Agenda Date: 06/15/11
Agenda Item: 2J

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 JERSEY CENTRAL POWER & LIGHT COMPANY SEEKING (1) REVIEW AND APPROVAL OF ITS DEFERRED BALANCES RELATING TO, AND AN ADJUSTMENT OF CERTAIN COMPONENTS OF THE SOCIETAL BENEFITS CHARGE CLAUSE OF ITS FILED TARIFF, (2) REVIEW AND APPROVAL OF ITS DEFERRED BALANCE RELATING TO THE SYSTEM CONTROL CHARGE CLAUSE OF ITS FILED TARIFF, AND (3) REVIEW AND APPROVAL OF COSTS INCURRED FOR ENVIRONMENTAL REMEDIATION OF MANUFACTURED GAS PLANT SITES PURSUANT TO THE REMEDIATION ADJUSTMENT CLAUSE OF ITS FILED TARIFF ("2009 SBC/SCC AND RAC FILING")	)	ORDER ADOPTING STIPULATION DOCKET NO. ER10020130
IN THE MATTER OF THE VERIFIED PETITION OF JERSEY CENTRAL POWER & LIGHT COMPANY SEEKING (1) REVIEW AND APPROVAL OF ITS DEFERRED BALANCES RELATING TO, AND AN ADJUSTMENT OF CERTAIN COMPONENTS OF THE SOCIETAL BENEFITS CHARGE CLAUSE OF ITS FILED TARIFF, AND (2) REVIEW AND APPROVAL OF ITS DEFERRED BALANCE RELATING TO THE SYSTEM CONTROL CHARGE CLAUSE OF ITS FILED TARIFF ("2008 SBC/SCC FILING")	)	DOCKET NO. ER09030202
IN THE MATTER OF THE VERIFIED PETITION OF JERSEY CENTRAL POWER & LIGHT COMPANY SEEKING (1) REVIEW AND APPROVAL OF ITS DEFERRED BALANCES RELATING TO, AND AN ADJUSTMENT OF CERTAIN COMPONENTS OF THE SOCIETAL BENEFITS CHARGE CLAUSE OF ITS FILED TARIFF, AND (2) REVIEW AND APPROVAL OF ITS DEFERRED BALANCE RELATING TO THE SYSTEM CONTROL CHARGE CLAUSE OF ITS FILED TARIFF ("2007 SBC/SCC FILING")	)	DOCKET NO. ER07120968

Marc B. Lasky, Esq. (Morgan, Lewis & Bockius LLP, attorneys) for the Petitioner, Jersey Central Power & Light Company, 89 Headquarters Plaza North Suite 1435, Morristown, NJ 07960

James Glassen, Esq., Assistant Deputy Rate Counsel, New Jersey Division of Rate Counsel (Stefanie A. Brand, Esq., Director), 31 Clinton Street 11th Flr., P O Box 46005, Newark, NJ 07102

BY THE BOARD:

On December 21, 2007, Jersey Central Power & Light Company ("JCP&L" or "Company") filed with the New Jersey Board of Public Utilities ("Board") a Verified Petition under Docket No. ER07120968 with respect to its Societal Benefits Charge ("SBC") and System Control Charge ("SCC") ("2007 SBC/SCC") requesting review and approval of the deferred balances accumulated with respect to the Consumer Education ("CED"), Demand Side Factor ("DSF"), Uncollectible Accounts Charge ("UNC") and Nuclear Decommissioning Costs ("NDC") components of the Company's SBC, to the extent accumulated from August 3, 2003 through December 31, 2007. The filing contained actual data through November 30, 2007, and forecasted data for December 2007. On February 1, 2008, the Company submitted updated attachments containing actual data through December 31, 2007

During the review process for the 2007 SBC/SCC filing, on March 13, 2009, JCP&L made its annual SBC/SCC filing, which sought review and approval of the deferred balances accumulated from January 1, 2008 through December 31, 2008. This filing was assigned the Docket No. ER09030202 ("2008 SBC/SCC"). On February 19, 2010, while both the 2007 SBC/SCC and the 2008 SBC/SCC remained under review, JCP&L filed its annual SBC/SCC and Remediation Adjustment Clause ("RAC") filing, which was assigned to Docket No. ER10020130 ("2009 SBC/SCC/RAC"), requesting review and approval of the deferred balances accumulated from January 1, 2009 through December 31, 2009.

This Order resolves the 2007 SBC/SCC, 2008 SBC/SCC and the 2009 SBC/SCC/RAC petitions filed by JCP&L.

BACKGROUND/PROCEDURAL HISTORY

In its 2007 SBC/SCC filing, the Company sought a reduction in its Rider CED charge to zero, thereby reducing CED revenues by $6.4 million annually. JCP&L requested to retain Rider CED as part of its filed Tariff. The Company also sought to increase its Rider SCC by $6.4 million annually to recover the incremental costs of an upgraded Direct Load Control Program. If approved, there would have been no net change in rates since the $6.4 million requested increase in Rider SCC was offset by the proposed $6.4 million reduction in Rider CED. The Company was not seeking any adjustment to the current levels of its Rider DSF, UNC or NDC charges.

In its 2008 SBC/SCC filing, JCP&L reiterated its requests to reduce its Rider CED charge to zero and to retain the rider as part of its filed Tariff. In addition, the Company sought a $10.8 million annual reduction in its Rider NDC charge effective as of June 1, 2009, with a further reduction of $9.9 million effective as of September 1, 2009. The Company was also seeking an increase in its Rider DSF charges to recover the $4.3 million, to become effective June 1, 2009, and an additional $9.9 million increase to become effective September 1, 2009. Also, the Company was requesting an increase in Rider UNC charges to recover an additional $6.5

million annually, effective June 1, 2009. JCP&L was not seeking any adjustment to the current level of its Rider SCC charge. As a result of all of the proposed changes, if approved, there would have been an overall net reduction in rates of approximately $6.3 million annually on June 1, 2009, and no further net change in rates on September 1, 2009.

In its 2009 SBC/SCC/RAC filing, JCP&L reiterated its request from its 2007 SBC/SCC filing and 2008 SBC/SCC filing to reduce its Rider CED charge to zero thereby reducing revenues by approximately $6.4 million, effective as of June 1, 2010. The Company also requested to reduce its Rider NDC charge to zero, thereby reducing the NDC revenues by approximately $22.8 million annually. JCP&L asked to retain Rider NDC as part of its filed Tariff. JCP&L was also seeking an increase in its Rider DSF charges to recover an additional $17.3 million annually, and an increase in its Rider UNC charges to recover an additional $5.5 million annually. The Company was not seeking any adjustment to the current level of its Rider SCC charge. Also included in the Verified Petition was the request for review and approval of costs incurred for environmental remediation of manufactured gas plant ("MGP") sites pursuant to the Remediation Adjustment Clause ("RAC") of its filed Tariff.

The purpose of the Company's 2009 petition as it relates to the Company's RAC was to provide the Board and its Staff as well as Rate Counsel with an opportunity to conduct a review of the reasonableness and prudence of all actual MGP remediation costs and expenditures incurred by JCP&L in calendar year 2009. The Company's total deferred RAC balance at December 31, 2009, was $12,427,299.[1] JCP&L sought to increase its current RAC factor from $0.000000 (including SUT) per kWh to $0.000082 per kWh (including SUT) in this proceeding.

The Company, Board Staff ("Staff"), and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, the "Parties") are the only parties to this case.

The Parties conducted discovery and participated in a number of meetings and discussions to review outstanding issues and explore settlement. As a result of those meetings and related discussions, the Parties entered into the attached stipulation of settlement ("Stipulation") resolving all issues in the 2007, 2008 and 2009 SBC/SCC as well as some of the issues in the 2009 RAC proceedings on June 2, 2011..

STIPULATION

Under the terms of the Stipulation, the Parties have agreed to the following salient terms:[2]

SBC

1. Effective July 1, 2011 or as soon thereafter as the Board may approve, the Company will (i) reduce its Rider CED charge to zero, which will reduce CED rates by approximately $6.2 million annually, (ii) reduce its Rider NDC charge to zero which will reduce NDC rates by approximately $22.0 million annually, (iii) increase its Rider DSF charges to recover an additional approximately $19.9 million annually, and (iv)

[1] RAC carrying costs of $194,024 were accrued in calendar year 2009. However, no carrying costs are included in the $12,427,299 net unrecovered RAC balance at December 31, 2009 as a result of the application of over-recoveries from other components of Rider SBC which are applied to interest first.

