Agenda Date: 3/09/11
Agenda Item: 2A

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 FOR THE REVIEW AND APPROVAL OF COSTS INCURRED FOR ENVIRONMENTAL REMEDIATION OF MANUFACTURED GAS PLANT SITES PURSUANT TO THE REMEDIATION ADJUSTMENT CLAUSE OF ITS FILED TARIFF ("2006-2008 RAC FILING")	)	DECISION AND ORDER APPROVING STIPULATION DOCKET NO. ER09030194

Marc B. Lasky, Esq., Morgan, Lewis & Bockius LLP, Attorneys for Petitioner, Jersey Central Power & Light Company

Felicia Thomas-Friel, **Esq.**, Deputy Rate Counsel, **Sarah H. Steindel**, **Esq.**, Assistant Deputy Rate Counsel, and **Kurt S. Lewandowski**, **Esq.**, Assistant Deputy Rate Counsel, Division of Rate Counsel (**Stefanie Brand**, **Esq**., Director, Division of Rate Counsel)

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

BY THE BOARD:

On March 9, 2009, Jersey Central Power & Light Company ("JCP&L" or "Company") filed a petition with the Board of Public Utilities ("Board") in order to provide the Board and its Staff ("Staff") as well as the New Jersey Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel")[1] with an opportunity to conduct a review of the reasonableness and prudence of all actual Manufactured Gas Plant ("MGP") remediation costs and expenditures incurred by JCP&L from January 1, 2006 through December 31, 2008. The Company's total deferred Remediation Adjustment Clause ("RAC") balance at December 31, 2008, was $5,098,122.[2]

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[1]Now known as the Division of Rate Counsel.
[2]rAC carrying cost of $107,838 were accrued from January 1, 2006 through December 31, 2008. However, no carrying costs are included in the $5,098,122 net unrecovered RAC balance at December 31, 2008 as a result of the application of over-recoveries from other components of Rider SBC which are applied to interest first.

In light of the relatively modest size of the net deferred RAC account balance at December 31, 2008, JCP&L determined not to seek an adjustment to its current RAC factor of $0.0000 per kWh in this proceeding. Instead, JCP&L seeks to continue to defer the net deferred RAC balance at December 31, 2008, accruing interest at the rate and in the manner provided in the Board's prior Order in the Company's 2003 Annual RAC filing; See, In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Costs Incurred for Environmental Remediation of Manufactured Gas Plant Sites Pursuant to the Remediation Adjustment Clause of its Filed Tariff ("2003 Annual RAC Filing"), BPU Docket No ER03121020, Decision and Order dated October 5, 2004.

The matter was retained at the Board. No public hearing was necessary since the Company's filing did not seek to increase the RAC rate.

Following comprehensive discovery and extensive discussions, the Parties executed the attached Stipulation of Settlement ("Stipulation"). The salient points of the Stipulation are as follows[3]:

RAC Rate:

- The Company's current RAC rate factor is to remain at $0.0000 per kWh.

Recoverable RAC Costs:

The Company's deferred net RAC balance (excluding carrying costs of $107,838) as of December 31, 2008, is an unrecovered balance of $5,098,122.

$4,716,226 of the Company's deferred net RAC balance at December 31, 2008 be approved as eligible for future recovery through Rider RAC and/or through current application of the other provisions of Rider SBC of the Company's Tariff, subject to the Parties' 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. The Company will also defer (i) $291,930 of costs related to Natural Resource Damage ("NRD") issues from 2005 through 2008, including $62,856 of NRD-related deferred costs from 2005 that were addressed in the Stipulation of Settlement resolving the 2005 Annual RAC Filing in Docket No. ER06030258, and (ii) $89,966 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2008. The Board should make no determination in this proceeding as to the reasonableness, or the recoverability under the Company's RAC filing, of NRD damages or related costs or of incentive compensation amounts, if any. The Parties reserve their rights to argue their respective positions on these and related issues in future proceedings.

The Parties' rights to challenge NRD-related cost recovery in connection with the Company's previous RAC Filings will not be limited. The Company reserves its right to contest any challenge by the Parties. The Company will not seek to recover, and will

[3]Should there be any conflict between this summary and the terms of the Stipulation, the Stipulation controls subject to the terms and conditions in this Order.

propose to defer, NRD-related in future RAC filings, pending the Board's final resolution on the issue of including NRD-related costs within the scope of the RAC.

