



Agenda Date: 12/6/19  
Agenda Item: 2H

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE VERIFIED PETITION OF	)	ORDER MODIFYING ORDER
JERSEY CENTRAL POWER & LIGHT COMPANY FOR	)	DATED JULY 24, 2002
AUTHORIZATION PURSUANT TO N.J.S.A. 48:3-7.2	)	
FOR APPROVAL TO PARTICIPATE IN THE	)	
FIRSTENERGY CORPORATION INTRA SYSTEM	)	DOCKET NO. EF02030185
MONEY POOL	)	AMENDMENT NO. 9

**Parties of Record:**

**Stefanie A. Brand, Esq., Director**, New Jersey Division of Rate Counsel  
**Gregory Eisenstark, Esq.**, Cozen O'Connor, P.C., for Jersey Central Power & Light Company

**BY THE BOARD:**

On June 26, 2019, Jersey Central Power & Light ("Company", "JCP&L", or "Petitioner"), a public utility corporation of the State of New Jersey, having offices in Morristown, New Jersey, filed a petition with the New Jersey Board of Public Utilities ("Board") seeking (1) a ninth (9<sup>th</sup>) extension of the time within which JCP&L may participate in the FirstEnergy Intersystem Utility Money Pool ("Money Pool"), through December 31, 2022 ("Amendment No. 9"), and (2) to modify its authorization of its limitation on its Money Pool borrowings to an aggregate principal amount not to exceed \$500 million outstanding at any one time. By this Order, the Board considers those requests.

By Orders of the Board dated July 24, 2002, April 11, 2003, April 20, 2005, December 21, 2007, March 18, 2011, March 20, 2013 and January 25, 2017 (collectively, "Money Pool Orders"), the Board authorized the Company, from time to time through December 31, 2019, and subject to certain conditions specified in the Money Pool Orders, to participate in the Money Pool maintained for the benefit of various public utility subsidiaries of FirstEnergy Corp. ("FirstEnergy"), including the Company. The Money Pool is made up of various FirstEnergy public utility subsidiaries investing available cash in the Money Pool, which may then be loaned by the Money Pool to other participating FirstEnergy utility subsidiaries to meet their short-term operating needs.

According to the petition, if continued participation is authorized, JCP&L will make available to the Money Pool, from time to time through December 31, 2022, surplus short-term funds in accordance with the terms of the Money Pool. Other participating subsidiaries may also make surplus short-term funds available to the Money Pool (such surplus short-term funds, whether provided by JCP&L or other subsidiaries, are herein referred to as "Internal Funds"). Other participating subsidiaries may also make available to the Money Pool proceeds from bank

borrowings or other forms of short-term indebtedness by such other participating subsidiaries (referred to as "External Funds").

As described in the petition filed by the Company on March 19, 2002 and attached as Exhibit 1 to the instant Petition ("March 19, 2002 Petition"), participating companies that borrow through the Money Pool would borrow *pro rata* from each company that lends, in the proportion that the total amount loaned by each such lending company bears to the total amount then loaned through the Money Pool. On any day when more than one fund source (e.g., Internal and External Funds), with different rates of interest, is used to fund the loans through the Money Pool, each borrower would borrow *pro rata* from each such fund source in the Money Pool in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available to the Money Pool. (Exhibit 1 at paragraph 8.)

The March 19, 2002 Petition further provides that, if only Internal Funds make up the funds available in the Money Pool, the interest rate applicable and payable to or by the participating subsidiaries for all loans of these Internal Funds will be the greater of the 30-Day LIBOR rate as quoted in *The Wall Street Journal* or the money market rate that a lending participating subsidiary could have obtained if it placed its excess cash in such an investment.

(*Id.* at paragraph 9.)

According to the March 19, 2002 Petition, if only External Funds comprise the funds available in the Money Pool, the interest rate applicable to loans of such External Funds would be equal to the lending company's cost for such External Funds. Appropriate "blending" and pro-rating will be effected if more than one participating subsidiary has made funds available to the Money Pool and/or both Internal and External Funds are available in the Money Pool, provided that loans may be made exclusively from Internal Funds or External Funds, rather than from a "blend" of these funds, to the extent it is expected that these loans would result in a lower cost of borrowing. As stated above, JCP&L may make Internal Funds available to the Money Pool but shall not make External Funds available to the Money Pool for the specific purpose of lending to the Money Pool. Further, JCP&L may borrow both Internal and External Funds provided by other participating subsidiaries, provided this is the least costly borrowing alternative available to JCP&L. (*Id.* at paragraphs 10 and 11.)

