New Jersey Board of Public Utilities

NEWS RELEASE

For Immediate Release:
March 18, 2014

Contact:
Greg Reinert
609-777-3305

JCP&L Ordered to Lower Rates

TRENTON, N.J. – The New Jersey Board of Public Utilities (Board) today ordered a reduction of over 18% of the distribution portion of Jersey Central Power & Light (JCP&L) rates after determining that its customers had been overcharged for electric service. However, costs associated with major storms of 2012, which the Board deemed prudent and recent Board modification of the consolidated tax adjustment (CTA) calculation reduced the revenue reduction from about $115 million to approximately $35 million.

The expected rate impact for a typical JCP&L residential customer using 1000 KWh of electricity per month will be a saving of 1.2% or an average of $1.68 off their monthly electric bill after the storm costs incurred by the company from Superstorm Sandy are also taken into account.

"Today's order ensures that JCP&L is providing safe and proper service at just and reasonable rates, while also securing and being mindful of the company's financial integrity now and into the future," said Richard S. Mroz, President of the New Jersey Board of Public Utilities. "I am mindful that this matter took quite a long time to process" said Mroz. "Accordingly, I have directed staff to provide recommendations to identify processes that should ensure that future rate cases will be resolved more quickly."

This 2012 base rate case was initiated after New Jersey Division of Rate Counsel petitioned the Board to order the company to make a base rate filing. At the time, the Board had become concerned that JCP&L was overearning and that the company was not meeting appropriate levels of service, raising operational concerns. The matter was referred to the Honorable Richard McGill, the administrative law judge (ALJ) who presided over the matter at the New Jersey Office of Administrative Law. As the case proceeded before the ALJ, the Board ruled on the prudency of cost associated with the preparation, response, and recovery to major storms in 2011 and those costs were included in the base rate case. The ALJ ruled on the issues in the base rate case, including cost recovery of the 2011 storms, which include Hurricane Irene and an October snowstorm.

Other factors also delayed a final determination in the base rate case, including the major storms that struck New Jersey in 2011 and again in 2012. The storm costs requested by JCP&L for the 2011 storms were reduced by $7.5 and included in the ALJ's initial decision. The 2012 Superstorm Sandy storm costs which were filed in a separate proceeding and approved by the Board have an impact on rates, thereby limiting the impact of the rate reduction approved by the Board.

Superstorm Sandy caused unprecedented damage to the state's utility infrastructure, impacting 71% of New Jersey's electric distribution system and leaving 2.8 million without power in NJ alone. New Jersey's electric distribution companies incurred billions in costs during the restoration and recovery efforts. Today, a separate Board order provided for a revenue requirement of $81 million for expenses incurred in response to Superstorm Sandy.

Adjustments to the CTA not reflected in the 2011 test year will also have an impact on rates. The ALJ's initial decision did not address the CTA issue. The Board's decision to apply a new CTA policy, approved by the Board in October 2014, reduced the ALJ's decision on total revenues by approximately $5.4 million, but $52 million less than staff's original position in its initial brief that was based on the prior CTA calculation methodology.