staff] is complete." Thus, it is impossible to quantify any possible benefits of the AREP program to the New Jersey economy or its taxing entities at this time.

5. AREP Recommendation

Q. Should the Board approve the Company's request for an AREP?

A. No, it should not. While the Company will undoubtedly be required to undertake electric distribution reliability projects over the next few years, such projects are a normal and integral part of the electric distribution business. This investment should be handled like any other investment that is required to provide safe and reliable utility service and recovered through a general rate case proceeding. Between base rate cases, the risk of recovery should be on shareholders, who are given a premium return on equity for taking on such risk. The Company does not begin to recover other types of investment until it files for new base rates and investment in reliability projects should be given the same regulatory treatment. Requiring the Company to recover these costs in a base rate case also provides a better forum for Rate Counsel, Staff, and other interveners to review these costs and to determine whether the costs are just and reasonable.

Q. If this proposal is approved, will the BPU likely face additional requests for trackers from JCP&L and other utilities?

A. Yes, it will. What began for most utilities as a mechanism to recover volatile fuel costs in the 1970s, has expanded to include recovery of not only certain operating expenses but also recovery of capital costs, including cost of equity. Moreover, the proliferation of these mechanisms seems to have accelerated over the past few years, as the economy has weakened and companies have attempted to further insulate their income from volatility. Even though shareholders receive a generous risk-adjusted, return on equity award, utilities have become even more aggressive in seeking to transfer that risk from shareholders to ratepayers, without any commensurate reduction in return on equity. At the current pace, utility regulation will become nothing more than a reimbursement system, with utilities submitting a financial report each year and ratepayers writing a check. The basic principles of risk and reward, as well as providing incentives for effective management, are being eroded by tracker mechanisms that relieve the utility from risk and uncertainty. In this case, it is not only financial risk that is being transferred but operational risk as well, since the Company has left the operational and financial details of the AREP to be determined at a later date.

Q. Given your concerns with the AREP, what do you recommend?

A. I recommend that the BPU reject the Company's proposal to accelerate recovery of costs associated with reliability projects. The AREP results in single-issue ratemaking, provides a disincentive for utility management to control costs, and shifts risk from shareholders to ratepayers. The AREP will put a further (and unnecessary) financial burden on ratepayers. Investment in reliability projects should be treated no differently from other investment that is necessary to provide safe and adequate utility service, and should be recovered only through a general base rate case where all parties can undertake a thorough review of the costs. Accordingly, the Company's request for the AREP should be denied.

Q. Does this conclude your testimony?

A. Yes, it does.

APPENDIX A

LIST OF PRIOR TESTIMONIES

The Columbia Group, Inc., Testimonies of Andrea C. Crane

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	12-450F	3/13	Gas Sales Rates	Attorney General
Public Service Electric and Gas Co.	E	New Jersey	EO12080721	1/13	Solar 4All - Extension Program	Division of Rate Counsel
Public Service Electric and Gas Co.	E	New Jersey	EO12080726	1/13	Solar Loan III Program	Division of Rate Counsel
Lane Scott Electric Cooperative	E	Kansas	12-MKEE-410-RTS	11/12	Acquisition Premium Policy Issues	Citizens' Utility Ratepayer Board
Kansas Gas Service	G	Kansas	12-KGSG-835-RTS	9/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power and Light Company	E	Kansas	12-KCPE-764-RTS	8/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Woonsocket Water Division	W	Rhode Island	4320	7/12	Revenue Requirements	Division of Public Utilities and Carriers
Atmos Energy Company	G	Kansas	12-ATMG-564-RTS	6/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	11-258	5/12	Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company (Western)	E	Kansas	12-MKEE-491-RTS	5/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atlantic City Electric Company	E	New Jersey	ER11080469	4/12	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	12-MKEE-380-RTS	4/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	11-381F	2/12	Gas Cost Rates	Division of the Public Advocate
Atlantic City Electric Company	E	New Jersey	EO11110650	2/12	Infrastructure Investment Program (IIP-2)	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	11-384F	2/12	Gas Service Rates	Division of the Public Advocate
New Jersey American Water Co.	W/WW	New Jersey	WR11070460	1/12	Consolidated Income Taxes Cash Working Capital	Division of Rate Counsel
Westar Energy, Inc.	E	Kansas	12-WSEE-112-RTS	1/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Puget Sound Energy, Inc.	E/G	Washington	UE-111048 UG-111049	12/11	Conservation Incentive Program and Others	Public Counsel
Puget Sound Energy, Inc.	G	Washington	UG-110723	10/11	Pipeline Replacement Tracker	Public Counsel
Empire District Electric Company	E	Kansas	11-EPDE-856-RTS	10/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast Cable	C	New Jersey	CR11030116-117	9/11	Forms 1240 and 1205	Division of Rate Counsel
Artesian Water Company	W	Delaware	11-207	9/11	Revenue Requirements Cost of Capital	Division of the Public Advocate

