Agenda Date: 6/15/11
Agenda Item: 2H

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102
www.nj.gov/bpu/

		ENERGY
IN THE MATTER OF THE VERIFIED PETITION OF	)	ORDER
JERSEY CENTRAL POWER & LIGHT COMPANY	)	
CONCERNING THE CONTINUATION BEYOND	)	ADOPTING STIPULATION
MAY 31, 2011 OF ITS LEGACY DIRECT LOAD	)	
CONTROL/AIR CONDITIONING CYCLING PROGRAM	)	DOCKET NO. ER10010034
("2011 AC Cycling Filing")	)	

APPEARANCES

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

Diane Schulze, Esq., Assistant Deputy Rate Counsel, Division of Rate Counsel (Stefanie A. Brand, Esq., Director, Division of Rate Counsel)

BY THE BOARD:

On December 3, 2010, Jersey Central Power & Light Company ("JCP&L" or "Company") filed a verified petition ("Continuation Petition") with the New Jersey Board of Public Utilities ("Board") requesting, among other things, consolidation of cost recovery under Rider RRC for the Company's existing Air Conditioning Cycling ("AC Cycling") Program and all elements of its Integrated Distributed Energy Resource ("IDER") Program. The Continuation Petition included updated operating and maintenance ("O&M") cost projections associated with all phases of the IDER program, and costs associated with transitioning existing AC Cycling Program participants to the IDER Program. By this Order, the Board considers a stipulation signed on May 6, 2011 ("Stipulation"), by JCP&L, the New Jersey Division of Rate Counsel ("Rate Counsel") and the Staff of the Board of Public Utilities ("Staff") (collectively, the "Parties"), that would allow the Company to consolidate cost recovery for the IDER Program into the RGGI Recovery Charge ("RRC") to reduce administrative burdens, and to make specific changes to certain IDER Program operational parameters going forward.

Procedural History

By way of background, JCP&L's AC Cycling Program, in recent years, has operated under the terms of a series of stipulations entered into by the Parties and approved by the Board, which required the Company to seek Board authorization on an annual basis for the continuation of the AC Cycling Program. By Order dated July 25, 2008, the Board approved a stipulation that provided for, among other things, JCP&L's continuation of the AC Cycling Program through May 31, 2009[1]. By Order dated March 3, 2009, the Board approved a stipulation for the continued operation of the AC Cycling Program through May 31, 2010[2]. By Order dated February 17, 2010, the Board approved a stipulation for continued operation of the AC Cycling Program through May 31, 2011 ("2010 Order")[3].

Pursuant to the 2010 Order, on December 3, 2010, JCP&L filed its Continuation Petition with the Board proposing to continue the AC Cycling Program for the one-year period beyond May 31, 2011 without any substantive operational modifications, until its winding up and termination by December 31, 2012. The Continuation Petition also requested that the entire 38 megawatts ("MW") of the Company's IDER Program[4] be treated prospectively as a single, unified program, and that all costs of the IDER and AC Cycling Programs, some of which are currently recovered in the Company's Rider System Control Charge ("SCC"), be recovered entirely through Rider RRC. The Company proposed that the consolidation of costs under Rider RRC would include recovery of operation and maintenance ("O&M") costs associated with the 15 MW of the IDER Program which was funded by the DOE grant, and the costs associated with the transitioning of existing AC Cycling Program participants to the IDER Program.

On March 30, 2011, the Board approved the continuation of the AC Cycling Program through May 31, 2012, and the winding up and termination of the AC Cycling Program by December 31, 2012[5]. On May 6, 2011, after extensive discussions and the revision of Attachment B to the Continuation Petition, the Parties executed a Stipulation that addresses, among other things, the consolidation of cost recovery for the Company's IDER Program, and certain operational and other changes to the IDER Program going forward.