JCP&L represents in the March 19, 2002 Petition that funds not required by the Money Pool to make loans (with the exception of funds required to satisfy the Money Pool's liquidity requirements) are ordinarily invested in one or more short-term investments, including: (1) interest bearing accounts with banks; (2) obligations issued or guaranteed by the U.S. government and/or its agencies and instrumentalities, including obligations under repurchase agreements; (3) obligations issued or guaranteed by any state or political subdivision of a state, provided that these obligations are rated not less than "A" by a nationally recognized rating agency; (4) commercial paper rated not less than "A-1" or "P-1" or their equivalent by a nationally recognized rating agency; (5) money market funds; (6) bank certificates of deposit; and (7) Eurodollar funds. The interest income and other investment income earned by the Money Pool on loans and investment of surplus funds will be allocated among the participating companies in accordance with the proportion each participating company's contribution of funds to the Money Pool bears to the total amount of funds in the Money Pool and the cost of any External Funds provided to the Money Pool by such participating company. Interest and other investment earnings will be computed on a daily basis and settled once per month. (*Id.* at paragraph 12.)

JCP&L also represents in the March 19, 2002 Petition that FirstEnergy Service Company ("ServeCo") will continue to administer the Money Pool on an "at cost" basis in accordance with

the rules previously adopted by the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935, which the Federal Energy Regulatory Commission has accepted for continued use under the Public Utility Holding Company Act of 2005. ServeCo is required to maintain separate records for the proposed Money Pool and any other money pool it administers. (Id. at paragraph 16.)

JCP&L states that it has discretion to lend its Internal Funds, if any, and other participating subsidiaries have the discretion to lend their Internal and External Funds, if any, and all participating subsidiaries (including JCP&L) have discretion to borrow moneys from the Money Pool at any time. The determination of whether a participating subsidiary at any time has surplus funds to lend to the Money Pool or shall lend funds to the Money Pool is made by such Participating Company's chief financial officer or treasurer, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in such participating company's sole discretion. Each participating subsidiary may withdraw any of its funds from the Money Pool at any time upon notice to ServeCo, as administrator of the Money Pool. Similarly, all borrowings from the Money Pool shall be authorized by the borrowing participating company's chief financial officer or treasurer, or by a designee thereof. A participating subsidiary will not be required to borrow from the Money Pool, if it is determined that the participating subsidiary will be able to obtain funds at lower costs through direct bank borrowing. (Id. at paragraphs 13-14.)

Each participating subsidiary receiving a loan from the Money Pool shall repay the principal amount of such loan, together with all interest accrued thereon, on demand and in any event within 364 days of the date on which such loan was made. All loans made through the Money Pool may be prepaid by the borrower without premium or penalty. Loans from the Money Pool are made as open-account advances. Separate promissory notes are not required for each transaction, but may be executed if the participating subsidiaries deem it necessary or appropriate. (Id. at paragraph 15.)

If continued participation is approved, JCP&L will make available its surplus short term funds to the Money Pool so long as all borrowers in the Money Pool have, at a minimum, investment grade credit ratings from all applicable nationally recognized rating agencies from which ratings are obtained. Therefore, any participating subsidiary that does not meet the applicable credit rating standard would not be allowed to borrow from the Money Pool so long as JCP&L is contributing funds to the Money Pool. If a participating subsidiary has an outstanding loan from the Money Pool at a time when JCP&L is deemed to be a lender (because JCP&L had contributed funds to the Money Pool that were deemed included in such outstanding loan), such participating subsidiary would be required to repay that loan immediately upon no longer meeting the applicable credit rating standard.

Petitioner agrees that its borrowing through the Money Pool shall not exceed \$500 million.

The Company represents that its continued participation in the Money Pool, on the terms discussed herein and in the petition, is in compliance with all of the provisions of the money pool-related regulations. N.J.A.C. 14:4-4.7(f), (g) and (h).

In a letter dated October 30, 2019, the Division of Rate Counsel ("Rate Counsel") stated that it does not object to the Company's extension and borrowing limit requests, subject to the limitations and clarifications included in this order. Rate Counsel also reserves its rights to take appropriate positions in current and future Board proceedings involving JCP&L.