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS (Remand)	7/11	Rate Case Costs	Citizens' Utility Ratepayer Board
Midwest Energy, Inc.	G	Kansas	11-MDWE-609-RTS	7/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power & Light Company	E	Kansas	11-KCPE-581-PRE	6/11	Pre-Determination of Ratemaking Principles	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	10-421	5/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company	E	Kansas	11-MKEE-439-RTS	4/11	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
South Jersey Gas Company	G	New Jersey	GR10060378-79	3/11	BGSS / CIP	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	10-296F	3/11	Gas Service Rates	Division of the Public Advocate
Westar Energy, Inc.	E	Kansas	11-WSEE-377-PRE	2/11	Pre-Determination of Wind Investment	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	10-295F	2/11	Gas Cost Rates	Attorney General
Delmarva Power and Light Company	G	Delaware	10-237	10/10	Revenue Requirements Cost of Capital	Division of the Public Advocate
Pawtucket Water Supply Board	W	Rhode Island	4171	7/10	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey Natural Gas Company	G	New Jersey	GR10030225	7/10	RGGI Programs and Cost Recovery	Division of Rate Counsel
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atmos Energy Corp.	G	Kansas	10-ATMG-495-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Empire District Electric Company	E	Kansas	10-EPDE-314-RTS	3/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	09-414 and 09-276T	2/10	Cost of Capital Rate Design Policy Issues	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	09-385F	2/10	Gas Cost Rates	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	09-398F	1/10	Gas Service Rates	Division of the Public Advocate
Public Service Electric and Gas Company	E	New Jersey	ER09020113	11/09	Societal Benefit Charge Non-Utility Generation Charge	Division of Rate Counsel
Delmarva Power and Light Company	G	Delaware	09-277T	11/09	Rate Design	Division of the Public Advocate
Public Service Electric and Gas Company	E/G	New Jersey	GR09050422	11/09	Revenue Requirements	Division of Rate Counsel