Key Terms of the Stipulation

The primary terms of the Stipulation are summarized as follows:

1. The Parties agree that the IDER Program was determined to be cost-effective predicated on the Total Resource Cost ("TRC") cost/benefit analysis, which showed a ratio of not less than 1.10, based on the assumptions and projections reflected in the Revised Attachment B to the Stipulation. Those assumptions include (i) the prospective bidding of not less than 30 MW of IDER-related demand response capacity into the PJM Reliability Pricing Model base residual auction ("RPM BRA") and (ii) the Company's assumption of risk associated with so-called churn among

[1] *I/M/O the New Jersey Direct Load Control Program Proposal – Jersey Central Power and Light Company,* BPU Docket No. ER07060375, Order Adopting Stipulation of Settlement (July 25, 2008)
[2] BPU Docket No. ER07060375
[3] BPU Docket No. ER10010034
[4] The IDER Program was initially approved as an 8 MW pilot program as part of the Stipulation in Docket No. ER07060375 and a 15 MW Expansion Program was approved in Docket Nos. EO08050326 and EO08080542. An additional 15 MW has been deployed pursuant to a grant from the U.S. Department of Energy ("DOE") under the American Recovery and Reinvestment Act of 2009 ("ARRA"), which covered the capital investments for that segment of the IDER program.
[5] *I/M/O the Verified Petition of Jersey Central Power and Light Company Concerning the Continuation Beyond May 31, 2011 of its Legacy Direct Load Control/Air Conditioning Cycling Program ("2011 AC Cycling Filing"),* Docket No. ER10010034

IDER customers, *i.e.*, the effects of IDER customers ceasing to participate in the program.

2. By application of Rider SCC over-recoveries, the Company has fully recovered the installation costs of the 8 MW IDER pilot program and pilot O&M costs through 2010. The Company will continue to recover its actual reasonable and prudent O&M costs for the pilot program beyond 2010 as part of the recovery of the total 38 MW IDER program costs under paragraph 3 below.

3. The Company will continue to recover its actual reasonable and prudent costs for the total 38 MW IDER Program in accordance with relevant prior stipulations and Board Orders addressing recovery of IDER program costs. The Company agrees that it will not seek to recover from ratepayers IDER program costs in excess of the costs set forth in Revised Attachment B, page 1 of 5 to the Stipulation, and used to determine the TRC test of 1.10, unless there are significant unanticipated developments impacting the program and that no such recovery will be allowed without further authorization from the Board. The Company further agrees that other Parties reserve all of their rights to oppose any such request. The Company will separately track costs and PJM revenues associated with the 8 MW IDER pilot and the 15 MW IDER program expansion in a manner supporting regulatory reporting, consistent with such prior Stipulations and Board Orders. For purposes of such tracking, the aggregate O&M costs associated with the total 38 MW IDER Program will be allocated among the three IDER phases, *pro rata*, based on the amount of MW deployed in each phase. However, the Company will consolidate recovery of all costs and crediting of all associated PJM revenues from these three phases through the single mechanism of Rider RRC, to simplify reconciliation and reduce administrative burdens while simplifying the Company's overall rate structure. As a result:

    a. Recovery of the O&M costs associated with the continued operation of the 8 MW IDER pilot program beyond 2010, and the then existing under-or-over recovery in Rider SCC will be transferred from Rider SCC to Rider RRC, effective June 1, 2011 or as soon thereafter as the Board may approve;

    b. The O&M costs associated with the 15 MW of IDER deployment being implemented pursuant to the DOE grant, as part of the total 38 MW IDER Program, to the extent not funded by DOE, will be recovered through Rider RRC;

    c. JCP&L will register not less than 30 MW of the IDER capacity resources in the 2011 and 2012 RPM BRAs, for delivery in energy year ("EY") 2014-2015 and EY2015-2016, respectively, and will also register the IDER resource in appropriate PJM energy markets, consistent with PJM registration procedures, and all PJM revenues associated with such 30 MW, other than revenues from the provision of ancillary services, will be credited to customers against the O&M costs through Rider RRC. PJM revenues from the provision of ancillary services and PJM revenues associated with the IDER resources in excess of 30 MW may be used by the Company to solicit replacement customers for IDER program participants who have dropped out of the program, with any such revenues not used to enroll new participants in the IDER Program to be credited to ratepayers through Rider RRC; and

d. Recovery of O&M costs, as described above, will continue in order to support JCP&L's commitment to deliver 30 MW of capacity in EY2014-2015 and EY2015-2016 through the 2011 and 2012 RPM BRAs.

4. As a result of the transfer of recovery of the costs associated with the 8 MW IDER pilot program from Rider SCC to Rider RRC pursuant to paragraph 3.a above, the Rider SCC charge will be reduced by $0.000023 per kilowatt-hour ("kWh") annually and the Rider RRC charge will be increased by the same amount. Based on current budget projections for all three phases, there will be no net change in the Company's overall rates and no such change will be implemented without prior Board approval.