- The Company will be authorized to continue to defer all additional reasonable and prudent MGP remediation costs and expenses incurred and deferred after December 31, 2008, including NRD-related costs, along with accrued interest, for review and inclusion in JCP&L's future annual RAC filings and related adjustments to the Company's Rider RAC and/or the application of the other provisions of Rider SBC, subject to the Board's review and approval.

- Consistent with the 2005 RAC Filing Stipulation, (Docket No. ER06030258), JCP&L will perform outside legal and community relations activities to support its remediation program and mitigate potential liabilities related to its remediation program. The Company will continue to provide a description and explanation of the expenses incurred for these services in a subsequent RAC filing.

Other RAC Issues:

Consistent with the 2005 RAC Filing Stipulation, the Company will 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.

- Also consistent with the 2005 RAC Filing Stipulation, the Company will continue to include with its RAC filings responses to the minimum filing requirements ("MFR") as set forth in Exhibit A to this Stipulation.

- Prospectively, JCP&L will competitively bid remediation projects in excess of $250,000. If competitive bidding is not utilized the Company will be required to show that competitive bidding was not practical or advantageous under the circumstances.

- The Company will make annual RAC filings regardless of whether it is seeking any change in its RAC recovery rate.

The Company will 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 of 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 in JCP&L's future RAC and/or SBC proceedings.

DISCUSSION AND FINDINGS

The Board has carefully reviewed the file to date in this proceeding and the attached Stipulation. The Board HEREBY FINDS that the Stipulation is reasonable, in the public interest, and in accordance with the law. Accordingly, subject to the terms and conditions herein, the Board HEREBY ADOPTS and HEREBY APPROVES the Stipulation as its own, as if fully set forth herein.

The Board's approval herein does not obviate the need for, and is, in fact, contingent upon, the holding of a public hearing in accordance with N.J.S.A. 48:2-32.4 before the implementation of any rate increases associated with the RAC balance approved in this Order as well as any other upward adjustments to the RAC petitioned for in future annual RAC true-up proceedings.

The Board HEREBY ORDERS that the Company's RAC costs shall remain subject to on-going audit, and that this Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any such audit.

DATED: 3/9/11

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 Petition of Jersey Central Power & Light Company For Review and Approval of Costs Incurred For Environmental Remediation of Manufactured Gas Plant Sites Pursuant to the Remediation Adjustment Clause of Its Filed Tariff ('2006-2008 RAC Filing")
BPU Docket No. ER09030194

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In the Matter of the Verified Petition of
Jersey Central Power & Light Company
For the Review and Approval of Costs
Incurred For Environmental Remediation of
Manufactured Gas Plant Sites Pursuant to the
Remediation Adjustment Clause of Its Filed
Tariff ("**2006-2008 RAC Filing**")

BPU Docket No. ER09030194

Stipulation of Settlement
of
2006-2008 Remediation Adjustment Clause
Filing
(the "2006-2008 RAC Filing Stipulation")

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

This Stipulation of Settlement of Remediation Adjustment Clause (the "2006-2008 RAC Filing Stipulation") is hereby made and executed as of the 8th day of February, 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 Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") (collectively, the "Parties"), in full and final resolution, upon the terms and conditions hereinafter set forth, of the issues pertaining to JCP&L in connection with the above-captioned proceeding.

The Parties do hereby join in recommending that the New Jersey Board of Public Utilities (the "Board") issue a Final Decision and Order approving the terms hereof, based upon the following stipulations:

1. **Procedural History**. For a number of years, the Company's filed Tariff has included a Remediation Adjustment Clause ("Rider RAC"), which is now part of the Societal Benefits Charge ("Rider SBC"), to provide for the recovery of reasonable costs and expenditures

related to the environmental remediation of its former manufactured gas plant ("MGP") sites in Jersey. On March 9, 2009, JCP&L made its above-captioned 2006-2008 Remediation Adjustment Clause ("RAC") Filing in this Docket No. ER09030194, in order to provide the Board and the Parties with the opportunity to conduct a review of the reasonableness and prudence of all actual costs and expenditures incurred by JCP&L from January 1, 2006 through December 31, 2008, relating to the environmental remediation of its former MGP sites, in accordance with the terms of Rider RAC of the Company's filed Tariff and with prior RAC Stipulations and related Board Orders.