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company	E	Kansas	09-MKEE-969-RTS	10/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy, Inc.	E	Kansas	09-WSEE-925-RTS	9/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08050326 EO08080542	8/09	Demand Response Programs	Division of Rate Counsel
Public Service Electric and Gas Company	E	New Jersey	EO09030249	7/09	Solar Loan II Program	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	09-MDWE-792-RTS	7/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy and KG&E	E	Kansas	09-WSEE-641-GIE	6/09	Rate Consolidation	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	09-60	6/09	Cost of Capital	Division of the Public Advocate
Rockland Electric Company	E	New Jersey	GO09020097	6/09	SREC-Based Financing Program	Division of Rate Counsel
Tidewater Utilities, Inc.	W	Delaware	09-29	6/09	Revenue Requirements Cost of Capital	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	08-269F	3/09	Gas Service Rates	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	08-266F	2/09	Gas Cost Rates	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	09-KCPE-246-RTS	2/09	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08090840	1/09	Solar Financing Program	Division of Rate Counsel
Atlantic City Electric Company	E	New Jersey	EO06100744 EO08100875	1/09	Solar Financing Program	Division of Rate Counsel
West Virginia-American Water Company	W	West Virginia	08-0900-W-42T	11/08	Revenue Requirements	The Consumer Advocate Division of the PSC
Westar Energy, Inc.	E	Kansas	08-WSEE-1041-RTS	9/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Artesian Water Company	W	Delaware	08-96	9/08	Cost of Capital, Revenue, New Headquarters	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR08020113	9/08	Form 1205 Equipment & Installation Rates	Division of Rate Counsel
Pawtucket Water Supply Board	W	Rhode Island	3945	7/08	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey American Water Co.	W/WW	New Jersey	WR08010020	7/08	Consolidated Income Taxes	Division of Rate Counsel
New Jersey Natural Gas Company	G	New Jersey	GR07110889	5/08	Revenue Requirements	Division of Rate Counsel
Kansas Electric Power Cooperative, Inc.	E	Kansas	08-KEPE-597-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Company	E	New Jersey	EX02060363 EA02060366	5/08	Deferred Balances Audit	Division of Rate Counsel
Cablevision Systems Corporation	C	New Jersey	CR07110894, et al..	5/08	Forms 1240 and 1205	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	08-MDWE-594-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	07-246F	4/08	Gas Service Rates	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR07100717-946	3/08	Form 1240	Division of Rate Counsel
Generic Commission Investigation	G	New Mexico	07-00340-UT	3/08	Weather Normalization	New Mexico Office of Attorney General
Southwestern Public Service Company	E	New Mexico	07-00319-UT	3/08	Revenue Requirements Cost of Capital	New Mexico Office of Attorney General
Delmarva Power and Light Company	G	Delaware	07-239F	2/08	Gas Cost Rates	Division of the Public Advocate
Atmos Energy Corp.	G	Kansas	08-ATMG-280-RTS	1/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board

APPENDIX B

SUPPORTING SCHEDULE

Schedule ACC-1

JERSEY CENTRAL POWER AND LIGHT COMPANY

TEST YEAR ENDING DECEMBER 31, 2011

CONSOLIDATED INCOME TAX ADJUSTMENT

1. Sum of Taxable Losses for Companies With Cumulative Taxable Losses	$7,817,066,005	(A)
2. Tax Loss Benefit Based on Annual Federal Income Tax Rates	$2,732,494,553	(B)
3. Share of JCP&L Cumulative Positive Taxable Income to Total for Companies With Cumulative Taxable Income	18.70%	(A)
4. Recommended Consolidated Income Tax Adjustment for JCP&L	**$511,030,428**	

Sources:

(A) Derived from the response to RCR-CIT-47.

(B) Reflects 34% FIT rate in 1991-1992 and 35% thereafter. Also reflects impact of Alternative Minimum Tax Payments.

APPENDIX C

REFERENCED DATA REQUESTS

RCR-CIT-18
RCR-CIT-22
RCR-CIT-39*
RCR-CIT-53
RCR-I-3
RCR-I-5
RCR-I-7
RCR-I-10
RCR-I-14
RCR-I-16
RCR-I-19
RCR-I-21
RCR-I-22
RCR-I-25

* BPU Docket No. WR11070460

Data Request: RCR-CIT-18

In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Increases In and Other Adjustments to its Rates and Charges for Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Filing")

BPU Docket No. ER12111052
OAL Docket No. PUC 16310-2012N

RESPONSES TO DATA REQUESTS

RCR-CIT-18 Please provide, for each year since 1991, the actual income taxes paid by the consolidated group.