5. The Company will make operational changes designed to reduce customer churn, such as (i) the implementation of a program that would result in the termination of the customer's air conditioner cycling after a rise in temperature of three degrees, instead of, or in conjunction with, programs that cease cycling after rises of six or nine degrees, and/or (ii) the implementation of a more limited number of cycling events. The Company will present a preliminary proposal with respect to these matters to Staff and Rate Counsel by the end of May 2011 and report on these efforts annually beginning in November 2011.

6. JCP&L will also consider other changes to the implementation of the IDER Program designed to reduce the associated O&M costs, including the possibility of pursuing competitive solicitations for the provision of certain administrative and support tasks associated with the program and/or performing itself certain administrative and support tasks currently provided by third party suppliers, and will provide such analyses to, and discuss them with Staff and Rate Counsel, by the end of 2012. In conjunction with such analyses, the Company will submit an updated cost/benefit analysis to determine if continued operation of the program is appropriate.

7. All costs associated with the existing AC Cycling Program will continue to be recovered through Rider SCC and all PJM revenues associated with the existing AC Cycling Program will be credited to customers through Rider SCC. After termination of the existing AC Cycling Program, any under-or-over recovery in Rider SCC will be transferred to Rider RRC.

8. Rate Counsel reserves the right to have annual prudency reviews as set forth in prior Stipulations and Board Orders.

DISCUSSION AND FINDINGS

The Board has reviewed JCP&L's December 3, 2010 Continuation Petition, the updated IDER Program cost analysis and projections provided in Revised Attachment B to the Stipulation, and the terms of the Stipulation. The IDER Program supports reliability of electricity deliverability in JCP&L's jurisdiction, by cycling central air conditioners of program participants during PJM transmission and utility distribution emergencies. Although system reliability is of critical importance, enhanced reliability should be achieved through cost-effective programs and strategies. According to the TRC cost/benefit analysis, the IDER Program appears to be cost-effective, if not less than 30 MW of IDER-related demand response is bid into the PJM base residual capacity auctions, and JCP&L assumes the risk associated with the churn among IDER participants. The Board recognizes that the IDER Program is a recipient of a federal grant for an IDER Program expansion, which has helped to support the cost-effectiveness of the program. The Board notes that the Parties have worked to reduce the projected costs associated with the IDER Program, as set forth in Revised Attachment B to the Stipulation.

As stated in the Stipulation, JCP&L will continue to register the demand response from the IDER Program into the appropriate PJM energy and capacity markets at a level which will help to off-set IDER Program costs. The Company agrees that it will not seek to recover from ratepayers IDER Program costs in excess of the costs shown on Revised Attachment B, unless there are significant unanticipated developments impacting the program, and that no such recovery will be allowed without further authorization from the Board.

After study, operational modifications may be effected to further reduce the costs associated with the churn rate; that is the number of participants that drop out of the IDER Program. PJM revenues from IDER Program demand response in excess of 30 MW and from ancillary services may be used to solicit replacement customers, possibly increasing the viability of the program by creating higher amounts of demand response. Furthermore, the Company will investigate the possibility of pursuing competitive solicitations for certain administrative and support tasks associated with the program and/or performing itself those tasks for the purpose of reducing program costs. After more experience with the program, JCP&L will submit to the Board an updated cost/benefit analysis to determine if continued operation of the program is appropriate. These provisions in the Stipulation, among others, will help to protect ratepayers from any undue risk and any unreasonable costs from the IDER Program going forward.

The Board believes that it is reasonable to consolidate cost recovery for the IDER Program, as set forth in the Stipulation, to simplify reconciliation and to reduce administrative burdens. The Company will separately track costs and PJM revenues so that it can provide accurate reporting, and will do so in a manner that is consistent with prior stipulations and Board Orders. The Board notes that, based upon current budget projections for all three phases of the IDER Program, there will be no net change in the Company's overall rates and no change in those rates will be implemented without prior Board approval.

For the foregoing reasons, the Board HEREBY FINDS that the Stipulation is reasonable and in the public interest, and that the updated projected costs on Revised Attachment B to the Stipulation are reasonable, if such costs can be shown to be prudently incurred, in light of the advantages that the program provides for all ratepayers in JCP&L's territory, including greater system reliability during distribution and PJM system emergencies. Therefore, the Board HEREBY APPROVES the attached Stipulation in its entirety and HEREBY ORDERS that the Company continue the IDER Program, subject to the terms and conditions of the attached Stipulation. The Board HEREBY ORDERS that the Company will continue to recover its actual reasonable and prudent costs for the total 38 MW IDER Program in accordance with relevant stipulations and Board Orders addressing recovery of IDER costs.

