Agenda Date: 11/21/14
Agenda Item: 2B

STATE OF NEW JERSEY

Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
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 ("2011 ANNUAL RAC FILING")	)))))))	ORDER APPROVING STIPULATION DOCKET NO. ER12080751

Parties of Record:

Gregory Eisenstark, Esq., Windels Marx Lane & Mittendorf, LLP, on behalf of Jersey Central Power & Light Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD[1]:

On August 15, 2012, Jersey Central Power and Light Company ("JCP&L" or the "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") for an Order finding that JCP&L's Manufactured Gas Plant ("MGP") remediation work performed during the MGP Remediation Adjustment Clause ("RAC") period January 1, 2011 through December 31, 2011 ("2011 RAC Period") was prudent, and that the resulting RAC costs are reasonable and appropriate for rate recovery.

The RAC, a component of the Societal Benefits Charge ("SBC"), allows for the recovery of reasonably incurred MGP remediation program costs ("MGP Costs") by the Company, amortized over a seven-year rolling average period, and carrying charges tied to interest on seven-year treasuries plus sixty basis points.

[1] Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter. Commissioner Dianne Solomon was not present at the 11/21/14 agenda meeting.

The 2011 RAC filing provides the Board, the Board's Staff ("Staff") and the Division of Rate Counsel ("Rate Counsel"), with the opportunity to review the actual costs incurred by JCP&L relating to the environmental remediation of its twenty former MGP sites for the calendar year ended December 31, 2011. For the purposes of this filing, program costs ($7,700,028) plus carrying costs ($474,978), were reduced by deferred Natural Resource Damages ("NRD)-related and incentive compensation costs ($44,278) yielding a net recoverable balance of $8,175,006 pertaining to calendar year 2011.

The resulting net multi-year RAC account balance at December 31, 2011, of $28,510,182 was proposed by the Company to be amortized over a period of seven years in accordance with the Board Order in Docket No. ER91121820J, dated December 16, 1994. Board approval of that amount would result in a minor authorized increased recovery amount of $1,315,097. However, in the filing the Company proposed to maintain the current RAC rate of $0.000139 per kWh (including sales and use tax "SUT") rather than implement a relatively small rate increase[2].

STIPULATION:[3]

Having engaged in discovery and exchanged additional information during informal discussions and meetings, representatives of JCP&L, the Board Staff, and Rate Counsel (collectively "the Parties") entered into a Stipulation of Settlement dated October 23, 2014 that provided for the following:

> The Company's Rider RAC rate will remain at $0.000139 per kWh (including SUT).
>
> The Company represents that no remediation properties were sold during the RAC remediation period for which the current RAC rate is being established. The Company also represents that any revenues it received from the lease of any remediation properties during the 2011 RAC period were credited to the deferred RAC balance.
>
> The Parties agree that the Company's ending recoverable deferred RAC balance at December 31, 2011 was an under-recovered balance of $28,510,182, 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 under-recovered December 31, 2011 balance of $28,510,182, JCP&L has deferred (i) $468,477 of costs related to NRD issues from 2005 through 2011, and (ii) $114,625 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2011.
>
> The Company represents that this 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 agree that it is appropriate for NRD-related and incentive compensation costs be deferred. The Parties stipulate and agree that the Board should make no

[2] The Company calculated that the actual annual bill increase for a residential customer using 7,800 kWh, if approved by the Board, would be $5.17 or 0.5%.

[3] Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions of this Order.

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 agree that NRD-related MGP expenditures of $33,404 incurred during the 2011 RAC period are not included in the $28,510,182 recoverable deferred RAC balance as of December 31, 2011.

The Parties agree that incentive compensation of $10,874 incurred during the 2011 RAC period is not included in the $28,510,182 recoverable RAC balance as of December 31, 2011.

The deferred NRD and incentive compensation amounts have been excluded from the RAC factors set forth in herein above. The Parties expressly reserve their rights to argue their respective positions on these issues in future proceedings, as appropriate.

The Company claims that is entitled to retain NRD-related costs totaling approximately $76,000 from two previous RAC years, 2003 and 2004. It is Rate Counsel's and Staff's position that NRD-related costs are not included within the scope of the Board's RAC recovery authorization and therefore is not eligible for recovery through utility RAC clauses.

JCP&L does not agree with Rate Counsel's and Staff's position concerning NRD-related costs 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.

The Company agrees that it will continue to defer NRD-related MGP costs in future RAC filing 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.

The Parties 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, 2011, 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, subject to the Board's review and approval.