## **DISCUSSION AND FINDINGS**

The Board, after investigation and review of Petitioner's representations and submissions, and after consideration of the recommendations of Rate Counsel and Board Staff, **FINDS** that JCP&L's participation in the Money Pool on the conditions specified below and in the Money Pool Orders is in compliance with the law, and that its borrowing limit be set at \$500 million, and the extension of time within which Petitioner may participate in the Money Pool, are necessary and proper.

Accordingly, the Board **HEREBY AUTHORIZES** JCP&L to continue to participate in the Money Pool through December 31, 2022, subject to the conditions of the initial Order except as modified herein.

This Order is subject to the following provisions:

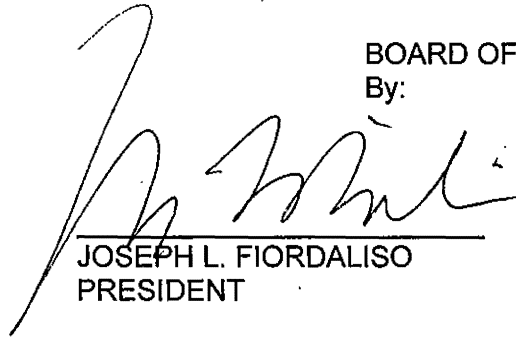
1. Petitioner's borrowing through the Money Pool shall not exceed \$500 million.
2. Petitioner shall not make any bank borrowings or issue commercial paper for the sole purpose of lending the proceeds to the Money Pool.
3. Petitioner shall not borrow from the Money Pool if it will be able to obtain funds at lower costs either through a direct bank borrowing or issuance of commercial paper.
4. Petitioner's chief financial officer or treasurer, or designee thereof, shall render Money Pool-related short term financing decisions based upon what is in the best interests of JCP&L's ratepayers.
5. Petitioner shall only deposit such Internal Funds (i.e., surplus cash) in the Money Pool as it would otherwise have available for investment in short-term money markets or other short-term investment instruments.
6. Petitioner shall not borrow any sum from the Money Pool for a period of greater than 364 days.
7. Petitioner shall file with the Board quarterly comparative statements indicating the interest rate imposed for borrowing/investing with the Money Pool and the prevailing market rate at the time for similarly situated utilities.
8. Petitioner shall comply with the requirements of N.J.A.C. 14:4-4.7(f), (g) and (h), and the provisions of all other applicable statutes, regulations and Orders.
9. JCP&L shall inform the Board within three (3) business days of any participating subsidiary not meeting the applicable credit rating standard as described in the Money Pool Agreement.
10. The proceeds from the Money Pool borrowings shall be used only for JCP&L's utility operations and shall not be used for purposes of funding the company's or its affiliates' non-regulated operations.
11. Nothing in this Order authorizes rate recovery from customers, or the capital structure to be used in any future base rate case.

12. The Company is obligated to utilize a prudent and cost effective capital structure and mix of capital to finance its utility operations at lowest reasonable cost.
13. Any petition requesting authority to extend the time within which JCP&L may participate in the Money Pool (i.e., for Amendment No. 10) shall be filed no later than September 1, 2022.
14. Petitioner shall review the need for and merits of a commercial paper program as a supplement to or (on occasion) substitute for Money Pool borrowings based on the availability and costs of those borrowings, and provide such information to Rate Counsel and Board Staff on an annual basis beginning in 2020 and at the time of filing any future extension request.

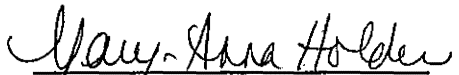
This Order shall become effective on December 16, 2019.

DATED: 12/6/19

BOARD OF PUBLIC UTILITIES  
By:



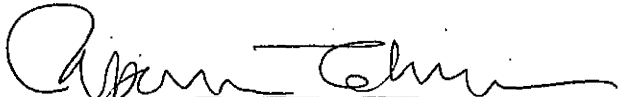
JOSEPH L. FIORDALISO  
PRESIDENT



MARY-ANNA HOLDEN  
COMMISSIONER



DIANNE SOLOMON  
COMMISSIONER



UPENDRA J. CHIVUKULA  
COMMISSIONER



ROBERT M. GORDON  
COMMISSIONER

ATTEST:   
AIDA CAMACHO-WELCH  
SECRETARY

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

IN THE MATTER OF THE VERIFIED PETITION OF JERSEY CENTRAL POWER & LIGHT  
COMPANY FOR AUTHORIZATION PURSUANT TO N.J.S.A. 48:3-7.2 FOR APPROVAL TO  
PARTICIPATE IN THE FIRSTENERGY CORPORATION INTRA SYSTEM MONEY POOL  
AMENDMENT NO. 9 TO THE PETITION  
DOCKET NO. EF02030185