Response: **Below is a listing of actual (Federal and State) income taxes paid/(received) by the consolidated group during each of the specified years.**

	(in millions)
1991	$ 148
1992	$ 157
1993	$ 184
1994	$ 124
1995	$ 187
1996	$ 154
1997	$ 229
1998	$ 334
1999	$ 441
2000	$ 512
2001	$ 434
2002	$ 389
2003	$ 162
2004	$ 512
2005	$ 406
2006	$ 688
2007	$ 710
2008	$ 685
2009	$ 173
2010	$ (42)
2011	$ (358)

Data Request: RCR-CIT-22

In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Increases In and Other Adjustments to its Rates and Charges for Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Filing")

BPU Docket No. ER12111052
OAL Docket No. PUC 16310-2012N

RESPONSES TO DATA REQUESTS

RCR-CIT-22 In what year was JCP&L first included in a consolidated income tax return?

Response: JCP&L and its predecessor entities have been included in a federal consolidated income tax return since at least the 1960s.

NEW JERSEY AMERICAN WATER COMPANY – 2011 RATE CASE
BPU DOCKET NO. WR11070460

Rate Counsel Requests For Information
Consolidated Income Taxes

Witness: James I. Warren

RCR-CIT-39 Regarding page 38-39 of Mr. Warren's testimony, have there been any IRS rulings prohibiting a utility from using accelerated depreciation as a result of the imposition of a consolidated income tax adjustment? If so, please provide copies of all such rulings.

Response: Mr. Warren knows of no IRS rulings denying a utility the use of accelerated depreciation based on a consolidated tax adjustment since the IRS changed its view of these adjustments in this regard in or about 1991.

Data Request: RCR-CIT-53

In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Increases In and Other Adjustments to its Rates and Charges for Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Filing")

BPU Docket No. ER12111052
OAL Docket No. PUC 16310-2012N

RESPONSES TO DATA REQUESTS

RCR-CIT-53 Regarding the Company's filing made in Docket No. ER12111052 on May 3, 2013, please provide supporting calculations, workpapers and documentation for the rate base adjustment of $493 million stated on page 14. Please include an excel file with your response with all formula intact showing the details of the calculation.

Response: JCP&L did not make a May 3, 2013 filing in BPU Docket No. ER12111052 as stated in the request. If this request was intended to refer to the May 3, 2013 filing JCP&L made in BPU Docket No. EO12121072, JCP&L objects to this request because it seeks information concerning a different BPU matter.

Data Request: RCR-I-3

In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Increases In and Other Adjustments to its Rates and Charges for Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Filing")

BPU Docket No. ER12111052
OAL Docket No. PUC 16310-2012N

<u>RESPONSES TO DATA REQUESTS</u>

RCR-I-3 Please quantify, by category (distribution, transmission, new business, reliability, etc.) the budgeted capital expenditures for each of the next five years, assuming that the AREP is approved.

Response: The AREP, as proposed, addresses only distribution projects, including, but not limited to distribution reliability projects and not items such as transmission and new business.

Specific projects and time frame for the AREP are proposed to be developed collaboratively with the BPU Staff. As a result, any additional information specific to AREP would not be available until such collaborative work is complete and budgets have been established.

Data Request: RCR-I-5

In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Increases In and Other Adjustments to its Rates and Charges for Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Filing")

BPU Docket No. ER12111052
OAL Docket No. PUC 16310-2012N

RESPONSES TO DATA REQUESTS

RCR-I-5 Please identify the service quality targets that the Company expects to achieve over the next five years assuming that the AREP is approved.

Response: The Company is willing to consider a wide array of potential methods to improve reliability that would form the foundation of AREP. However, as indicated on page 17, lines 17-19 of Mark Mader's testimony, "The specific projects and time frame for the AREP will be developed collaboratively with the BPU Staff." As a result, any additional information specific to AREP and service quality would not be available until such collaborative work is complete.