[2] Except as modified by this Order, should there be any inconsistency between this summary and the Stipulation, the terms of the Stipulation control.

increase its Rider UNC charge to recover an additional approximately $5.7 million annually, in all cases based on forecasted sales for the twelve months ended June 30, 2012. The Parties agree that the DSF recovery amount shall be based on the 2011 budget and will not reflect a levelized amount as proposed by the Company. The Parties also agree that JCP&L will net all SBC components, including the DSF component, in its computation of the SBC charge. The net effect of these changes will reduce the SBC (exclusive of the RAC) by approximately $2.6 million annually.

2. The Parties agree that the Company's ending deferred balances in the components of the SBC as of December 31, 2009 were as follows: (i) an over-recovered CED balance of $5.9 million, including over-recovered carrying costs of $11,125, (ii) an over-recovered NDC balance of $8.2 million, including over-recovered carrying costs of $8,958, (iii) an under-recovered DSF balance of $7.2 million, including over-recovered carrying costs of $11,958 and (iv) an under-recovered UNC balance of $5.5 million, including under-recovered carrying cost of $10,130. In all cases, these are the component balances before the application of any over-recoveries to reduce under-recovered balances in other components of the Company's SBC and/or its Non-Utility Generation Charge ("NGC") deferred balance. All of such balances became zero after the annual application of such over-recoveries. To the extent not otherwise recovered in rates, JCP&L shall be authorized to continue to defer all additional reasonable and prudent costs of a type previously approved for recovery through Rider SBC, incurred and deferred subsequent to December 31, 2009, together with accrued interest thereon, for review and inclusion in future annual SBC filings and related adjustments to the Company's Rider SBC, subject to the Board's review and approval.

3. As of the effective date of the Board Order in these proceedings, JCP&L will cease crediting any available SBC over-recoveries to the NGC deferred balance, as reflected in the proposed Tariff sheets included in Appendix A attached to the Stipulation. This adjustment to the deferred balance accounting will be reflected in the calculation of the relevant deferred balances going forward, but does not result in a current change to the SBC or NGC tariff rates.

4. Interest will continue to accrue monthly on the net-of-tax deferred balances in the NDC, DSF and UNC components of JCP&L's SBC deferred balance at a rate equal to the monthly rate actually incurred on short-term debt, or in the event no short-term debt is outstanding, the rate available on equivalent temporary cash investments, with annual compounding on January 1 of each year, commencing January 1, 2012.

5. The overall SBC rate and/or the rates for any component thereof shall be adjusted if, in a future proceeding, it is determined, based on a comprehensive review, including, without limitation, an opportunity for full discovery and evidentiary hearings, that an adjustment is reasonable and prudent and determined to be necessary and appropriate at the time, taking into account, among other things, the current and anticipated level of JCP&L's overall SBC deferred balance and/or the deferred balance in any component thereof.

6. The Company will continue to include NDC information in its annual SBC filings contemplated by paragraph 7 in the Stipulation and otherwise report decommissioning information, including the trust fund balance, in accordance with applicable regulations. JCP&L will promptly provide Rate Counsel with copies of any

reports filed with the Board with respect to the decommissioning trust fund. The Parties expressly reserve their rights to argue their respective positions with respect to the NDC charge and the costs underlying the NDC charge, including but not limited to issues concerning the decommissioning cost estimate, the adequacy of the reserve and the allocation of costs, as appropriate.

7. To the extent not covered by other filings with the Board, the Company will continue to make annual filings with the Board, with notice to Rate Counsel, with respect to its SBC. The Company will also continue to submit monthly deferred balance reports to Staff and Rate Counsel. JCP&L will discuss with Staff and/or Rate Counsel any concerns either may have concerning the magnitude of the over- or under recovery.

8. The Parties agree that upon the effective date of the Board's written Order approving this Stipulation, the SBC elements of the 2009 SBC/SCC/RAC filing, as well as the 2007 SBC/SCC filing and the 2008 SBC/SCC filing referred to above, shall all be deemed closed and resolved.

RAC

9. Effective July 1, 2011 or as soon thereafter as the Board may approve, the Company will increase its Rider RAC charge from zero to a level calculated to recover approximately $1.8 million annually based on forecasted sales for the twelve months ending June 30, 2012. The revised Tariff sheet and the derivation of the revised RAC rate are attached as Appendix C and Appendix D to the Stipulation, respectively.

10. The Company's ending recoverable deferred RAC balance at December 31, 2009 was an under-recovered balance of $12,337,333, after application of (1) over-recoveries of $1,523,158 from other components of Rider SBC (subject to the Parties' reservation of their rights to challenge the recovery of expenditures that might be found to have been recorded in error or improperly accounted for in the pending Board Staff audit of RAC expenditures for 2005). In addition to the deferred RAC net balance at December 31, 2009 of $12,337,333 referred to above, JCP&L has deferred (i) $381,510 of costs related to NRD issues from 2005 through 2009, and (ii) $89,966 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2009. The Parties agree that it is appropriate for such NRD-related and incentive compensation costs to be deferred. The Company represents that this Stipulation does not include the recovery of any administrative, legal, consulting or other costs associated with NRD claims currently being investigated by the New Jersey Department of Environmental Protection or any costs associated with the incentive compensation referenced above. The Parties accordingly stipulate and agree that the Board should make no determination in this proceeding as to the reasonableness, or the recoverability under the Company's RAC filings, of NRD damages or related costs or of incentive compensation amounts, if any. The Parties expressly reserve their rights to argue their respective positions on these and related issues in future proceedings, as appropriate.

11. The Company claims that it is entitled to retain NRD-related costs totaling approximately $76,000 from two previous RAC years, 2003 and 2004. It is Rate Counsel and Staff's position that NRD-related costs are not included within the scope of the Board's RAC recovery authorization and are therefore not eligible for

recovery through utility RAC clauses. JCP&L does not agree with Rate Counsel and Staff's position concerning NRD-related cost recovery, but nonetheless agrees that nothing shall affect or limit the Parties' rights to challenge such NRD-related cost recovery in connection with the Company's previous RAC Filings. JCP&L also reserves all of its rights to contest any such challenge by the Parties. JCP&L further agrees that it will not seek to recover, and will propose to defer, NRD-related costs in future RAC filings pending the final Board resolution of the issue concerning the inclusion of NRD-related costs within the scope of the Board's RAC recovery authorization.

12. JCP&L shall be authorized to continue to defer all additional reasonable and prudent MGP remediation costs and expenses incurred and deferred subsequent to December 31, 2009, including NRD-related and incentive compensation costs, together with accrued interest thereon, for review and inclusion in future annual RAC filings and related adjustments to the Company's Rider RAC, subject to the Board's review and approval.

13. Consistent with its agreement in the 2005 RAC Filing Stipulation, which was approved by the Board by Decision and Order dated April 27, 2009 (Docket No. ER06030258), the Company performs outside legal and community relations activities for the purpose of supporting its remediation program and mitigating potential liabilities related to its remediation program. The Company agrees to continue to provide a description and explanation of the expenses incurred for these services in subsequent RAC filings, with claimed confidential information provided pursuant to a confidentiality agreement.

14. Also consistent with the 2005 RAC Filing Stipulation, the Company agrees to continue to maintain a complaint log for each MGP site which will provide details about complaints (exclusive of formal legal claims or lawsuits) received from property owners, neighboring residents and municipal officials, and a description of the Company's actions responding to those complaints.

15. The Company agrees that it will continue to include with its RAC filings responses to the minimum filing requirements ("MFRs") as set forth in Exhibit A to the 2006-2008 RAC Filing Stipulation, which was approved by Board Decision and Order dated March 9, 2011 (Docket No. ER09030194). These MFRs are attached as Appendix E to the Stipulation.

16. Consistent with the 2006-2008 RAC Filing Stipulation, the Company will competitively bid remediation projects expected to cost in excess of $250,000 for work at existing sites or work at any new sites identified in the future. If competitive bidding is not utilized as provided in this paragraph, the Company will be required to show that competitive bidding was not practical or advantageous under the circumstances.

17. Consistent with the 2006-2008 RAC Filing Stipulation, the Company will make annual RAC filings, which will not be combined with SBC or SCC filings, regardless of whether it is seeking any change in its RAC recovery rate.