The Board DIRECTS that the Company recover the prudently incurred O&M costs associated with the continued operation of the 8 MW IDER pilot program beyond 2010, and transfer the existing under-or-over recovery in Rider SCC to Rider RRC, effective on July 1, 2011. In addition, the Board DIRECTS JCP&L to file revised tariff pages consistent with this Order no later than five business days prior to the effective date of the tariff. Moreover, the Board FURTHER DIRECTS that the Company recover O&M costs associated with the 15 MW of DOE

I/M/O THE VERIFIED PETITION OF JERSEY CENTRAL POWER & LIGHT COMPANY CONCERNING THE CONTINUATION BEYOND MAY 31, 2011 OF ITS LEGACY DIRECT LOAD CONTROL/AIR CONDITIONING CYCLING PROGRAM ("2011 AC Cycling Filing")

DOCKET NO. ER10010034

NOTIFICATION LIST

BPU	DAG	RATE COUNSEL
Jerome May, Director Division of Energy Board of Public Utilities Two Gateway Center Newark, NJ 07102 jerome.may@bpu.state.nj.us	Babette Tenzer, DAG Depart. Of Law & Public Safety Division of Law 124 Halsey Street, 5th Floor P.O. Box 45029 Newark, NJ 07101	Stefanie A. Brand, Esq. Director Division of Rate Counsel 31 Clinton Street, 11th Floor P.O. Box 46005 Newark, NJ 07102
Alice Bator, Bureau Chief Rates and Tariffs Division of Energy Board of Public Utilities Two Gateway Center Newark, NJ 07102 alice.bator@bpu.state.nj.us	Caroline Vachier,. DAG Depart. Of Law & Public Safety Division of Law 124 Halsey Street, 5th Floor P.O. Box 45029 Newark, NJ 07101	Paul Flanagan, Esq. Division of Rate Counsel 31 Clinton Street, 11th Floor P.O. Box 46005 Newark, NJ 07102
Linda Nowicki Division of Energy Board of Public Utilities P.O. Box 350 Trenton, NJ 08625 l.nowicki@bpu.state.nj.us	Alex Moreau, DAG Depart. Of Law & Public Safety Division of Law 124 Halsey Street, 5th Floor P.O. Box 45029 Newark, NJ 07101	Ami Morita, Esq., DPA Division of Rate Counsel 31 Clinton Street, 11th Floor P.O. Box 46005 Newark, NJ 07102
Kristi Izzo Office of the Secretary Board of Public Utilities Two Gateway Center Newark, NJ 07102 kristi.izzo@bpu.state.nj.us		Diane Schulze, Esq. Division of Rate Counsel 31 Clinton Street, 11th Floor P.O. Box 46005 Newark, NJ 07102
Kenneth Sheehan, Esq. Chief Counsel Board of Public Utilities P.O. Box 350 Trenton, NJ08625 kenneth.sheehan@bpu.state.nj.us		Lisa Gurkas Division of Rate Counsel 31 Clinton Street, 11th Floor P.O. Box 46005 Newark, NJ 07102
		Rick Hornby Synapse Energy Economics, Inc. 22 Pearl Street Cambridge, MA 02149

funded IDER deployment through Rider RRC, to the extent not funded by the DOE grant. The Board HEREBY AUTHORIZES JCP&L to register the demand response from the IDER Program in the PJM markets and programs, as agreed in the Stipulation. The Board FURTHER DIRECTS JCP&L to file annual IDER performance reviews beginning in November 2011, and all other analyses and reports required by the Stipulation.

DATED: 6/15/11

BOARD OF PUBLIC UTILITIES
BY:

LEE A. SOLOMON
PRESIDENT

JEANNE M. FOX
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

NICHOLAS ASSELTA
COMMISSIONER

ATTEST:

KRISTI IZZO
SECRETARY

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

John Stutz Tellus Institute 11 Arlington Street Boston, MA 02116-3411 Bruce Biewald Synapse Energy Economics, Inc. 22 Pearl Street Cambridge, MA 02149 Michael Dirmeier Georgetown Consulting Group, Inc. 1902 Overlook Ridge Road Keller, TX 76248 <u>JCP&L</u> Lawrence Sweeney JCP&L 300 Madison Avenue Morristown, NJ 07962-1911 Thomas Donadio JCP&L 300 Madison Avenue Morristown, NJ 07962-1911 Christopher W. Siebens First Energy Corp. 2800 Pottsville Pike P.O. Box 16001 Reading, PA 19640	Marc B. Lasky, Esq. Morgan, Lewis & Bockius, LLP 89 Headquarters Plaza North Suite 1435 Morristown, NJ 07960 Eva Gardow JCP&L 300 Madison Avenue Morristown, NJ 07962-1911 <u>PSE&G</u> Gregory Eisenstark, Esq. Public Service Electric & Gas Company 80 Park Plaza Newark, NJ 07101 Frederick A. Lynk Public Service Electric & Gas Company 80 Park Plaza Newark, NJ 07101	<u>Atlantic City Electric</u> Michael E. Prendergast Atlantic City Electric Corporate Offices 5100 Harding Highway Mays Landing, NJ 08330 Steven L. Sunderhauf Atlantic City Electric Corporate Offices 5100 Harding Highway Mays Landing, NJ 08330 Philip J. Passanante, Esq. Assistant General Counsel Atlantic City Electric Corporate Offices 5100 Harding Highway Mays Landing, NJ 08330 <u>Rockland Electric Company</u> Rick Struck Rockland Electric Company 4 Irving Place New York, NY 10003 John L. Carley, Esq. Consolidated Edison Company of NY, Inc. Law Department 4 Irving Place New York, NY 10003

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In the Matter of the Verified Petition of **Jersey Central Power & Light Company** Concerning the Continuation Beyond May 31, 2011 of its Legacy Direct Load Control/Air Conditioning Cycling Program (**"2011 AC Cycling Filing"**)	:	**BPU DOCKET NO. ER10010034** **STIPULATION OF SETTLEMENT**

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

APPEARANCES:

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

Ami Morita, Esq., Deputy Rate Counsel, and **Diane Schulze, Esq.**, Assistant Deputy Rate Counsel (**Stefanie A. Brand, Esq.**, Director, Division of Rate Counsel)

Alex Moreau, Esq., Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**Paula T. Dow**, Attorney General of New Jersey)

This Stipulation of Settlement ("Stipulation") is hereby made and executed as of the 6th day of May, 2011, by and among Jersey Central Power & Light Company ("JCP&L" or the "Company"), the Staff of the Board of Public Utilities ("Staff") and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, the "Parties").

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

Background

By Order dated July 25, 2008[1], the Board approved a Stipulation of Settlement among the Company, Staff and Rate Counsel, providing for, among other things, JCP&L's continuation of its existing Air Conditioner Cycling Program ("Existing AC Cycling Program") through May 31, 2009. The Board approved the continued operation of the Existing AC Cycling Program through May 31, 2010 by Order dated March 3, 2009 and through May 31, 2011 by Order dated February 17, 2010. On December 3, 2010, the Company filed a Verified Petition ("Continuation Petition") with the Board requesting, among other things, consolidation of cost recovery under Rider RRC for the Existing AC Cycling Program and all elements of the Company's Integrated Distributed Energy Resource ("IDER") program[2], which includes recovery of operating and maintenance ("O&M") costs associated with the 15 MW of IDER funded by the DOE grant and costs associated with transitioning Existing AC Cycling Program participants to IDER.[3] The Continuation Petition included an Attachment B setting forth updated projections of O&M costs and PJM revenues for all phases of the IDER program. As a result of discussions among JCP&L, Staff and Rate Counsel, Attachment B has been revised and the first page of the Revised Attachment B is attached to this Stipulation.

---

[1] *In the Matter of the New Jersey Direct Load Control Program Proposal – Jersey Central Power and Light*, BPU Docket No. ER07060375, Order Adopting Stipulation of Settlement (July 25, 2008).

[2] The IDER program was initially approved as an 8 MW pilot program as part of the Stipulation of Settlement in Docket No. ER07060375 and was approved to be expanded by 15 MW in Docket Nos. EO08050326 & EO08080542. An additional 15 MW has been deployed pursuant to a grant from the Department of Energy ("DOE") under the Federal American Recovery and Reinvestment Act of 2009.

[3] The Continuation Petition also requested continuation of the Existing AC Cycling Program beyond May 31, 2011 and approval for the ultimate winding down and termination of the Existing AC Cycling Program by December 31, 2012. These aspects of the Continuation Petition were resolved in a Stipulation of Settlement dated March 15, 2011 among the Company, Staff and Rate Counsel, which was approved by Board Order Extending AC Cycling Program dated March 30, 2011 in Docket No. ER10010034.