2. **No RAC Rate Increase.** In light of the relatively modest size of the net deferred RAC account balance at December 31, 2008, the Company does not seek, and this 2006- RAC Filing Stipulation does not provide for, any increase or other change in the Company's current RAC rate factor, which has previously been set at $0.0000 per kWh.

3 **Recoverable RAC Costs.** Staff and Rate Counsel have conducted extensive discovery related to the Company's 2006-2008 RAC Filing and have reviewed all of the Company's actual MGP costs and expenditures for the period from January 1, 2006 through December 31, 2008. Based upon Staff's and Rate Counsel's review and after discovery conferences and settlement negotiations among the Company, Staff and Rate Counsel, the Parties have agreed upon the following:

(a) The Company's ending deferred RAC net balance at December 31, 2008 was an unrecovered balance of $5,098,122.[1] In accordance with generally accepted

[1] This amount includes $291,930 of costs related to Natural Resource Damage issues, but does not include RAC carrying costs of $107,838 accrued from January 1, 2006 through December 31, 2008 as a result of the application of over-recoveries from other components of Rider SBC, which are applied to interest first.

accounting principles ("GAAP") as applied by JCP&L's independent auditors, the deferred RAC balance at December 31, 2008 included certain RAC expense accruals. Although the Parties will continue to review the level of such accruals in the Company's deferred RAC accounts in future proceedings, the Parties do not object to the use of such GAAP accrual accounting procedures as required by the Company's auditors.

(b) Staff and Rate Counsel agree and recommend that $4,716,226 of JCP&L's deferred RAC net balance at December 31, 2008 be approved by the Board as eligible for future recovery through Rider RAC and/or through current application of the other provisions of Rider SBC of the Company's Tariff, 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, 2008 of $4,716,226 referred to above, JCP&L has deferred (i) $291,930 of costs related to Natural Resource Damage ("NRD") issues from 2005 through 2008, including $62,856 of NRD-related deferred costs from 2005 that were addressed in the Stipulation of Settlement resolving the 2005 Annual RAC Filing in Docket No. ER06030258, and (ii) $89,966 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2008. The Parties agree that it is appropriate for such NRD-related and incentive compensation costs to be deferred. The Company represents that this 2006-2008 RAC Filing 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.

(c) 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'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'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.

(d) 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, 2008, 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 and/or the application of the other provisions of Rider SBC, subject to the Board's review and approval.

(e) 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.

4. **Other RAC Issues.**

(a) 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.

Also consistent with the 2005 RAC Filing Stipulation, 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 this Stipulation, which includes modifications to MFR-6 and MFR-15 that had been included in Exhibit A to the 2004 RAC Filing Stipulation as well as a new MFR-16 and MFR-17.

Prospectively, 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 4(c), the Company will be required to show that competitive bidding was not practical or advantageous under the circumstances.

(d) The Company agrees that, prospectively, it will make annual RAC filings regardless of whether it is seeking any change in its RAC recovery rate.

(e) 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.

5. **<u>Resolution of All Issues</u>.** The Parties agree that the terms of this 2006-2008 RAC Filing 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, 2008, except as described in paragraph 3(c) above with respect to NRD-related costs.

6. **<u>Entirety of 2006-2008 RAC Filing Stipulation</u>.** The Parties agree that this 2006-2008 RAC Filing Stipulation contains mutual balancing and interdependent clauses and is intended to be accepted and approved by the Board in its entirety. In the event any particular aspect of this 2006-2008 RAC Filing Stipulation is not accepted and approved in its entirety by the Board, then any Party aggrieved thereby shall not be bound to proceed with this 2006-2008 RAC Filing Stipulation and shall have the right, upon written notice to be provided to

all other Parties within ten (10) business days after receipt of any such adverse decision, to litigate all issues addressed herein to a conclusion. More particularly, in the event this 2006-2008 RAC Filing Stipulation is not adopted in its entirety by the Board in its Final Order in this matter, then any Party hereto shall be free, upon the timely provision of such written notice, to pursue its then available legal remedies with respect to all issues addressed in this 2006-2008 RAC Filing Stipulation, as though this Stipulation had not been signed.

