



Agenda Date: 2/24/09
Agenda Item: LSA

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

ENERGY

IN THE MATTER OF THE VERIFIED PETITION OF)
JERSEY CENTRAL POWER & LIGHT COMPANY)
CONCERNING THE CONTINUATION BEYOND
MAY 31, 2009 OF ITS LEGACY DIRECT LOAD
CONTROL AIR CONDITIONER CYCLING PROGRAM

ORDER

DOCKET NO. ER07060375

(SERVICE LIST ATTACHED)

BY THE BOARD:

On January 26, 2009, Jersey Central Power & Light Company ("JCP&L" or "Company") filed a verified petition ("Petition") with the New Jersey Board of Public Utilities ("Board") proposing continuation with modifications of its legacy direct load control program, known as its Air Conditioner Cycling Program ("AC Cycling Program") for the period beyond May 31, 2009. The Petition requested Board approval to discontinue the AC Cycling Program for participating customers relying on switches to effectuate cycling events, but to continue the program for those customers relying on thermostats. The Company had determined that due to the low operability of the existing switches, it was no longer economical to continue that portion of the program. However, JCP&L further advised that the program was economic for customers using thermostats to effectuate cycling, and therefore, the Company did not propose discontinuing the portion of the program relying on thermostats.

Subsequently, by letter dated February 19, 2009, after discussions with Board staff and the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"), JCP&L modified its Petition. The Company has provided a financial analysis showing that, for the 2009/2010 energy year, the revenues expected to be received from participation of customers using both switches and thermostats in the PJM Interruptible Load for Reliability ("ILR") program exceeds the costs associated with the program. The Company has concluded that continuation of the AC Cycling Program for both switch and thermostat participants is economic in the 2009/2010 energy year. Therefore, JCP&L has requested Board approval to continue the AC Cycling Program for all participants, and to allow the Company to register the program in the PJM ILR Program for the 2009/2010 energy year.

BACKGROUND:

By way of background, the AC Cycling Program operates under the terms of a stipulation of settlement ("Stipulation") entered into in July 2008 in this docket, which was approved by the Board in an Order dated July 25, 2008 ("Order"). The Stipulation requires the Company to seek

further Board authorization of certain aspects of the AC Cycling Program, if continued beyond May 31, 2009.

The Company conducted an operability study of existing equipment by testing a limited sample of both switches and thermostats in the AC Cycling Program. According to the Company, although the existing switches were found to be operating at a lower percentage of reliability than those tested in prior years, financial analysis showed that the projected PJM revenues from participation in the PJM ILR program would exceed the costs of the program, including continuation of customers using both switches and thermostats. That financial analysis was provided to staff, Rate Counsel and the Board as part of this filing.

As stated above, following discussions with Board staff and Rate Counsel, JCP&L decided that the existing AC Cycling Program was economic for the 2009/2010 energy year, and should be continued for that period. The Company's analysis shows an estimated net credit of \$200,703 for energy year 2009/2010, after estimated program costs of \$1,091,073 are subtracted from the anticipated PJM capacity payments of \$1,291,776 during that period. The projected net credit is based on an estimated 27.5 megawatts of demand response registered in PJM's ILR Program from all customers, including both switch and thermostat equipment, with PJM revenues based on a PJM capacity value set at \$188 per megawatt-day. The Company's estimates factor in an operability factor of 30.4% from existing switches and 49.7% for thermostats, deduced from the latest test sampling of existing equipment. Despite the reduced equipment operability percentage compared to previous years, based on the information provided by the Company, the AC Cycling Program remains economic for energy year 2009/2010, dependent on achieving the estimated net credit.

Therefore, the Company requests Board approval to continue the AC Cycling Program for the period from June 1, 2009 through May 31, 2010 for customers using both switches and thermostats. The Company commits that, consistent with the terms of the Stipulation and the July 25, 2008 Order, it will not replace any inoperable or defective customer equipment after May 31, 2009, although it proposes to make service calls in response to requests from program participants. Furthermore, the Company requests Board approval to continue to register the customer demand response resulting from the AC Cycling Program in the PJM ILR Program beyond May 31, 2009.

By letter dated February 20, 2009, Rate Counsel stated that it does not object to JCP&L's request for a Board Order authorizing the continuation of the AC Cycling Program and registration with PJM for the 2009/2010 energy year, with the understanding that the PJM revenues will exceed the costs for that period, and that further Board authorization is required for continuation beyond that period. Board staff recommends that the existing AC Cycling Program continue for customers using both switches and thermostats for the 2009/2010 energy year, and that the resultant customer demand response be registered into the PJM ILR Program. According to the analysis provided, the estimated revenues from participation in the PJM ILR program are projected to exceed the costs of the program during that one year period, and the resultant demand response during peak periods will continue to benefit all customer classes.

DISCUSSION

The Board has reviewed the Petition and the letter requesting modification, the analysis provided by the Company, and the recommendations of Rate Counsel and Board staff, and based on that review HEREBY FINDS that JCP&L's AC Cycling Program is economic for the energy year 2009/2010. Therefore, the Board HEREBY ORDERS that the Company may continue its AC Cycling Program during the period from June 1, 2009 through May 31, 2010 for

all participants, including those with switches and with thermostats, subject to the terms and conditions of the Stipulation and the Order. The Board believes that the retention of the existing participant base, in its entirety, for potential inclusion in any Board-approved demand response successor program merits the continuation of incentive payments to customers with switch technology during summer 2009, despite the lowered equipment operability factor. Non-participating ratepayers are not expected to be affected by the continued operation of the full AC Cycling Program with both switches and thermostats, due to the anticipated aforementioned net credit which offsets the costs. In addition, continuation of the AC Cycling Program encourages changed customer behavior that will hopefully lead these customers to transfer into any new successor program.

The Board HEREBY DIRECTS that the AC Cycling Program continue to operate according to those provisions of the Stipulation that determine cycling events, customer incentives and other such operational terms. Consistent with the Stipulation and Order, the Company shall not replace inoperable or defective customer equipment associated with the AC Cycling Program after May 31, 2009, without further Board approval. The Company may, however, continue to make service calls in response to requests from participating customers, so long as such service calls are not part of a broad inspection program.

In addition, the Board HEREBY AUTHORIZES JCP&L to register the AC Cycling Program, including demand response from both switches and thermostats, in the PJM ILR Program, or any successor PJM program, for the period from June 1, 2009 through May 31, 2010. The Board HEREBY DIRECTS JCP&L to seek further Board approval for continuance of the AC Cycling Program beyond May 31, 2010, if the Company deems such program continuance advisable.

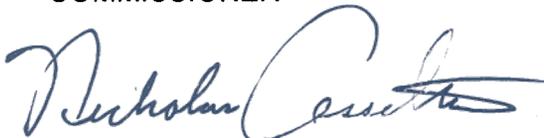
DATED: 3/3/09

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

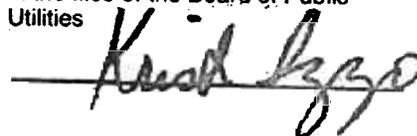

JOSEPH L. FIORDALISO
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ATTEST: 
KRISTI IZZO
SECRETARY

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



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I/M/O the Verified Petition of Jersey Central Power & Light Company Concerning the Continuation Beyond May 31, 2009 of its Legacy Direct Load Control/Air Conditioner Cycling Program

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