



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

IN THE MATTER OF THE JOINT
PETITION OF JCP&L AND
REEP, INC. SEEKING
APPROVAL OF A STIPULATION
OF SETTLEMENT

)

CLEAN ENERGY

ORDER ADOPTING
STIPULATION OF
SETTLEMENT

DOCKET NO: EO05050471

(SERVICE LIST ATTACHED)

BY THE BOARD:

The Board of Public Utilities (Board), an agency within a principal department of the Executive Branch of the State Government, is empowered to ensure that regulated public utilities provide safe, adequate and proper service to the citizens of New Jersey (N.J.S.A. 48:2-23). Jersey Central Power and Light (JCP&L or the Company) is an electric company subject to jurisdiction of the Board. REEP, Inc. (REEP) is a now in-active energy services company, previously involved in residential demand side management (DSM) work.

These two parties became involved in a contract dispute over the treatment of 13,689 homes and the applicable performance payments, if any, due for treated homes prior to the termination of the contract. The right to terminate the contract, which spanned August 10, 1993 until December 31, 2004, unless terminated earlier, is not in dispute. JCP&L terminated the contract in 1996.

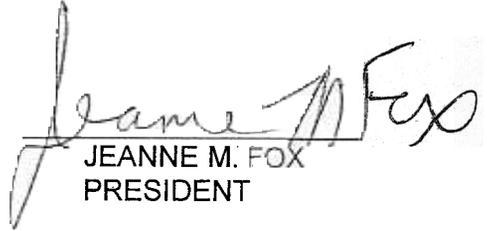
The parties became involved in protracted litigation as a result of the dispute, with REEP alleging \$9 million dollars in damages through an action filed on September 6, 2000 in Superior Court. The matter is currently pending in the Law Division, Mercer County (Docket No. MER-L-3058-00). By letter dated September 2, 2004 REEP filed an informal complaint in lieu of petition pursuant to the Board's Rules of Practice N.J.A.C. 14:1-5.13. Without admitting guilt or liability, JCP&L and REEP Inc. have agreed to settle the dispute with both parties agreeing to the sum of \$2.95 million as settlement. The Ratepayer Advocate does not object to the settlement amount, although it objects to the recovery of legal fees through the societal benefits clause (SBC).

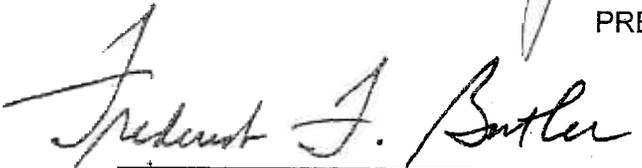
The Board HEREBY FINDS the proposed settlement will resolve a dispute that has been languishing in superior court for nearly five years. The Board HEREBY CONCLUDES the settlement is in the public interest. The Board HEREBY ADOPTS the Staff's recommendation that the Board approve the attached Stipulation of Settlement in its entirety, without modification or amendment. The Board HEREBY AUTHORIZES JCP&L's payment of \$2,950,000 to REEP.

The Board also HEREBY AUTHORIZES JCP&L's recovery, through the SBC of this amount, as well as its legal and other expenses incurred in litigating the pending action and in filing and in processing the Joint Petition (legal fees) capped at a sum not to exceed \$300,500. The Board HEREBY AUTHORIZES JCP&L to recover no more than its actual legal fees, not to exceed the cap. Therefore, JCP&L is HEREBY ORDERED to provide documentation of its actual legal fees incurred in 2005 before it is authorized to collect them.

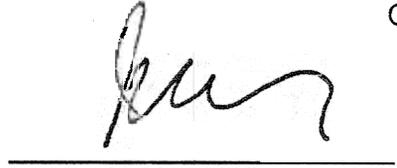
DATED: 8/19/05

BOARD OF PUBLIC UTILITIES
BY:

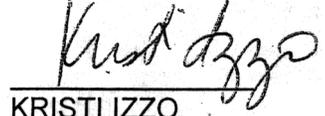

JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

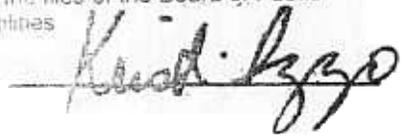

CONNIE O. HUGHES
COMMISSIONER


JACK ALTER
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



Kristi Izzo, Secretary
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Michael Winka, Director
Division of Clean Energy
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Mona Mosser
Division of Clean Energy
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Shauna Jackson
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Nusha Wyner, Director
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Helene Wallenstein, SDAG
Dept. of Law & Public Safety
124 Halsey Street – 5th Floor
P.O. Box 45029
Newark, New Jersey 07101