Data Request: RCR-I-7

In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Increases In and Other Adjustments to its Rates and Charges for Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Filing")

BPU Docket No. ER12111052
OAL Docket No. PUC 16310-2012N

RESPONSES TO DATA REQUESTS

RCR-I-7 Regarding page 18, line 8 of Mr. Mader's testimony, please identify any technology deployment projects undertaken in the past five years, and explain the types of technology deployment projects, if any, that the Company would undertake if the AREP is not approved.

Response: The Company has implemented many technology deployment projects over the past five years. These include the Cascade software, which is an electronic database for recordkeeping of all substation and in some instances underground network inspection results. It allows for the ability to record inspection results electronically in the field for each specific piece of equipment. In addition, the Company has implemented Distribution Line Inspection software, which is technology that utilizes the current GIS mapping system to facilitate the electronic scheduling, tracking and recording of distribution line inspections in the field. It also allows for the ability to record inspection results electronically in the field for each specific piece of equipment. More recently, the Company completed an outage management system upgrade. This upgrade includes improved map performance to enhance visualization which ultimately leads to better decision making during outage restoration. This upgrade also added new server hardware and also upgraded existing hardware to improve software performance. The system also offers improved outage modeling capabilities.

Currently, the Company is in the process of deploying a work management initiative that includes the installation of mobile data terminals to enhance the productivity and customer service of work crews.

The Company is continuously evaluating technology improvements that can result in better and more efficient operations or service to customers. Only technology deployment projects developed collaboratively with the BPU Staff would be undertaken as part of the AREP.

Data Request: RCR-I-10

In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Increases In and Other Adjustments to its Rates and Charges for Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Filing")

BPU Docket No. ER12111052
OAL Docket No. PUC 16310-2012N

RESPONSES TO DATA REQUESTS

RCR-I-10 Regarding page 18, lines 8-9 of Mr. Mader's testimony, please identify any process enhancements to enhance storm response projects undertaken in the past five years, and explain the types of process enhancements to enhance storm response projects, if any, that the Company would undertake if the AREP is not approved.

Response: The Company has implemented many process enhancements to improve storm response projects over the past five years. Specifically, it has developed (with BPU Staff collaboration) an enhanced Storm Restoration Communications Implementation Plan, wherein a Critical Information Team is to be activated for a large scale event. In addition, the Company has launched a website when weather reports indicate a major storm event is coming in order to provide early storm preparation information to customers. An advantage to the size of FirstEnergy is the Company has access to restoration personnel from other FirstEnergy operating utilities which ultimately provides improved service restoration to customers. Lastly, the Company has implemented a circuit quarantine process to more efficiently repair wide-spread damage.

In the aftermath of Hurricane Irene and prior to the October 2011 snow storm, The Company increased and improved its utilization of news releases, media advisories, website, social media, emails, videos, and internal newsletters. There is also a Smart Phone application for customers to report outages. In addition, JCP&L provided general ETRs and then more specific ETRs at the onset of the restoration process as part of the lessons learned from the hurricane experience in order to provide more timely, accurate and informative communications to the media, customers and local officials.

The Company is in the process of implementing a work management system which includes the use of mobile data terminals to allow for more efficient communications with Company field crews. In addition, the Company is in the process of implementing the requirements of the Board Order in Docket EO11090543, which consists of a number of items to enhance storm response.

The Company is continuously evaluating storm response enhancements that can result in better and more efficient operations or service to customers. Only storm enhancements developed collaboratively with the BPU Staff would be undertaken as part of the AREP.

In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Increases In and Other Adjustments to its Rates and Charges for Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Filing")

BPU Docket No. ER12111052
OAL Docket No. PUC 16310-2012N

RESPONSES TO DATA REQUESTS

RCR-I-14 Assuming that the AREP is not approved, how does the Company determine the equipment to deploy in its operations?

Response: The Company is continuously monitoring reliability, analyzing trends, creating and deploying solutions for transmission and distribution operations which, in conjunction with the Company's experience, are used in decisions such as determining equipment that is deployed.