Stipulation

The undersigned Parties DO HEREBY STIPULATE AND AGREE as follows:

1. The Parties agree that the IDER program was determined to be cost-effective based on the Total Resource Cost ("TRC") cost/benefit analysis, which showed a ratio of not less than 1.10 based on the assumptions and projections reflected in Revised Attachment B. Those assumptions include (i) the prospective bidding of not less than 30 MW of IDER-related Demand Response capacity in the PJM Reliability Pricing Model base residual auction ("RPM BRA"),[4] and (ii) the Company's assumption of risk associated with so-called "churn" among IDER customers, i.e., the effects of IDER customers ceasing to participate in the program.

2. By application of Rider SCC over-recoveries, the Company has fully recovered the installation costs of the 8 MW IDER pilot program and pilot O&M costs through 2010. The Company will continue to recover its actual reasonable and prudent O&M costs for the pilot beyond 2010 as part of the recovery of the total 38 MW IDER program costs under paragraph 3 below.

3. The Company will continue to recover its actual reasonable and prudent costs for the total 38 MW IDER program in accordance with relevant prior Stipulations and Board Orders addressing recovery of IDER costs. The Company agrees that it will not seek to recover from ratepayers IDER costs in excess of the costs set forth in Revised Attachment B, page 1 of 5, and used to determine the TRC of 1.10, unless there are significant unanticipated developments impacting the program and that no such recovery will be allowed without further authorization from the Board. The Company further agrees that other Parties reserve all of their rights to oppose any such request. The Company will separately track costs and PJM revenues

[4] JCP&L had previously bid 23.8 MW in the 2009 RPM BRA for delivery in Energy Year ("EY") 2012-2013 and 20 MW in the 2010 RPM BRA for delivery in EY2013-2014.

associated with the 8 MW IDER pilot and the 15 MW IDER expansion in a manner supporting regulatory reporting, consistent with such prior Stipulations and Board Orders. For purposes of such tracking, the aggregate O&M costs associated with the total 38 MW IDER program will be allocated among the three IDER phases, *pro rata,* based on the amount of MW deployed in each phase. However, the Company will consolidate recovery of all costs and crediting of all associated PJM revenues from these three phases through the single mechanism of Rider RRC, to simplify reconciliation and reduce administrative burdens, while simplifying the Company's overall rate structure. As a result:

a. Recovery of the O&M costs associated with the continued operation of the 8 MW IDER pilot program beyond 2010, and the then-existing under- or over-recovery in Rider SCC, will be transferred from Rider SCC to Rider RRC, effective June 1, 2011 or as soon thereafter as the Board may approve;

b. O&M costs associated with the 15 MW of IDER deployment being implemented pursuant to the DOE grant, as part of the total 38 MW IDER program, to the extent not funded by DOE, will be recovered through Rider RRC;

c. JCP&L will register not less than 30 MW of the IDER capacity resources in the 2011 and 2012 RPM BRAs, for delivery in EY2014-2015 and EY2015-2016, respectively, and will also register the IDER resource in appropriate PJM energy markets, consistent with PJM registration procedures, and all PJM revenues associated with such 30 MW, other than revenues from the provision of ancillary services, will be credited to customers against the O&M costs through Rider RRC. PJM revenues from the provision of ancillary services and PJM revenues associated with the IDER resources in excess of 30 MW may be used by the Company to solicit replacement customers for IDER program participants who have dropped out of the program, with any such revenues not used to enroll new participants in the IDER program to be credited to ratepayers through Rider RRC; and

d. Recovery of O&M costs, as described above, will continue in order to support JCP&L's commitment to deliver 30 MW of capacity in EY2014-2015 and EY2015-2016 through the 2011 and 2012 RPM BRAs.

4. As a result of the transfer of recovery of the costs associated with the 8 MW IDER pilot program from Rider SCC to Rider RRC pursuant to paragraph 3.a above, the Rider SCC charge will be reduced by $0.000023 per kWh annually and the Rider RRC charge will be increased by the same amount. Based on current budget projections for all three phases, there will, however, be no net change in the Company's overall rates and no such change will be implemented without prior Board approval. The proposed Tariff sheets for Rider SCC and Rider RRC are attached as Attachments C and D hereto, respectively.