Dennis Moran, Assistant Director
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Babette Tenzer, DAG
Dept. of Law & Public Safety
124 Halsey Street – 5th Floor
P.O. Box 45029
Newark, New Jersey 07101

George Riepe, Assistant Director
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Margaret Comes, DAG
Dept. of Law & Public Safety
124 Halsey Street – 5th Floor
P.O. Box 45029
Newark, New Jersey 07101

Seema M. Sigh, Acting Director
Division of Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, New Jersey 07102

Christopher W. Siebens
Jersey Central Power & Light Company
2800 Pottsville Pike
P.O. Box 16001
Reading, PA 19641

Ami Morita, DRA
Division of Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, New Jersey 07102

Marc B. Lasky, Esq.
Thelen Reid & Priest LLP
200 Campus Drive, Suite 210
Florham Park, New Jersey 07932

Henry Ogden, Esq.
Division of Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, New Jersey 07102

Julie L. Friedberg, Esq.
Thelen Reid & Priest LLP
200 Campus Drive, Suite 210
Florham Park, New Jersey 07932

Michael Filippone
Jersey Central Power & Light Company
300 Madison Avenue
P.O. Box 1911
Morristown, New Jersey 07962-1911

Peter Dickson, Esq.
Potter and Dickson
194 Nassau Street
Princeton, New Jersey 08542

Arthur E. Korkosz, Esq.
FirstEnergy Corp.
76 South Main Street, 18th Floor
Akron, OH 44308

S. Lynn Sutcliffe, Esq.
EnergySolve Companies
One Executive Drive
Suite 401
Somerset, New Jersey 08873

David Nichols
1070 beacon Street,
Suite 6B
Brookline, MA 02446

RECEIVED
MAIL ROOM
05 MAY 27 PM 12:28
BOARD OF PUBLIC UTILITIES
NEWARK, N.J.

STIPULATION OF SETTLEMENT

This Stipulation is entered into on the last day executed below, by and between REEP, Inc., a New Jersey corporation (hereinafter known as "REEP"), and Jersey Central Power & Light Company, a New Jersey corporation (hereinafter known as "JCP&L") (collectively "the Parties").

WHEREAS, the Parties entered into a contract, dated August 10, 1993 (the "Contract") under which JCP&L would pay REEP in connection with the installation of energy-saving measures in the homes of certain of JCP&L's customers and performing certain energy conservation education activities; and

WHEREAS, recovery of the costs representing JCP&L's payments to REEP under the Contract is subject to the regulatory authority of the New Jersey Board of Public Utilities ("NJBPU"); and

WHEREAS, a dispute has arisen between the Parties concerning the Contract (the "Dispute"); and

WHEREAS, said Dispute is the subject of a Complaint filed by REEP in the Superior Court of New Jersey, Law Division - Mercer County, as Docket No. MER-L-3058-00 (the "Action"); and

WHEREAS, the Parties desire to settle the Dispute and any related claims, rather than engage in the continued protracted, expensive and time consuming efforts of litigation;

NOW, THEREFORE, in consideration of the covenants and recitals set forth above and below, the adequacy of which is hereby acknowledged, and intending to be bound, the Parties agree as follows:

1. The Parties agree jointly to file an appropriate petition (the "Petition") with the NJBPU not later than Friday, May 27 which requests the NJBPU approval of the recovery, through rates charged to JCP&L's retail electric service customers, of the amount of the payment

from JCP&L to REEP in resolution of the Dispute (the "Resolution Payment"), plus the amount of JCP&L's legal fees and other expenses incurred in the litigation of the Action and the filing of the Petition. The Petition will request that the NJBPU approve the sum of Two Million, Nine Hundred Fifty Thousand Dollars (\$2,950,000.00) as the Resolution Payment.