Data Request: RCR-I-16

In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Increases In and Other Adjustments to its Rates and Charges for Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Filing")

BPU Docket No. ER12111052
OAL Docket No. PUC 16310-2012N

RESPONSES TO DATA REQUESTS

RCR-I-16 Regarding page 18, lines 10-12 of Mr. Mader's testimony, does the Company believe that it can reject "the Board's directives arising from the recommendations in the EPP Report" if the AREP is not approved?

Response: As directed by the BPU, the Company will cooperatively and efficiently execute all Board directives.

Data Request: RCR-I-19

In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Increases In and Other Adjustments to its Rates and Charges for Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Filing")

BPU Docket No. ER12111052
OAL Docket No. 16310-2012N

RESPONSES TO DATA REQUESTS

RCR-I-19 Regarding page 18, lines 12-13 of Mr. Mader's testimony, please identify any pilot projects to explore the benefits of smart-grid technologies undertaken in the past five years, and explain the types of such pilot projects, if any, that the Company would undertake if the AREP is not approved.

Response: The Company has explored installing smart-grid technologies on a limited basis, including the Integrated Distributed Energy Resources ("IDER") program. In addition, the Company is in the process of implementing the Board Order at Docket EO11090543, which consists of a number of items related to smart-grid technologies. Only smart-grid technology initiatives developed collaboratively with the BPU Staff would be undertaken as part of the AREP.

Data Request: RCR-I-21

In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Increases In and Other Adjustments to its Rates and Charges for Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Filing")

BPU Docket No. ER12111052
OAL Docket No. PUC 16310-2012N

<u>RESPONSES TO DATA REQUESTS</u>

RCR-I-21 Regarding page 18, lines 12-13 of Mr. Mader's testimony, does the Company believe that it has an obligation to undertake any pilot projects to explore the benefits of smart-grid technologies under the current ratemaking mechanism whereby such costs are recovered in base rates? Please explain the Company's response.

Response: The Company actively participates in the development of cutting edge technologies through its partnerships with EEI and EPRI. For example, the Company may deploy new technologies on a selective basis to learn, make better assessments and articulate the benefits to the ratepayers.

Data Request: RCR-I-22

In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Increases In and Other Adjustments to its Rates and Charges for Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Filing")

BPU Docket No. ER12111052
OAL Docket No. PUC 16310-2012N

RESPONSES TO DATA REQUESTS

RCR-I-22 Regarding page 18, line 13 of Mr. Mader's testimony, please identify any concentrated right-of-way corridor improvement projects undertaken in the past five years, and explain the types of such concentrated right-of-way corridor improvement projects, if any, that the Company would undertake if the AREP is not approved.

Response: The Company has implemented a corridor widening initiative in an attempt to widen traditional trimming corridors for the Company's distribution circuits where practical and to remove overhang on selected circuits. The effect of such efforts would be to create additional clearance space between trees, limbs and overhand beyond the 15 feet of clearance. In addition, the Company is continuously evaluating improvements that can result in better and more efficient operations or service to customers. Only corridor improvement projects developed collaboratively with the BPU Staff would be undertaken as part of the AREP.

Data Request: RCR-I-25

In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Increases In and Other Adjustments to its Rates and Charges for Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Filing")

BPU Docket No. ER12111052
OAL Docket No. PUC 16310-2012N

RESPONSES TO DATA REQUESTS

RCR-I-25 Regarding the economic benefits discussed on page 18, lines 20-22 and continuing on page 19, lines 1-2 of Mr. Mader's testimony, please quantify the benefits to the State of New Jersey if the AREP is approved. Please provide all supporting assumptions, workpapers and calculations with your response.

Response: The Company does not have workpapers and calculations specific to this request. As indicated on page 17, lines 17-19 of Mark Mader's testimony, "The specific projects and time frame for the AREP will be developed collaboratively with the BPU Staff". As a result, any additional information specific to AREP and economic projects would not be available until such collaborative work is complete.