SERVICE LIST

Gregory Eisenstark  
Cozen O'Connor  
One Gateway Center  
Suite 2600  
Newark, NJ 07102  
[geisenstark@cozen.com](mailto:geisenstark@cozen.com)

Morgan O'Donnell, Director  
Regulatory Strategy & Revenue Policy  
Pepco Holdings LLC-EP9628  
701 Ninth Street, NW  
Washington, DC 20068-0001  
[modonnell@pepcoholdings.com](mailto:modonnell@pepcoholdings.com)

Mark A. Mader  
Jersey Central Power & Light Company  
300 Madison Avenue  
Morristown, NJ 07962  
[mamader@firstenergycorp.com](mailto:mamader@firstenergycorp.com)

Yongmei Peng  
Jersey Central Power & Light Company  
300 Madison Avenue  
Morristown, NJ 07962

Matthew Kahal  
Exeter Associates, Inc.  
1108 Pheasant Crossing  
Charlottesville, VA 22901  
[mKahal@exeterassociates.com](mailto:mKahal@exeterassociates.com)

Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003

Stefanie A. Brand, Esq., Director  
[sbrand@rpa.nj.gov](mailto:sbrand@rpa.nj.gov)

Brian O. Lipman Esq.  
[blipman@rpa.nj.gov](mailto:blipman@rpa.nj.gov)

Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Trenton, NJ 08625-0350

Aida Camacho-Welch  
Secretary of the Board  
[Board.secretary@bpu.nj.gov](mailto:Board.secretary@bpu.nj.gov)

Paul E. Flanagan, Esq.  
Executive Director  
[Paul.flanagan@bpu.nj.gov](mailto:Paul.flanagan@bpu.nj.gov)

Abraham Silverman, Esq.  
Chief Counsel  
[Abe.Silverman@bpu.nj.gov](mailto:Abe.Silverman@bpu.nj.gov)

Benjamin Witherell, Ph.D.  
Chief Economist  
[benjamin.witherell@bpu.nj.gov](mailto:benjamin.witherell@bpu.nj.gov)

Christine Lin  
Office of the Economist  
[Christine.lin@bpu.nj.gov](mailto:Christine.lin@bpu.nj.gov)

Stacy Peterson, Director  
Division of Energy  
[Stacy.peterson@bpu.nj.gov](mailto:Stacy.peterson@bpu.nj.gov)

Suzanne Patnaude, Esq.  
Senior Legal Specialist  
[Suzanne.patnaude@bpu.nj.gov](mailto:Suzanne.patnaude@bpu.nj.gov)

Deputy Attorney General  
NJ Department of Law and Public Safety  
Richard J. Hughes Justice Complex  
Public Utilities Section  
25 Market Street, P.O. Box 112  
Trenton, NJ 08625

Pamela Owen, Esq.  
[Pamela.owen@law.njoag.gov](mailto:Pamela.owen@law.njoag.gov)

Ami Morita, Esq.  
[amorita@rpa.nj.gov](mailto:amorita@rpa.nj.gov)

James Glassen, Esq.  
[jglassen@rpa.nj.gov](mailto:jglassen@rpa.nj.gov)

T. David Wand, Esq.  
[dwand@rpa.nj.gov](mailto:dwand@rpa.nj.gov)

Debora Layugan, Esq.  
[dlayugan@rpa.nj.gov](mailto:dlayugan@rpa.nj.gov)

Maria Novas-Ruiz, Esq.  
[mnovas-ruiz@rpa.nj.gov](mailto:mnovas-ruiz@rpa.nj.gov)

Paul Youchak, Esq.  
[paulyouchak@law.njoag.gov](mailto:paulyouchak@law.njoag.gov)

Geoffrey Gersten, Esq.  
[geoffrey.gersten@law.njoag.gov](mailto:geoffrey.gersten@law.njoag.gov)