2. The Parties agree jointly to request or file a motion to adjourn the trial date in the Action pending Final Disposition of the Petition. For purposes herein, Final Disposition of the Petition means the issuance of a written, final order of the NJBPU with respect to the Petition and the passage of 45 days from the date of such order during which period no person or entity has filed a notice of appeal with respect to such order. In the event, however, that an appeal is taken or other collateral action is brought challenging such final order, Final Disposition shall mean the final order resulting from such appeal or other action, including any order upon remand to the NJBPU the result of which is that the Resolution Payment and all legal fees and other expenses are determined to be recoverable in rates. Upon Final Disposition the Parties agree to dismiss with prejudice all claims which have been set forth or which could have been set forth in the Action, and the Parties hereby agree to execute and file jointly a Stipulation of dismissal with prejudice with the Court.

3. JCP&L agrees to pay REEP the amount of the Resolution Payment for which recovery is approved by the NJBPU or by subsequent order of a court of competent jurisdiction. Such payment shall be due within three business days by wire transfer according to instructions of REEP after Final Disposition of the Petition (as defined in numbered paragraph 2. above) and the filing of the Stipulation of dismissal with prejudice with the Court.

4. Neither REEP nor JCP&L will be responsible for the attorneys' fees or costs of the other party.

5. The Parties agree that this Stipulation contains mutual balancing and interdependent clauses and is intended to be accepted and approved in its entirety by the NJBPU. In the event any aspect of the Petition or this Stipulation is not approved in its entirety by the NJBPU, or is modified by a court of competent jurisdiction, then neither Party shall be bound to proceed with

this Stipulation and either Party shall have the right, upon written notice to be provided to the other Party within ten (10) days after receipt of any such decision, to withdraw its agreement to this Stipulation and to litigate the Action to a conclusion or otherwise pursue its then available legal remedies with respect to all issues, as though this Stipulation had not been signed.

6. Except for any public record, finding or decision of the NJBPU, in the event that the approval process fails and either Party withdraws from the Stipulation pursuant to numbered paragraph 5 above, the Parties agree that all statements, testimony, discussions, facts, documents, submissions and/or information of any kind related to the negotiation and approval process that may arise in the course of the NJBPU's consideration of the Petition should be considered to be made in the course of settlement negotiations and shall not be used by either Party as evidence in the Action or any subsequent legal proceeding.

7. Upon JCP&L's payment to REEP, as set out in the above numbered paragraph 2, the Parties hereby unconditionally release each other, their employees, agents, directors, subsidiaries, affiliates, predecessors, successors, assigns and lawyers, from any and all claims, demands, causes of action, liabilities, damages, attorney fees, and expenses, whether in law or in equity, of whatever type or nature, accrued, accruing, or to accrue to the other party, its successors or assigns, arising out of or in any way relating to the Action, the Contract, and the actions of the Parties thereunder, or any other matter or thing without limitation arising or existing at any time up to the date of this Stipulation. Said release shall be contingent upon the receipt by REEP of the payment described in numbered paragraph 3. above. The Parties acknowledge that facts may be discovered hereafter that are different from or in addition to those now known or believed to be true, but agree that this Stipulation will remain in full force and effect notwithstanding the existence or discovery of any such different or additional facts.

8. The Parties also agree that their desire to settle and resolve this matter is mutual, and is in no way an admission of guilt, liability or wrongdoing on the part of either party, and any possible guilt, liability or wrongdoing by either party is hereby expressly denied.

9. The parties agree that this Stipulation shall be governed by and construed in

accordance with the laws of the State of New Jersey.

10. This Stipulation is an integrated document and contains the entire agreement between the parties hereto. No change, modification, extension, termination, notice of termination, discharge, abandonment or waiver of this agreement or any other provisions hereof nor any representation, covenant or condition relating to this agreement shall be binding upon any party hereto unless made in writing and signed by all the parties.

11. Notwithstanding any other provision of this Stipulation, if issuance of the NJBPU's final, written order with respect to the Petition has not occurred by August 31, 2005, either party may upon written notice to be provided to the other Party within ten (10) days after that date, withdraw its agreement to this Stipulation and litigate the Action to a conclusion or otherwise pursue its then available legal remedies with respect to all issues, as though this Stipulation had not been signed.

12. This Stipulation may be executed in counterparts, each counterpart constituting an original.

IN WITNESS WHEREOF, the Parties hereto through their duly authorized representatives have set their hands.

REEP, Inc.

By: _____

Its: _____

Date: _____

Shyan Lutchoff

President

5/26/05

Jersey Central Power & Light Company

By: Arthur E. Koberg

Its: Attorney

Date: 5/26/05