18. Also consistent with the 2006-2008 RAC Filing Stipulation, the Company agrees to provide a final reconciliation of its annual RAC factor recovery within ninety (90) days of the completion of each RAC recovery year, which reconciliation will include the calculation of actual sales volumes that recovered the RAC factor and the resultant net expense or credit amount which is to be carried over to the next recovery year. Implementation and/or adjustment of the RAC factor is subject to the Parties' review of JCP&L's RAC expenditures and reconciliation thereof in JCP&L's future RAC and/or SBC proceedings.

19. The Parties agree that the terms of this Stipulation shall be deemed to resolve all factual and legal issues relating to the determination of all amounts that were or could have been included in the calculation of JCP&L's deferred RAC balance through December 31, 2009, except with respect to NRD-related costs and incentive compensation costs.

SCC

20. The Parties recognize that the SCC element of the 2009 SBC/SCC and RAC Filing is not addressed in this Stipulation and that, therefore, Rider SCC shall remain at the level previously authorized by the Board, unless and until a modification thereof is approved by the Board. The failure to address the SCC shall not be construed to mean that the Company has waived its requests with respect to the SCC or that they have been rejected by Staff and/or Rate Counsel. The Parties intend to continue to discuss the SCC, although all Parties reserve their respective rights to advocate any position with respect thereto.

DISCUSSION AND FINDINGS:

The Board, having reviewed the attached Stipulation entered into by the Parties, HEREBY FINDS that the settlement is reasonable, is in the public interest and in accordance with the law. Accordingly, the Board HEREBY APPROVES the attached Stipulation and incorporates its terms and conditions as if fully stated in this Order. As a result of the Stipulation, the overall monthly bill impact resulting from the net decrease in the SBC, including RAC for a residential customer using 600 kWh per month would be a decrease of $0.02. JCP&L is not seeking any adjustment to the current level of its Rider SCC charge. JCP&L will cease crediting any available SBC over-recoveries to the NGC deferred balance, and will make the appropriate accounting adjustment in the calculation of the relevant deferred balances going forward.

The Board HEREBY ORDERS that the Company's SBC components costs including the RAC costs remain subject to on-going audit by the Board, and that this Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

The Board HEREBY DIRECTS the Company to file within five (5) days of service of this Order, the appropriate revised tariff sheets consistent with the terms of this Order. The rates authorized herein, which are subject to Board audit, shall be effective for service rendered on the first day of the month following the date this Order is served or July 1, 2011, whichever is later.

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

IN THE MATTER OF THE VERIFIED PETITON OF JERSEY CENTRAL POWER & LIGHT COMPANY SEEKING (1) REVIEW AND APPROVAL OF ITS DEFERRED BALANCES RELATING TO, AND AN ADJUSTMENT OF CERTAIN COMPONENTS OF THE SOCIETAL BENEFITS CHARGE CLAUSE OF ITS FILIED TARIFF, (2) REVIEW AND APPROVAL OF ITS DERFERRED BALANCE RELATING TO THE SYSTEM CONTROL CHARGE CLAUSE OF ITS FILED TARIFF, AND (3) REVIEW AND APPROVAL OF COSTS INCURRED FOR ENVIRONMENTAL REMEDIATION OF MANUFACTURED GAS PLANT SITES PURSUANT TO THE REMEDIATION ADJUSTMENT CLAUSE OF ITS FILED TARIFF ("2007 SBC/SCC, 2008 SBC/SCC AND 2009 SBC/SCC/RAC FILINGS")

SERVICE LIST

BPU

Kristi Izzo, Secretary
Board of Public Utilities
Two Gateway Center
Suite 801
Newark, NJ 07102

Jerome May, Director
Division of Energy
Board of Public Utilities
Two Gateway Center
Suite 801
Newark, NJ 07102

Alice Bator
Division of Energy
Board of Public Utilities
Two Gateway Center
Suite 801
Newark, NJ 07102

Eloisa Flores
Board of Public Utilities
Two Gateway Center
Suite 801
Newark, NJ 07102

Naji Ugoji
Board of Public Utilities
Two Gateway Center
Suite 801
Newark, NJ 07102

Andrea Reid
Board of Public Utilities
Two Gateway Center
Suite 801
Newark, NJ 07102

Rate Counsel

Stefanie Brand, Director
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102

Ami Morita, Esq.
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102

Felicia Thomas Friel, Esq.
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102

Henry M. Ogden, Esq.
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102

Kurt S. Lewandowski, Esq.
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102

Judith B. Appel, Esq.
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102

BPU
Sheila DeLucia
Board of Public Utilities
Two Gateway Center
Suite 801
Newark, NJ 07102

Henry Rich
Board of Public Utilities
Two Gateway Center
Suite 801
Newark, NJ 07102

Scott Sumliner
Board of Public Utilities
Two Gateway Center
Suite 801
Newark, NJ 07102

DAG

Babette Tenzer, Esq.
Division of Law
124 Halsey Street, 5th Floor
P.O. Box 45029
Newark, NJ 07101

Alex Moreau, Esq.
Division of Law
124 Halsey Street, 5th Floor
P.O. Box 45029
Newark, NJ 0710

Rate Counsel
James Glassen, Esq.
Division 1of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102

JCP&L

Marc B. Lasky
Morgan Lewis & Bockius LLP
89 Headquarters Plaza North
Suite 1435
Morristown, NJ 07960

Michael J. Connelly, Esq
Morgan, Lewis & Bockius LLP
89 Headquarters Plaza North
Suite 1435
Morristown, NJ 07960

Harry Slagle
Jersey Central Power & Light
300 Madison Avenue
P.O. Box 1911
Morristown, NJ 07962-1911

Sally J. Cheong
Jersey Central Power & Light
300 Madison Avenue
P.O. Box 1911
Morristown, NJ 07962-1911

Susan D. Marano
Jersey Central Power & Light
300 Madison Avenue
P.O. Box 1911
Morristown, NJ 07962-1911

Arthur E. Korkosz, Esq.
Legal, 15th Floor
FirstEnergy Corp.
76 S. Main Street
Akron, OH 44308

Christopher W. Siebans
First Energy – Rate Dept.
2800 Pikesville Pike
P.O. Box 16001
Reading, PA 19640

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In the Matter of the Verified Petition of **Jersey Central Power & Light Company** Seeking (1) Review and Approval of Its Deferred Balances Relating to, and an Adjustment of Certain Components of the Societal Benefits Charge Clause of it Its Filed Tariff, (2) Review and Approval of Its Deferred Balance Relating to the System Control Charge Clause of Its Filed Tariff, and (3) Review and Approval of Costs Incurred For Environmental Remediation of Manufactured Gas Plant Sites Pursuant to the Remediation Adjustment Clause of Its Filed Tariff **("2009 SBC/SCC and RAC Filing")**	:	**STIPULATION OF SETTLEMENT** BPU Docket No. ER10020130
In the Matter of the Verified petition of Jersey Central Power and Light Company Seeking (1) Review and Approval of Its Deferred Balances Relating to, and an Adjustment of Certain Components of the Societal Benefits Charge Clause of Its Filed Tariff, and (2) Review and Approval of Its Deferred Balance Relating to the System Control Charge Clause of Its Filed Tariff **("2008 SBC/SCC Filing")**	:	BPU Docket No. ER09030202
In the Matter of the Verified Petition of Jersey Central Power and Light Company Seeking (1) Review and Approval of Its Deferred Balances Relating to, and an Adjustment of Certain Components of the Societal Benefits Charge Clause of Its Filed Tariff, and (2) Review and Approval of an Adjustment of the System Control Charge Clause of Its Filed Tariff **("2007 SBC/SCC Filing")**	:	BPU Docket No. ER07120968

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

James Glassen, Esq., Assistant Deputy Rate Counsel, **Kurt S. Lewandowski, Esq.**, Assistant Deputy Rate Counsel, **Henry M. Ogden, Esq.**, Assistant Deputy Rate Counsel, and **Diane Schulze, Esq.**, Assistant Deputy Rate Counsel, Division of Rate Counsel (**Stefanie A. Brand, Esq.**, Director)

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

This Stipulation of Settlement (the "Stipulation") is hereby made and executed as of the 2nd day of June, 2011, by and among the Petitioner, 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 the Stipulation, based upon the following stipulations:

Background

On December 21, 2007, JCP&L filed with the Board a Verified Petition, including supporting schedules, under Docket No. ER07120968 ("2007 SBC/SCC Filing"), seeking (1) review and approval of its deferred balances relating to, and an adjustment of certain components of, the Societal Benefits Charge ("SBC") clause of it its filed Tariff, and (2) review and approval of an adjustment of the System Control Charge ("SCC") clause of its filed Tariff.