In accordance with Generally Accepted Accounting Principles ("GAAP") as applied by JCP&L's independent auditors, the deferred RAC balance at December 31, 2011 included certain RAC expense accruals. Although the Parties will continue to review the levels 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.

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.

Also consistent with the 2005 RAC Filing Stipulation, the Company agrees to continue to maintain a complaint log for each MGP site that 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.

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 the 2006-2008 RAC Filing Stipulation which was approved by Board Decision and Order dated March 9, 2011 (Docket No. ER09030194).

In addition, consistent with the 2006-2008 RAC Filing Stipulation:

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

ii.) the Company will make annual RAC filings, which will not be combined with SBC or SCC filings, regardless of whether it is seeking any change in its RAC recovery rate.

iii.) 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 of credit amount with 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 RAC expenditures and reconciliation thereof in JCP&L's future RAC and/or SBC proceedings.

The Parties agree that the terms of this Stipulation shall be deemed to resolve all factual and legal issues relating to the determination of all amounts that were of could have been included in the calculation of JCP&L's deferred RAC balance through and at December 31, 2011, except as described above with respect to NRD-related costs and incentive compensation costs.

DISCUSSION AND FINDINGS:

The Board has reviewed the attached Stipulation of Settlement of the Parties and **FINDS** it to be reasonable, in the public interest and consistent with the law. The Board **HEREBY FINDS** that JCP&L's MGP-related net recoverable costs for calendar-year 2011 of $8,175,006 were prudent, and the resulting RAC recoverable balance as of December 31, 2011 of $28,510,182 is reasonable and appropriate for recovery.

Accordingly, the Board **HEREBY ADOPTS** the Stipulation of Settlement in its entirety as if fully incorporated herein. The Board **HEREBY ORDERS** that JCP&L's RAC rate of $0.000139 per kWh (including SUT) shall remain in effect shall remain in effect until further Order of the Board.

The Board **FURTHER ORDERS** that the NRD related costs of $468,477 covering the period 2005 through 2011, and $114,625 for incentive compensation related to the period 2006 through 2011 shall continue to be deferred until such time as the Board addresses the rate recoverability of expenditures related to NRD and incentive compensation through the RAC mechanism.

The Board **FURTHER ORDERS** that JCP&L continue to defer all additional reasonable and prudent MGP remediation costs and expenses incurred and deferred subsequent to December 31, 2011, 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 JCP&L's RAC Rider.

The Company's RAC costs shall remain subject to on-going audit by the Board. Additionally, JCP&L will periodically conduct audits of these expenses. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

This Order shall be effective on December 1, 2014.

DATED: 11/21/14

BOARD OF PUBLIC UTILITIES
BY:

RICHARD S. MROZ
PRESIDENT

JOSEPH L. FIORDALISO
COMMISSIONER

MARY-ANNA HOLDEN
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 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 ("2011 ANNUAL RAC FILING")
DOCKET NO. ER12080751

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October 24, 2014

Kristi Izzo, Secretary
Board of Public Utilities
44 South Clinton Avenue, 9th Fl.
P.O. Box 350
Trenton, NJ 08625

Re: **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 ("2011 RAC Filing")**

BPU Docket No. ER12080751

Dear Secretary Izzo:

Enclosed for filing is a Stipulation of Settlement that has been fully-executed by all parties in the above-referenced matter. An original and eleven copies are enclosed. Kindly mark the extra copy as "filed" and return it to me in the enclosed return envelope.

Respectfully submitted,

WINDELS MARX LANE &
MITTENDORF, LLP

By: Greg Eisenstark
Gregory Eisenstark
Attorney for Jersey Central Power
& Light Company

GE:smb
Encl.
cc: Service list (via email only)

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2011 Annual RAC Filing
BPU Docket No. ER12080751

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2011 Annual RAC Filing
BPU Docket No. ER12080751

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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 (**"2011 RAC Filing"**)	:	**STIPULATION OF SETTLEMENT** BPU Docket No. ER12080751

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

APPEARANCES:

Gregory Eisenstark, Esq. (Windels Marx Lane & Mittendorf, LLP, attorneys) for the Petitioner, Jersey Central Power & Light Company

Henry M. Ogden, Esq., Assistant Deputy Rate Counsel, Division of Rate Counsel (**Stefanie A. Brand, Esq.**, Director)

Carolyn McIntosh and Alex Moreau, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**John J. Hoffman,** Acting Attorney General of New Jersey)

This Stipulation of Settlement (the "Stipulation") is hereby made and executed as of the [illegible] day of [illegible], 2014, 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 Division of Rate Counsel ("Rate Counsel") (collectively, the "Parties").