5. The Company will make operational changes designed to reduce customer churn, such as (i) the implementation of a program that would result in the termination of the customer's air conditioner cycling after a rise in temperature of three degrees, instead of, or in conjunction with, programs that cease cycling after rises of six or nine degrees, and/or (ii) the implementation of a more limited number of cycling events. The Company will present a preliminary proposal with respect to these matters to Staff and Rate Counsel by the end of May 2011 and report on these efforts annually beginning in November 2011.

6. JCP&L will also consider other changes to the implementation of the IDER program designed to reduce the associated O&M costs, including the possibility of pursuing competitive solicitations for the provision of certain administrative and support tasks associated with the program and/or performing itself certain administrative and support tasks currently provided by third party suppliers, and will provide such analyses to, and discuss them with, Staff and Rate Counsel by the end of 2012. In conjunction with such analyses, the

Company will submit an updated cost/benefit analysis to determine if continued operation of the program is appropriate.

7. All costs associated with the Existing AC Cycling will continue to be recovered through Rider SCC and all PJM revenues associated with the Existing AC Cycling Program will be credited to customers through Rider SCC. After termination of the Existing AC Cycling Program, any under- or over-recovery in Rider SCC will be transferred to Rider RRC.

8. Rate Counsel reserves the right to have annual prudency reviews as set forth in prior stipulations and Board Orders.

Conclusion

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

10. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, (i) no Party waives any rights it possesses under any prior Stipulation, except where the terms of this Stipulation supersede such prior Stipulation, and (ii) the Parties shall not be deemed to have approved, agreed to, or consented to any principle or

methodology underlying or supposed to underlie any agreement provided herein in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

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

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

Jersey Central Power & Light Company

By: Marc B Lasky
Marc B. Lasky
Morgan, Lewis & Bockius LLP

Dated: 5/6/11

Paula T. Dow,
Attorney General of New Jersey
Attorney For
Staff of The Board of Public Utilities

By: ______________________
Alex Moreau
Deputy Attorney General

Dated: 05/06/11

Stefanie A. Brand
Director, Rate Counsel

By: ______________________
Diane Schulze
Assistant Deputy Rate Counsel

Dated: ______________________

methodology underlying or supposed to underlie any agreement provided herein in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

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

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

Jersey Central Power & Light Company
By: Marc B Lasky
Marc B. Lasky
Morgan, Lewis & Bockius LLP

Dated: 5/6/11

Paula T. Dow,
Attorney General of New Jersey
Attorney For
Staff of The Board of Public Utilities

By: ____________________
Alex Moreau
Deputy Attorney General

Dated: ____________________

Stefanie A. Brand
Director, Rate Counsel
By: Diane Schulze
Diane Schulze
Assistant Deputy Rate Counsel

Dated: 5/6/11

Integrated Distributed Energy Resource Program
Total Resource Cost Analysis

Forecast Year*	Annual Amortization	Investment Return	Other Expenses	Total Cost	PJM Revenues
2009	$ 449,833	$ -	$ 656,000	$ 1,105,833	$ 213,000
2010	$ 1,183,668	$ 117,402	$ 470,000	$ 1,771,068	$ 541,000
2011	$ 1,298,166	$ 230,982	$ 748,000	$ 2,277,148	$ 1,513,281
2012	$ 1,328,166	$ 204,898	$1,053,991	$ 2,587,055	$ 1,252,336
2013	$ 1,328,166	$ 154,194	$1,095,710	$ 2,578,070	$ 1,591,361
2014	$ 1,328,168	$ 97,310	$1,110,429	$ 2,535,907	$ 2,362,148
2015	$ 878,335	$ 40,426	$1,110,429	$ 2,029,190	$ 2,001,300
2016	$ 144,500	$ 7,022	$1,110,429	$ 1,261,951	$ 2,001,300
2017	$ 30,000	$ 1,030	$1,110,429	$ 1,141,459	$ 2,001,300
2018	$ -	$ -	$1,110,429	$ 1,110,429	$ 2,001,300
2019	$ -	$ -	$1,110,429	$ 1,110,429	$ 2,001,300
2020	$ -	$ -	$1,110,429	$ 1,110,429	$ 2,071,346
2021	$ -	$ -	$1,110,429	$ 1,110,429	$ 2,143,843
2022	$ -	$ -	$1,110,429	$ 1,110,429	$ 2,218,877
2023	$ -	$ -	$1,110,429	$ 1,110,429	$ 2,296,538
2024	$ -	$ -	$1,110,429	$ 1,110,429	$ 2,376,917
2025	$ -	$ -	$1,110,429	$ 1,110,429	$ 2,460,109
2026	$ -	$ -	$1,110,429	$ 1,110,429	$ 2,546,212
2027	$ -	$ -	$1,110,429	$ 1,110,429	$ 2,635,330
2028	$ -	$ -	$1,110,429	$ 1,110,429	$ 2,727,566
2029	$ -	$ -	$1,110,429	$ 1,110,429	$ 2,823,031
			Total	$30,612,833	$41,779,394
			Net Present Value	$17,525,712	$19,259,508
				Cost / Benefit Ratio	1.10