On March 13, 2009, JCP&L filed with the Board a Verified Petition, including supporting schedules, under Docket No. ER09030202 ("2009 SBC/SCC Filing"), seeking (1) review and approval of its deferred balances relating to, and an adjustment of certain components of, the SBC clause of it its filed Tariff, and (2) review and approval of its deferred balance relating to the SCC clause of its filed Tariff.

On February 19, 2010, JCP&L filed with the Board a Verified Petition, including supporting schedules, under Docket No. ER10020130 ("2009 SBC/SCC and RAC Filing"), seeking (1) review and approval of its deferred balances relating to, and an adjustment of certain components of, the SBC clause of its filed Tariff, (2) review and approval of its deferred balance relating to the SCC clause of its filed Tariff, and (3) review and approval of costs incurred for environmental remediation of manufactured gas plant sites pursuant to the Remediation Adjustment Clause ("RAC") of its filed Tariff and the imposition, for the first time, of a RAC charge.

With respect to the SBC, the 2009 SBC/SCC and RAC Filing sought review and approval of the deferred balances accumulated with respect to the Consumer Education ("CED"), Demand Side Factor ("DSF"), Uncollectible Accounts Charge ("UNC") and Nuclear Decommissioning Costs ("NDC") components of the Company's SBC, in each case to the extent accumulated from January 1, 2009 through December 31, 2009. In the 2009 SBC/SCC and RAC Filing, JCP&L also proposed (1) to reduce its Rider CED charge to zero or by $6.4 million, (2) to reduce its Rider NDC charge to zero or by $22.8 million, (3) to increase its Rider DSF charge by $17.3 million, and (4) to increase its Rider UNC charge by $5.5 million. In the 2009 SBC/SCC and RAC Filing, JCP&L also noted that its 2007 SBC/SCC Filing in Docket No. ER07120968, which covered the period from August 1, 2003 through December 31, 2007, and its 2008 SBC/SCC Filing in Docket No. ER09030202, which covered the period from January 1, 2008 through December 31, 2008, remained pending before the Board.

With respect to the RAC, the 2009 SBC/SCC and RAC Filing provided an opportunity to conduct a review of all actual costs and expenditures incurred by JCP&L relating to environmental remediation of its former manufactured gas plant ("MGP") sites for the period from January 1, 2009 through December 31, 2009 and proposed that the Company begin collecting a RAC charge, for the first time, at a level designed to collect approximately $1.8

million annually, as illustrated in the Table below and in Appendix D. As also indicated in the Table, JCP&L sought to recover incremental expenses incurred in connection with its MGP remediation program during calendar year 2009 in the amount of $9,039,821. The Company also requested recovery of carrying costs in the amount of $194,024, leaving a net balance of unrecovered MGP costs at December 31, 2009 of $14,040,037 before application of over-recoveries from other components of Rider SBC in the amount of $1,523,158. The foregoing amounts included $381,510 of costs related to Natural Resource Damage ("NRD") issues ($291,930 applicable to the four year period ending December 31, 2008 and $89,580 applicable to calendar year 2009). The Company proposed to continue to defer NRD-related costs for 2009, but not to recover such NRD-related costs, including interest, until there was a final resolution of the issue concerning the inclusion of these costs within the scope of the Board's RAC recovery mechanism. No such NRD-related costs for 2009 would be deemed to have been recovered by application of over-recoveries from other components of Rider SBC. The resulting net deferred RAC account balance at December 31, 2009, after deduction of such NRD-related costs, was $12,427,299. This amount was proposed to be amortized over a period of seven years, in accordance with the Board Order dated December 16, 1994 in Docket No. ER91121820J, resulting in an annual recovery amount of $1,775,328. After applying the forecasted retail sales volume of 23,004,416 for the twelve months ending May 31, 2011 and the resulting calculated RAC factor of 0.077 mills/kWh, the subsequent proposed annual RAC revenue increase was $1,771,340.

The Table below illustrates the annual NRD-related MGP remediation costs and associated carrying costs through December 31, 2009 included in the Company's Verified Petition.

MGP Expenditures and Carrying Cost

Total Remediation costs incurred through 12/31/08	$81,025,027
Write-off in accordance with BPU Order in Dkt. No.ER02030173	(2,500,000)
Insurance proceeds received	(36,100,000)
MGP revenue previously collected through base rates	(16,877,403)
Total Remediation Costs net of insurance recovery at 12/31/08	$25,547,624
Total Carrying Costs at 12/31/08	(722,706)
Application of over-recovered SBC through 12/31/08	(19,726,796)
Total net MGP costs at 12/31/08 after SBC applications	$ 5,098,122
Expenses related to NRD through 12/31/08	(291,930)
Total net MGP costs at 12/31/08 as filed 3/9/09	$ 4,806,192
Expenses incurred in 2009	9,039,821
Carrying cost on deferred MGP costs accrued in 2009	194,024
Total unrecovered MGP costs at 12/31/09	$14,040,037
Application of over-recovered SBC in 2009	(1,523,158)
Current year expenses related to NRD	(89,580)
Net MGP remediation expenses excluding NRD at 12/31/09	$ 12,427,299
RAC recovery period (Years)	7
Annual recoverable MGP expenses	$ 1,775,328
Retail sales forecasted (MWh) for 12 months ending 5/31/11	23,004,416
Proposed Change to RAC factor effective 6/1/10 before SUT	0.077
Proposed Rider RAC revenue increase effective 6/1/10 (23,004,116 x 0.077)	$ 1,771,340
SUT	1.07
Proposed Rider RAC revenue increase effective 6/1/10 (w SUT)	$ 1,895,334

The Company has also represented that it has properly credited to JCP&L ratepayers lease or sale proceeds for any remediation properties leased or sold during the RAC remediation periods for which the current RAC rate is being established. Public hearings were held with respect to the RAC increase proposed in Docket No. ER10020130 at 7:00 P.M. on

September 13, 2010 in Morristown, New Jersey and at 1:30 P.M. on September 15, 2010 in Freehold, New Jersey.

Following the filing of the 2009 SBC/SCC and RAC Filing, the Parties engaged in discovery and exchanged additional information during informal discussions and meetings. Based thereon, the Parties have determined to resolve the SBC, SCC and RAC elements of the 2009 SBC/SCC and RAC Filing, as well as the SBC and SCC components of the Company's 2008 SBC/SCC Filing and 2007 SBC/SCC Filing, in accordance with the terms set forth below.

Stipulation

SBC

The undersigned Parties DO HEREBY STIPULATE AND AGREE as follows:

1. Effective July 1, 2011 or as soon thereafter as the Board may approve, the Company will (i) reduce its Rider CED charge to zero, which will reduce CED rates by approximately $6.2 million annually, (ii) reduce its Rider NDC charge to zero, which will reduce NDC rates by approximately $22.0 million annually, (iii) increase its Rider DSF charges to recover an additional approximately $19.9 million annually, and (iv) increase its Rider UNC charge to recover an additional approximately $5.7 million annually, in all cases based on forecasted sales for the twelve months ended June 30, 2012 of 22,196,116 MWh. The Parties agree that the DSF recovery amount shall be based on the 2011 budget and will not reflect a levelized amount as proposed by the Company. The Parties also agree that JCP&L will continue to consolidate all SBC components, including the DSF component, in the computation of its SBC charge. The net effect of these changes will reduce the SBC (exclusive of the RAC) by approximately $2.6 million annually. A Summary of the Proposed Rate Changes and revised Tariff sheets for Riders SBC, NDC, DSF and UNC are attached hereto as Appendix A and the

derivations of the revised DSF and UNC rates are attached hereto as Appendix B. Rider CED will be removed from JCP&L's Tariff.

2. The Parties agree that the Company's ending deferred balances in the components of the SBC listed below at December 31, 2009 were as follows: (i) an over-recovered CED balance of $5.9 million, including over-recovered carrying costs of $11,125, (ii) an over-recovered NDC balance of $8.2 million, including over-recovered carrying costs of $8,958, (iii) an under-recovered DSF balance of $7.2 million, including over-recovered carrying costs of $11,958, and (iv) an under-recovered UNC balance of $5.5 million, including under-recovered, carrying costs of $10,130 (in all cases without giving effect to the annual application of any over-recoveries to reduce under-recovered balances in other components of the Company's SBC and/or its Non-Utility Generation Charge ("NGC") deferred balance). All of such balances became zero after the annual application of such over-recoveries.[1] To the extent not otherwise recovered in rates, JCP&L shall be authorized to continue to defer all additional reasonable and prudent costs of a type previously approved for recovery through Rider SBC, incurred and deferred subsequent to December 31, 2009, together with accrued interest thereon, for review and inclusion in future annual SBC filings and related adjustments to the Company's Rider SBC, subject to the Board's review and approval.