7. **Audit**. The Parties agree that the expenditures the Company seeks to recover through the RAC are subject to audit. Such audit may be through a review of the Company's internal audits conducted in relation to this proceeding or any other audit mechanism determined to be appropriate by the Board. Nothing in this 2006-2008 RAC Filing Stipulation shall be deemed to preclude the implementation of any final findings resulting from any such audit, provided that the Parties reserve their rights to contest, or otherwise take a position with respect to, any such proposed findings.

8. **Binding Effect.** The Parties further agree that, upon its approval in its entirety by the Board, this 2006-2008 RAC Filing Stipulation shall be binding on them for all purposes herein.

9. **General Reservation.** It is specifically understood and agreed that this 2006-2008 RAC Filing Stipulation represents a negotiated agreement and, except as otherwise expressly provided for herein:

(a) By executing this 2006-2008 RAC Filing Stipulation, no Party waives any rights it possesses under any prior RAC Stipulation or Board Order.

(b) The contents of this 2006-2008 RAC Filing Stipulation shall not in any way be considered, cited or used by any of the undersigned Parties as an indication of any other Party's position on any related or other issue litigated in any other proceeding or forum in the future, except to enforce the terms of this Stipulation.

WHEREFORE, the Parties hereto, intending thereby to be legally bound, have duly executed this Stipulation, and do respectfully submit this Stipulation to the Board and request that the Board issue a Final Decision and Order adopting and approving this 2006-2008 RAC Filing Stipulation in its entirety in accordance with the terms hereof.

MORGAN, LEWIS & BOCKIUS LLP
ATTORNEYS FOR PETITIONER,

JERSEY CENTRAL POWER & LIGHT COMPANY

By: Marc B Lasky
Marc B. Lasky

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DIRECTOR, DIVISION OF RATE COUNSEL

By:
Henry M. Ogden
Assistant Deputy Rate Counsel

PAULA T. DOW
ATTORNEY GENERAL OF NEW JERSEY
ATTORNEY FOR STAFF OF THE BOARD OF PUBLIC UTILITIES

By:
~~Alex Moreau~~ Anne Marie Shatto
Deputy Attorney General

EXHIBIT A

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.

7. 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.

Agenda Minutes – Board Agenda Date – March 9, 2011

II. Energy

Docket No. ER09030194 In the Matter of the Verified Petition of Jersey Central Power & Light Company For Review and Approval of Costs Incurred For Environmental Remediation of Manufactured Gas Plant Sites Pursuant to the Remediation Adjustment Clause of Its Filed Tariff ('2006-2008 RAC Filing")

BACKGROUND AND DISCUSSION:
On March 9, 2009, Jersey Central Power & Light Company ("JCP&L") filed a petition with the Board for the annual review of actual cost and expenditures incurred by the Company, relating to the environmental remediation of its former manufactured gas plant remediation ("MGP") sites for the period January 1, 2006 through December 31, 2008. Due to the small size of the projected net deferred RAC account balance at December 31, 2008, JCP&L decided not to seek an adjustment to its current RAC factor of $0.0000 per kWh in this proceeding. The net balance of recoverable MGP costs at December 31, 2008 is $5,098,122, excluding carrying costs.

On January 6, 2011, JCP&L, Staff and the Department of Public Advocate, the Division of Rate Counsel, the only parties ("Parties") to this proceeding, entered into a Stipulation of Settlement that provides for the following: 1) JCP&L's RAC rate will remain $0.0000 per kWh; 2) rate recovery of $4,716,226, (excluding carrying costs) of JCP&L's deferred RAC net balance at December 31, 2008 will be recovered through JCP&L's RAC rider; 3) JCP&L will defer $291,930 of costs related to Natural Resource Damage ("NRD") claims for the period 2005 through 2008, which includes $62,856 of NRD-related deferred costs from 2005 that were addressed in the Stipulation of Settlement resolving the 2005 Annual RAC Filing in Docket No. ER060302, and 4) JCP&L will defer $89,966 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2008. The Parties are in agreement that JCP&L's deferred RAC net balance as of December 31, 2008 was an unrecovered balance of $5,098,122.

The Board approved the Stipulation in its entirety.