* 2009 and 2010 reflect actual data

This TRC analysis is quite conservative, primarily because it assumes a decline to $166/MW-day in capacity prices from 2014 through 2019, even though the most recent PJM RPM EY2013/2014 auction result was $245.09/MW-day, although it is assumed that those prices start to escalate at 3.5% per year after 2019. If the most recent RPM auction price were assumed to continue beyond EY2013, without increase or decrease, the cost/benefit ratio would be 1.46.

Rider SCC

System Control Charge

APPLICABILITY: Rider SCC provides a charge for Basic Generation Service system control costs applicable to all KWH usage of any Full Service Customer or Delivery Service Customer. The SCC rate is subject to annual true-up for any over or under-recovery of system control costs.

SCC = $0.000051 per KWH ($0.000055 per KWH including SUT)

System control costs shall include carrying costs on any unamortized balance of such costs at the applicable interest rate approved by the BPU. Pursuant to the Summary Order dated August 1, 2003, such interest rate shall be "the rate actually incurred on the Company's short-term debt (debt maturing in less than one year), or the rate on equivalent temporary cash investments if the Company has no short-term debt outstanding...interest shall be computed monthly and compounded annually (added to the balance on which interest is accrued annually)."

Attachment D

JERSEY CENTRAL POWER & LIGHT COMPANY

BPU NO. 10 ELECTRIC - PART III

2nd Rev. Sheet No. 61
SUPERSEDING 1ST REV. SHEET NO. 61

Rider RRC

RGGI Recovery Charge

APPLICABILITY: Rider RRC provides a charge for the costs associated with demand response/energy efficiency programs directed by the BPU as detailed below. The RGGI Recovery Charge (RRC) is applicable to all KWH usage of any Full Service Customer or Delivery Service Customer.

For service rendered effective June 1, 2011:

RRC = $0.000116 per KWH ($0.000124 per KWH including SUT)

The above RRC provides recovery for the followings:

Integrated Distributed Energy Resource Expansion (IDER Expansion)
Pursuant to BPU Order dated August 19, 2009 (Docket Nos. EO08050326/EO08080542) approving the Stipulation of Settlement, the Company shall include an initial IDER Expansion Rate of $0.000093 per kWh in RRC effective January 1, 2010.

Transfer of IDER Pilot from Rider SCC (System Control Charge) to Rider RRC
Pursuant to BPU Order dated ____________, 2011 (Docket No. ER10010034) approving the Stipulation of Settlement, the Company shall transfer the recovery of IDER Pilot from SCC of $0.000023 per kWh to RRC effective June 1, 2011.

The combined IDER Expansion/Pilot Rate effective June 1, 2011 shall be $0.000116 per kWh.

The combined IDER costs, as detailed in the Stipulation of Settlement, shall accrue interest on any over or under recovered balances of such costs at the interest rate based on a two-year constant maturity Treasuries as published in the Federal Reserve Statistical Release on the first day of each month (or the closest day thereafter on which rates are published), plus sixty basis points, but shall not exceed the Company's overall rate of return as approved by the BPU. Such interest rate shall be reset each month. The interest calculation shall be based on the net of tax beginning and end average monthly balance, consistent with the methodology in the Board's Final Order dated May 17, 2004 (Docket No. ER02080506 et al.). Interest shall be accrued monthly, with interest roll-in to the deferred balance as provided in the Stipulation of Settlement.

The IDER Expansion/Pilot Rate in RRC is subject to annual true-up.

Issued: Pending BPU Approval **Effective: June 1, 2011**

Filed pursuant to Order of Board of Public Utilities

Docket No. ER10010034 dated

Issued by Donald M. Lynch, President
300 Madison Avenue, Morristown, NJ 07962-1911

DB1/67056537.5