3. As of the effective date of the Board Order in these proceedings, JCP&L will cease crediting any available SBC over-recoveries to the NGC deferred balance, as reflected in the proposed Tariff sheets included in Appendix A. This adjustment to the deferred balance accounting will be reflected in the calculation of the relevant deferred balances going forward, but does not result in a current change to the SBC or NGC tariff rates.

---

[1] The RAC deferred balance at December 31, 2009 is addressed in paragraph 9 below. The Universal Service Fund component of the SBC is not addressed in this Stipulation.

4. Interest will continue to accrue monthly on the net-of-tax deferred balances in the NDC, DSF and UNC components of JCP&L's SBC deferred balance at a rate equal to the monthly rate actually incurred on short-term debt, or in the event no short-term debt is outstanding, the rate available on equivalent temporary cash investments, with annual compounding on January 1 of each year, commencing January 1, 2012.

5. The overall SBC rate and/or the rates for any component thereof shall be adjusted if, in a future proceeding, it is determined, based on a comprehensive review, including, without limitation, an opportunity for full discovery and evidentiary hearings, that an adjustment is reasonable and prudent and determined to be necessary and appropriate at the time, taking into account, among other things, the current and the anticipated level of JCP&L's overall SBC deferred balance and/or the deferred balance in any component thereof.

6. The Company will continue to include NDC information in its annual SBC filings contemplated by paragraph 7 below and otherwise report decommissioning information, including the trust fund balance, in accordance with applicable regulations. JCP&L will promptly provide Rate Counsel with copies of any reports filed with the Board with respect to the decommissioning trust fund. The Parties expressly reserve their rights to argue their respective positions with respect to the NDC charge and the costs underlying the NDC charge, including but not limited to issues concerning the decommissioning cost estimate, the adequacy of the reserve and the allocation of costs, as appropriate.

7. To the extent not covered by other filings with the Board, the Company will continue to make annual filings with the Board, with notice to Rate Counsel, with respect to its SBC. The Company will also continue to submit monthly deferred balance reports to Staff and

Rate Counsel. JCP&L will discuss with Staff and/or Rate Counsel any concerns either may have concerning the magnitude of the reported over- or under-recovery.

8. The Parties agree that upon the effective date of the Board's written Order approving this Stipulation, the SBC elements of the 2009 SBC/SCC and RAC Filing, as well as the 2007 SBC/SCC Filing and the 2008 SBC/SCC Filing referred to under "Background" above, shall all be deemed closed and definitively resolved.

RAC

9. Effective July 1, 2011 or as soon thereafter as the Board may approve, the Company will increase its Rider RAC charge from zero to a level calculated to recover approximately $1.8 million annually based on forecasted sales for the twelve months ended June 30, 2012. The revised Tariff sheet and the derivation of the revised RAC rate are attached hereto as Appendix C and Appendix D, respectively.

10. The Parties agree that the Company's ending recoverable deferred RAC balance at December 31, 2009 was an under-recovered balance of $12,337,333, after application of over-recoveries of $1,523,158 from other components of Rider SBC, subject to the Parties' reservation of their rights to challenge the recovery of expenditures that might be found to have been recorded in error or improperly accounted for in the pending Board Staff audit of RAC expenditures for 2005. In addition to the deferred RAC net balance at December 31, 2009 of $12,337,333 referred to above, JCP&L has deferred (i) $381,510 of costs related to NRD issues from 2005 through 2009, and (ii) $89,966 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2009. The Parties agree that it is appropriate for such NRD-related and incentive compensation costs to be deferred. The Company represents that this Stipulation does not include the recovery of any administrative, legal, consulting or

other costs associated with NRD claims currently being investigated by the New Jersey Department of Environmental Protection or any costs associated with the incentive compensation referenced above. The Parties accordingly stipulate and agree that the Board should make no determination in this proceeding as to the reasonableness, or the recoverability under the Company's RAC filings, of NRD damages or related costs or of incentive compensation amounts, if any. The Parties expressly reserve their rights to argue their respective positions on these and related issues in future proceedings, as appropriate.

11. The Company claims that it is entitled to retain NRD-related costs totaling approximately $76,000 from two previous RAC years, 2003 and 2004. It is Rate Counsel and Staff's position that NRD-related costs are not included within the scope of the Board's RAC recovery authorization and are therefore not eligible for recovery through utility RAC clauses. JCP&L does not agree with Rate Counsel and Staff's position concerning NRD-related cost recovery, but nonetheless agrees that nothing shall affect or limit the Parties' rights to challenge such NRD-related cost recovery in connection with the Company's previous RAC Filings. JCP&L also reserves all of its rights to contest any such challenge by the Parties. JCP&L further agrees that it will not seek to recover, and will propose to defer, NRD-related costs in future RAC filings pending the final Board resolution of the issue concerning the inclusion of NRD-related costs within the scope of the Board's RAC recovery authorization.

12. The Parties hereby agree that JCP&L shall be authorized to continue to defer all additional reasonable and prudent MGP remediation costs and expenses incurred and deferred subsequent to December 31, 2009, including NRD-related and incentive compensation costs, together with accrued interest thereon, for review and inclusion in future annual RAC filings and related adjustments to the Company's Rider RAC, subject to the Board's review and approval.

13. Consistent with its agreement in the 2005 RAC Filing Stipulation settling the 2005 Annual RAC Filing, which was approved by the Board by Decision and Order dated April 27, 2009 (Docket No. ER06030258), the Company performs outside legal and community relations activities for the purposes of supporting its remediation program and mitigating potential liabilities related to its remediation program. The Company agrees to continue to provide a description and explanation of the expenses incurred for these services in subsequent RAC filings, with claimed confidential information provided pursuant to a confidentiality agreement.

14. Also consistent with the 2005 RAC Filing Stipulation, the Company agrees to continue to maintain a complaint log for each MGP site which will provide details about complaints (exclusive of formal legal claims or lawsuits) received from property owners, neighboring residents and municipal officials and a description of the Company's actions responding to that complaint.

15. The Company agrees that it will continue to include with its RAC filings responses to the minimum filing requirements ("MFRs") as set forth in Exhibit A to the 2006-2008 RAC Filing Stipulation settling the 2006-2008 RAC Filing, which was approved by Board Decision and Order dated March 9, 2011 (Docket No. ER09030194). These MFRs are attached hereto as Appendix E.

16. Consistent with the 2006-2008 RAC Filing Stipulation, the Company will competitively bid remediation projects expecting to cost in excess of $250,000 with respect to work at existing sites or work at any new sites identified in the future. If competitive bidding is not utilized as provided in this paragraph 15, the Company will be required to show that competitive bidding was not practical or advantageous under the circumstances.

17. Also consistent with the 2006-2008 RAC Filing Stipulation, the Company will make annual RAC filings, which will not be combined with SBC or SCC filings, regardless of whether it is seeking any change in its RAC recovery rate.

18. Also consistent with the 2006-2008 RAC Filing Stipulation, the Company agrees to provide a final reconciliation of its annual RAC factor recovery within ninety (90) days of the completion of each RAC recovery year, which reconciliation will include the calculation of actual sales volumes that recovered the RAC factor and the resultant net expense or credit amount which is to be carried over to the next recovery year. Implementation and/or adjustment of the RAC factor is subject to the Parties' review of JCP&L's RAC expenditures and reconciliation thereof in JCP&L's future RAC and/or SBC proceedings.

19. The Parties agree that the terms of this Stipulation shall be deemed to resolve all factual and legal issues relating to the determination of all amounts that were or could have been included in the calculation of JCP&L's deferred RAC balance through and at December 31, 2009, except as described in paragraphs 9 and 10 above with respect to NRD-related costs and incentive compensation costs.

SCC

20. The Parties recognize that the SCC element of the 2009 SBC/SCC and RAC Filing is not addressed in this Stipulation and that, therefore, Rider SCC shall remain at the level previously authorized by the Board, unless and until a modification thereof is approved by the Board. The failure to address the SCC shall not be construed to mean that the Company has waived its requests with respect to the SCC or that they have been rejected by Staff and/or Rate Counsel. The Parties intend to continue to discuss the SCC, although all Parties reserve their respective rights to advocate any position with respect thereto.

Conclusion

21. 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.

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

23. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and, except as otherwise expressly provided for herein:

a. By executing this Stipulation, no Party waives any rights it possesses under any prior Stipulation, except where the terms of this Stipulation supersede such prior Stipulation.

b. The contents of this Stipulation shall not in any way be considered, cited or used by any of the undersigned Parties as an indication of any Party's position on any related or other issue litigated in any other proceeding or forum, except to enforce the terms of this Stipulation.

24. 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, Esq. Morgan, Lewis & Bockius LLP Dated: 6/2/11	Paula T. Dow Attorney General of New Jersey Attorney for **Staff of the Board of Public Utilities** By: Alex Moreau, Esq. Deputy Attorney General Dated: 6/2/11
~~Stefanie A. Brand, Esq.~~ ~~Director, **Division of Rate Counsel**~~ By: James Glassen, Esq. Assistant Deputy Rate Counsel Dated: 6/3/11	

DBI/67118417.7

Appendix A

Summary of Proposed Rate Changes

&

Proposed Tariff Sheets

Jersey Central Power & Light Company
Summary of Proposed Rate Changes
$ per KWH (without SUT)

Effective July 1, 2011:

Rider		Current Rate		Proposed Rate			Increase (Decrease)
DSF	$	0.001934	$	0.002831	(1)	$	0.000897
NDC	$	0.000992	$	-		$	(0.000992)
UNC	$	0.000286	$	0.000545	(1)	$	0.000259
CED	$	0.000278	$	-		$	(0.000278)
Net Change to Rider SBC *						$	(0.000114)

Forecasted Jurisdictional MWH Sales -12 Months Ended 6/30/2012 22,196,116

Net Revenue Reduction ($Million) $ (2.6)

(1) See Appendix B

*** Excluding increase in Rider RAC**

DB1/ 67118417.7

Rider SBC
Societal Benefits Charge

APPLICABILITY: Rider SBC provides a charge applicable to all KWH usage of any Full Service Customer or Delivery Service Customer. The charges that may be included in calculating the SBC include nuclear plant decommissioning costs (Rider NDC), demand side management costs (Rider DSF), manufactured gas plant remediation costs (Rider RAC), uncollectible costs (Rider UNC) and universal service fund costs (Rider USF), in accordance with the New Jersey Electric Discount and Energy Competition Act. The current SBC includes the following charges per KWH:

		Including SUT
Rider DSF	**$0.002831**	**$0.003029**
Rider NDC	**$0.000000**	**$0.000000**
Rider RAC	**$0.000079**	**$0.000085**
Rider UNC	**$0.000545**	**$0.000583**
Rider USF	**$0.002539**	**$0.002716**

Carrying costs on unamortized balances of demand side management costs, nuclear decommissioning costs, manufactured gas plant remediation costs, uncollectible costs, and universal service fund costs shall be calculated in accordance with the terms of Rider DSF, Rider NDC, Rider RAC, Rider UNC and Rider USF, respectively.

Effective July 1, 2011, the SBC shall be applied to all KWH usage for billing purposes as follows:

		Including SUT
Total SBC:	**$0.005994**	**$0.006413**

~~Beginning January 1, 2011, with the exception of universal service fund costs components, all over- and under-recoveries of individual SBC components are to be applied to under- or over-recoveries of other SBC components as of each December 31.~~

Issued: **Effective: July 1, 2011**

Filed pursuant to Order of Board of Public Utilities
Docket No. ER10020130 dated

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

DB1/ 67118417.7

Rider DSF
Demand Side Factor

APPLICABILITY: Rider DSF determines a Demand Side Factor ("DSF") in accordance with the formulae and definitions set forth below for the 12-month period of August through July of each year ("DSF Recovery Year"). This factor is included in the Societal Benefits Charge applicable to all KWH usage of any Full Service Customer or Delivery Service Customer.

The calculated DSF rate shall be prepared by the Company and filed with the BPU for recovery of amounts related to demand side management programs ("DSM Programs") specifically including Comprehensive Resource Analysis (CRA) and other Board-approved DSM Programs. The DSF calculations shall be based on true-up accounting for actual DSM Program Costs, Lost Revenues, and DSM Performance Incentives, prior period Reconciliation Adjustments and the related DSF recovery revenues, for the preceding 12-month period of January through December ("DSF Reconciliation Year") and the estimated DSM Program Costs, Lost Revenues, Performance Incentive recoveries and Reconciliation Adjustments for the following 12-month period of January through December ("DSF Program Year"). Such DSF rate shall become effective for service rendered on and after August 1 of each DSF Recovery Year unless otherwise ordered by the BPU, and shall remain in effect for a period of twelve months, or until further revised by the BPU.

CALCULATION OF THE DEMAND SIDE FACTOR:

1) By using the following formulae:

$$DSF = \frac{(PC+LR+P+RA)}{ES}$$

2) Where the terms are defined as follows:

DSF= The Demand Side Factor in cents per KWH to be applied to all applicable KWH usage of any Full Service Customer or Delivery Service Customer.

PC = The Program Costs are set by the BPU-approved CRA funding level plus the cost of other DSM programs. Such costs may, consist of, but are not limited to, rebates, grants, payments to third parties for program implementation, direct marketing costs, hardware, administration, measurement and evaluation of programs, customer communication and education, market research, costs associated with developing, implementing and obtaining regulatory approval, costs of research and development activities associated with advertising costs. In addition, during each DSF Recovery Year, only one-sixth (1/6) of the Program Costs related to legacy DSM Performance-based Programs incurred during the DSF Program Year will be expensed to Account 910 for recovery in the current year, while the remaining five-sixths (5/6) shall be deferred and accumulated in Account 182 and amortized over the following five DSF Recovery Years. Amounts accumulated in Account 182 shall earn a return calculated monthly on the unamortized portion based on the two-year constant maturity Treasuries as shown in the Federal Reserve Statistical Release on or closest to August of each year, plus sixty basis points, compounded annually, which return shall be included in the amounts to be amortized in subsequent DSF Recovery Years. All costs for DSM programs incurred during the DSF Program Year shall be expensed to Accounts 907, 908, 909 and 910 and recovered fully during the current DSF Recovery Year, subject to reconciliation and true-up in the next DSF filing.

Rider DSF
Demand Side Factor

LR = The Company's Lost Revenues associated with decremental sales between base rate cases resulting from implementation of BPU-approved DSM programs. The amount of such lost revenues will be calculated on a program-by-program basis by calculating the lost revenue associated with on-peak and off-peak energy as well as demand. The revenue shortfall shall be calculated based on the decremental base rate impact on a specific customer and a specific tariff component basis of the DSM programs less the energy costs and revenue taxes included in base rates. Lost revenues accounted for in the development of current base rates will cease with the implementation of those base rates.

P = A Shared Savings Performance Incentive shall be recovered by the Company for BPU-approved performance-based legacy DSM programs as defined in N.J.A.C. 14:12-3.2 based upon 25% of the calculated net present value of the programs' benefits. One-third (1/3) of the amount of the Shared Savings Performance Incentive as calculated above shall be included for recovery in the current DSF Recovery Year, and recovery of the balance shall be spread equally over the following two DSF Recovery Years. Shared Savings Performance Incentives are earned over the program benefit life of measures and will be trued-up annually over the benefit life of the measures installed.

RA = Reconciliation Adjustment for experienced net over or under collection of DSF amounts (including PC, LR, and P) associated with BPU-approved DSM programs as of the end of the prior DSF Reconciliation Year, including interest without compounding. Interest shall be computed monthly at the appropriate rate approved by the BPU * from the month the over or under collection occurs to the effective month such over collection is refunded or such under collection is recovered.

ES = The Company's retail KWH sales for the DSF Recovery Year excluding sales for GTX.

3) Effective July 1, 2011, the revised DSF computation is as follows ($ Millions):

$$\text{DSF} = \frac{\$62.845 + \$0 + \$0 + \$0}{22{,}196{,}116 \text{ MWH}} = \$0.002831 \text{ per KWH}$$

($0.003029 per KWH including SUT)

* Pursuant to the BPU Final Order dated May 17, 2004 (Docket Nos. ER02080506, et al.), such interest rate shall be the rate actually incurred on the Company's short-term debt (debt maturing in one year or less), or the rate on equivalent temporary cash investments if the Company has no short-term debt outstanding. Interest shall be computed monthly based on the beginning and ending average monthly balance net of deferred income taxes, compounded annually (added to the balance on which interest is accrued annually) on January 1 of each year.

Rider NDC
Nuclear Decommissioning Costs

APPLICABILITY: Rider NDC provides a charge for Nuclear Decommissioning costs. The NDC is included in the Societal Benefits Charge applicable to all KWH usage of any Full Service Customer or Delivery Service Customer.

NDC = $0.000000 per KWH ($0.000000 per KWH including SUT)

Nuclear Decommissioning costs include carrying costs on any unamortized balances of such costs at the applicable interest rate approved by the BPU in its Final Order dated May 17, 2004 (Docket Nos. ER02080506, et al.). Such interest rate shall be the rate actually incurred on the Company's short-term debt (debt maturing in one year or less), or the rate on equivalent temporary cash investments if the Company has no short-term debt outstanding. Interest shall be computed monthly based on the beginning and ending average monthly balance net of deferred income taxes, compounded annually (added to the balance on which interest is accrued annually) on January 1 of each year.

Rider UNC
Uncollectible Accounts Charge

APPLICABILITY: Rider UNC provides a charge for costs associated with uncollectible accounts recorded in FERC account 904 (Uncollectible Accounts). The UNC is included in the Societal Benefits Charge applicable to all KWH usage of any Full Service Customer or Delivery Service Customer.

UNC = $0.000545 per KWH ($0.000583 per KWH including SUT)

Uncollectible costs include carrying costs on any unamortized balances of such costs at the applicable interest rate approved by the BPU in its Final Order dated May 17, 2004 (Docket Nos. ER02080506, et al.). Such interest rate shall be the rate actually incurred on the Company's short-term debt (debt maturing in one year or less), or the rate on equivalent temporary cash investments if the Company has no short-term debt outstanding. Interest shall be computed monthly based on the beginning and ending average monthly balance net of deferred income taxes, compounded annually (added to the balance on which interest is accrued annually) on January 1 of each year.

Jersey Central Power & Light Company
Societal Benefits Charge - Demand Side Factor ("SBC-DSF"")
Summary of Deferred Clean Energy Program ("CEP")
& Legacy DSM Program Costs ("PC") & Interest
For the Period January 1, 2009 through December 31, 2009
& the Calculation of a Proposed Increase in Rider DSF, Effective July 1, 2011

Line No.	COMPUTATION OF (OVER)/UNDER RECOVERY OF CEP & LEGACY DSM PROGRAM COSTS	Jan.2009 through Dec.2009	
1	(Over)/Under Recovery of CEP & Legacy DSM Program Costs at 1/1/2009	$ -	
2	Interest on Deferred CEP & Legacy DSM PC Accounts at 1/1/2009	-	
3	Total Deferred CEP & Legacy DSM Prog.Costs Incl.Interest at 1/1/2009 (L1 + L2)	$ -	
4	Tariff Rider DSF Revenue Recovery	$ (41,042,416)	
5	Clean Energy Program Costs & Legacy DSM Program Costs	48,211,939	
6	Under Recovery of CEP & Legacy DSM at 12/31/2009 (Line 4 + Line 5)	$ 7,169,523	
7	Accued Interest	(11,958)	
8	(Over) Recovery of CEP for the 12 Mos.ended 12/31/2009 Incl.Interest (L6 + L7)	$ 7,157,565	
9	SBC (Over) Recovery Offset Against Deferred CEP at 12/31/2009	(7,157,565)	1
10	Under Recovery of CEP & Legacy DSM PC at 12/31/2009 (L3 + L8 + L9)	$ -	

Line No.	CALCULATION OF A PROPOSED INCREASE IN RIDER DSF EFFECTIVE JULY 1, 2011	Amount
11	2011 Clean Energy Program BPU-Mandated Expenditures [2]	$ 62,845,131
12	Forecasted Jurisdictional MWh Sales for the 12 Months Ended 6/30/2012	22,196,116
13	**Proposed Tariff Rider DSF (Mills per KWh) before SUT (Line 11 ÷ Line 12)**	**2.831**
14	**Current Rider DSF (Mills per kWh)**	**1.934**
15	**Proposed Increase in Rider DSF before SUT (Line 13 - Line 14)**	**0.897**
16	**Proposed Rider DSF Revenue (Decrease) (Line 12 x Line 15) at 7/1/2011**	**$ 19,909,916**

Notes:

1 In accordance with Tariff Rider SBC, over-recoveries applied to other components of the SBC through December 31, 2009 equals $17,896,234.82,which includes interest of $696,041.98.

2 Based on mandated spending as established in the BPU's Order in Docket No.EO07030203, dated September 30, 2008.

DB1/67118417.7

Jersey Central Power & Light Company
Societal Benefits Charge (SBC-UNC)
Summary of Deferred Uncollectible Accounts Expense and Interest
For Period January 1, 2009 through December 31, 2009

Line No.		Jan-09 through Dec-09	Refer to Attachment B-2 Line No(s).
1	Total (Over)/Under-Recovered Uncollectible Accounts Expense at Jan 1, 2009	$ -	
2	Balance of Interest on Deferred Uncollectible Accounts Expense at Jan 1, 2009	$ -	
3	Total (Over)/Under-Recovered Decommissioning Costs Including Interest at Jan 1, 2009	$ -	
4	Tariff Rider UNC Net Revenue Recovery	$ (6,070,275)	1
5	Uncollectible Accounts Expense Incurred	$ 11,518,674	2
6	(Over)/Under-Recovery of UNC Costs	$ 5,448,399	3
7	Interest Accrued	$ 10,130	15 + 18
8	Over/(Under)-Recovery of UNC Costs and Related Interest Applied to SBC at Year-End	$ (5,458,529) [1]	9 + 17
9	Balance of Deferred Uncollectible Accounts Expense at Dec 31, 2009	$ -	
	Calculation of Proposed Increase to Tariff Rider UNC:		
10	Forecasted Annual Uncollectible Accounts Expense	$ 12,100,000	
11	Total Proposed Annual Revenue Recovery Effective 7/1/2011 (Line 9 + Line 10)	$ 12,100,000	
12	Forecasted Jurisdictional MWh Sales for 7/1/2011-6/30/2012	22,196,116	
13	**Proposed Tariff Rider UNC (Mills per KWh) Before SUT (Line 11 / Line 12)**	**0.545**	
14	Current Tariff Rider UNC (Mills per KWh) Before SUT	0.286	
15	**Proposed Change to Tariff Rider UNC (Mills per KWh) Before SUT effective 7/1/2011**	**0.259**	
16	**Proposed Rider UNC Revenue Increase Effective 7/1/2011 (Line 12 X Line 15)**	**$ 5,748,794**	

[1] SBC over-recoveries applied to other under-recovered SBC components at year-end in accordance with Tariff Rider SBC.

DB1/67118417.7

Appendix C

Proposed Tariff Sheet (Rider RAC)

Rider RAC
Remediation Adjustment Clause

APPLICABILITY: Rider RAC determines a Remediation Adjustment in accordance with the formula set forth below. The factor is included in the Societal Benefits Charge applicable to all KWH usage of any Full Service Customer or Delivery Service Customer.

The calculated RAC rate shall be prepared by the Company and filed with the BPU annually by the end of December with a requested effective date of June 1 of the subsequent year. Rider RAC provides for the recovery of manufactured gas plant remediation costs (net of insurance and other recoveries) over rolling seven year periods, including carrying costs on the unamortized balance. Carrying cost is calculated on a monthly basis at an interest rate equal to the rate on seven-year constant maturity Treasuries, as shown in the Federal Reserve Statistical Release on or closest to January 1 of each year, plus sixty basis points, compounded annually as of January 1 of each year.

CALCULATION OF THE REMEDIATION ADJUSTMENT CLAUSE FACTOR:

1) By using the following formula:

   RAC = Recoverable Cost / Sales

2) Where the terms are defined as follows:

   RAC = The Remediation Adjustment Clause factor in cents per KWH to be applied to all applicable retail KWH sales for the 12-month period of June through May of each year.

   Recoverable Cost = Manufactured Gas Plant remediation expenses (net of insurance and other recoveries) amortized over rolling seven year periods. The cost includes carrying costs on any unamortized balance of remediation costs, net of associated deferred tax balance, at an annual interest rate stated above.

   Sales = The Company's forecasted retail KWH sales.

3) Effective July 1, 2011, the RAC computation is as follows ($ Millions):

   RAC = $1.762 / 22,196,116 MWH = $0.000079 per KWH
   ($0.000085 per KWH including SUT)

JERSEY CENTRAL POWER & LIGHT COMPANY
DERIVATION OF MANUFACTURED GAS PLANT (MGP)
REMEDIATION ADJUSTMENT CHARGE (RAC)
FOR TARIFF RIDER EFFECTIVE JUNE 2010

Line No.			Data Sources
	MGP expenditures and Carrying Cost		
1	Total Remediation costs incurred through 12/31/08	$ 81,025,027	ER09030194,Attachmt A, Line Nos.1 + 9
2	Write-off in accordance with RAC Stipulation and BPU Order	(2,500,000)	ER03121020,Attachmt A, Dec 03 Update, at Line No. 8
3	Insurance proceeds received	(36,100,000)	ER03121020,Attachmt A, Dec 03 Update, at Line No. 3
4	MGP revenue previously collected through base rates	(16,877,403)	ER03121020,Attachmt A, Dec 03 Update, at Line No. 4
5	Total remediation costs net of insurance recovery at 12/31/08	$ 25,547,624	Lines Nos. 1 through 4
6	Total Carrying Cost at 12/31/08	(722,706)	ER09030194,Attachmt A, Line Nos. 6 + 10
7	Application of over-recovered SBC through 12/31/08	(19,726,796)	(a)
8	Total net MGP costs at 12/31/08 after SBC applications	5,098,122	Line Nos. 5 through 7
9	Expenses related to Natural Resources Damages (NRD) through 12/31/08	291,930	(b)
10	**Total net MGP costs at 12/31/08 as filed 3/9/09**	**4,806,192**	ER09030194, Attachment A 2006-2008 Update, Line 14
11	**Expenses incurred in current year 2009**	**$ 9,039,821**	Attachment J
12	**Carrying cost on deferred MGP costs accrued in current year 2009**	**194,024**	Attachment O
13	**Total unrecovered MGP costs at 12/31/09**	**14,040,037**	Line Nos. 10 + 11 + 12
14	**Application of over-recovered SBC in current year 2009**	**(1,523,158)**	(a)
15	**Current year expenses related to NRD**	**89,580**	(b)
16	**Incentive Compensation Program Costs 2006-2009**	**89,966**	
17	**Net MGP remediation expenses excluding NRD and ICP at 12/31/09**	**$ 12,337,333**	Line Nos. 13 + 14 - 15 - 16
	Derivation of Tariff Rider RAC:		
18	Net MGP remediation expenses excluding NRD and ICP at 12/31/09	$ 12,337,333	Line 17
19	RAC recovery period (Years)	7	ER91121820J 12/16/94 Order
20	Annual recoverable MGP expenses	$ 1,762,476	Line 18 divided by Line 19
21	Retail sales forecasted (Mwh) for the 12 mos. ended 6/30/12	22,196,116	
22	Calculated RAC factor (Mills/kWh) before SUT	0.079	Line 20 divided by Line 21
23	RAC factor currently in effect (Mills/kWh)	0.000	
24	**Calculated Increase in RAC Factor (Mills/kWh)**	**0.079**	Line 22 - Line 23
25	**Proposed Change to RAC factor effective 7/1/11 before SUT**	**0.079**	Mills / kWh
26	**Proposed Rider RAC revenue increase effective 7/1/11**	**$ 1,762,476**	

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

	$
2004	(6,424,026)
2005	(2,639,759)
2006	(2,401,577)
2007	(5,621,172)
2008	(2,640,262)
2009	(1,523,158)
Cumulative through 12/31/09	$ (21,249,954)

(b) NRD Expenses incurred by year:

	$
2005	62,856
2006	157,594
2007	53,434
2008	18,046
2009	89,580
Cumulative through 12/31/09	$ 381,510

Jersey Central Power & Light Company
RAC Minimum Filing Requirements

As part of the Company's annual RAC filing, the Company will provide responses to the following Minimum Filing Requirements ("MFRs"). The requests, unless noted otherwise, relate to the historical 12-month RAC period. The data shall be provided by February 15 of the calendar year following the historical 12-month RAC period.

1. The Company currently provides a vendor summary as Attachment D with its annual filing. This Attachment provides a summary of the expenditures incurred by vendor by site for the twelve-month RAC period. Hereafter, the Attachment will be supplemented with a general description of the services provided by each vendor. The data noting expenditures incurred through November are submitted to the Parties by December 31 of the filing period. The data are updated with the expenditures incurred through December and submitted to the Parties by January 31 of the year following the filing period.

2. Identify the three MGP sites with the highest level of expenditures during the prior RAC period. For each identified site, provide a copy of the latest work plan, remediation report, or major work product submitted to the NJDEP. The copies should include the narrative portion of the report or work plan but need not include the technical supporting workpapers, charts and tables.

3. For each of the same three MGP sites, provide all correspondence between the Company and the NJDEP concerning submissions for the site, reply comments, and other major items which have a material impact on remediation activities and associated costs incurred by the Company. The correspondence should span the twelve-months preceding December 31st of the most recent RAC period.

4. For each of the same three MGP sites, provide expense documentation for any contractor or supplier whose invoices for the RAC period exceed $250,000 in aggregate. The expense documentation should include descriptions of services rendered, applicable invoices, and any tracking of invoiced charges vs. budgets. The expense detail need not include expense reports or time sheets, but it should include supporting documentation for any subcontractor and third party expenses totaling $100,000 or more for the period.

5. For each of the same three MGP sites, provide a narrative description and organization chart for that site, showing the vendors and project control structure for the remediation effort. The response should show what entities supervise all significant contractors and subcontractors and which Company personnel are involved in site and remediation supervision and control.

6. Provide a detailed narrative describing Company activities and any reimbursements related to insurance claims or potentially responsible parties' liabilities for all of the Company's MGP sites. The narrative, with supporting documentation, should cover the prior RAC period. In addition, the Company will provide a listing of all insurance reimbursements received from each insurance company through the end of the year covered by the filing,

but need not disclose any insurance company's identity.

7. Provide copies of any RAC audit reports or related materials prepared by the Board's Audit Staff, FERC, or the Company's internal or external auditors during the previous twelve months. To the degree applicable, please also provide any materials prepared in response to the audits or in compliance with any audit findings.

8. Provide a narrative concerning all material events, whether related to NJDEP mandates or not, which could have an impact on the Company's ultimate MGP remediation liability, with claimed confidential information provided pursuant to a confidentiality agreement. The narrative should encompass all sites, whether or not active remediation efforts on the site are under way.

9. Provide schedules and supporting workpapers and documents, which show the reconciliation of the prior period RAC expenditures and recoveries as well as the derivation of the deferred tax credit and the interest accrual on any unamortized balances.

10. Provide the Company's bid evaluation studies, reports, workpapers or other material related to the two largest MGP remediation contracts awarded during the previous RAC period. The response should include the criteria utilized for bid evaluation and the comparisons between the terms and conditions offered by the competitive bidders.

11. Provide documentation relating to the two largest supplemental contract amendments authorized by the Company during the previous RAC period. The response should provide the contractor's request for supplemental funding, the reasons cited for the request, and the Company's evaluation and action taken concerning the request.

12. Provide documentation relating to any instances during the previous RAC period where the Company sought to modify, change, or eliminate the NJDEP site remediation requirements for any of its MGP sites. The response should provide copies of any such Company requests, the NJDEP responses, and the ultimate outcome concerning the requests.

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

14. The Company currently provides a schedule that summarizes the expenditures incurred by major cost category by site on a quarterly basis. These data are, and will continue to be, reported as Attachment C with its annual filing.

15. For each of the Company's MGP sites, provide a schedule showing the status of the remediation effort and estimated dates for the completion of remaining milestones, along with a discussion of major remediation problems. The Parties understand that the timeframes to complete the remediation efforts are subject to a great deal of uncertainty due to factors beyond the Company's control.

16. Provide an update concerning the status of discussions with the NJDEP concerning its NRD initiative as well as any other NRD-related activities, with claimed confidential information provided pursuant to a confidentiality agreement. Such update will include information about NRD-related expenditures during the prior RAC period and related documentation, as well as total NRD-related expenses deferred to date.

17. Provide information about unreasonable delays in remediation efforts caused by the inability to obtain requisite approvals, clearances or other rights from the NJDEP, local authorities or property owners, or other circumstances that are unduly impeding remediation efforts. The Company will address issues that are outside of the ordinary experience for these matters.