The Parties do hereby join in recommending that the Board of Public Utilities ("Board") issue an Order approving the Stipulation, based upon the following stipulations:

Background

On August 16, 2012, JCP&L filed with the Board a Verified Petition, including supporting schedules, seeking review and approval of costs incurred for environmental remediation of manufactured gas plant sites pursuant to the Remediation Adjustment Clause ("RAC") of its filed Tariff ("2011 RAC Filing"). The RAC is a component of the Company's Societal Benefits Charge ("SBC"). The Verified Petition demonstrated a calculated increase to JCP&L's Rider RAC charge of 0.062 mills/kWh, which would recover an additional $1.32 million annually. However, rather than implementing a small Rider RAC charge increase, JCP&L proposed to leave the current rate (0.130 mills/kWh not including sales and use tax ("SUT")) in place.

The 2011 RAC Filing provided an opportunity to conduct a review of all actual costs and expenditures incurred by JCP&L relating to environmental remediation of its former manufactured gas plant ("MGP") sites for the period from January 1, 2011 through December 31, 2011. As indicated in Appendix A, which is a revision of Attachment A to the Company's Verified Petition based on the Board Order in the Company's 2010 RAC Proceeding dated March 12, 2012 (in Docket No. ER11030141), JCP&L sought to recover incremental expenses incurred in connection with its MGP remediation program during calendar year 2011 in the amount of $7,700,028. The Company also requested recovery of carrying costs of $474,978 on its unamortized remediation balance, leaving a net balance of unrecovered MGP costs at December 31, 2011 of $8,175,006 (net of insurance recovery). The foregoing amounts included $33,404 of costs related to MGP Natural Resource Damage ("NRD") issues applicable to calendar year 2011, and $10,874 of MGP-related incentive compensation for 2011. The Company proposed to continue to defer NRD-related and incentive compensation costs for 2011, but not to recover such NRD-related and incentive compensation costs, including interest, until there was a final resolution of the issue concerning the inclusion of these costs within the scope of the Board's RAC recovery mechanism. No such NRD-related or incentive compensation costs for 2011 would be deemed to have been recovered by application of over-recoveries from other components of Rider SBC. The resulting net deferred RAC account balance at December 31, 2011, after deduction of such NRD-related and incentive compensation costs, was $28,510,182, as shown in the following chart:

Jersey Central Power & Light Company
Manufactured Gas Plant Remediation Adjustment Clause (RAC)

	Balance through YEAR 2004	YEAR 2005	YEAR 2006	YEAR 2007	YEAR 2008	YEAR 2009	YEAR 2010	YEAR 2011
Actual Expenditures (a)	7,112,552	2,781,777	2,376,664	5,584,093	7,692,538	9,039,821	15,578,890	7,700,028
NRD Expenses Included above (b)		62,856	157,594	53,434	18,046	89,580	53,563	33,404
Incentive Compensation Included above			27,479	32,141	30,346	-	13,785	10,874
Net Recoverable Costs	7,112,552	2,718,921	2,191,591	5,498,518	7,644,146	8,950,241	15,511,542	7,655,750
Carrying Charges	(855,510)	24,966	24,913	37,079	45,846	194,024	377,790	474,978
Total Including Carrying Cost	6,257,042	2,743,887	2,216,504	5,535,597	7,689,992	9,144,265	15,889,332	8,130,728
SBC Over-Recovery Application (c)	(6,424,026)	(2,639,759)	(2,401,577)	(5,621,172)	(2,640,262)	(1,523,158)	(7,847,211)	
Recoverable Balance at December 31, 2011								28,510,182

(a) Net of insurance proceeds, revenue previously collected through base rates and write-off in accordance with BPU Order, Docket No ER03121020.
(b) The Company maintains that it is entitled to retain NRD-related costs totaling approximately $76,000 from 2003-2004.
(c) The application of other over-recovered SBC components, in accordance with JCP&L Tariff Rider SBC, is first applied to the deferred carrying cost and next applied to deferred cost.

This $28,510,182 amount was proposed to be amortized over a period of seven years, in accordance with the Board Order dated December 16, 1994 in Docket No. ER91121820J, resulting in an annual net recovery amount of $4,067,165, representing 1/7 of each of the RAC expenditures in the years 2005 through 2011 net of the under-recovery of the amortization of deferred RAC expenditures at December 31, 2009. After applying the forecasted retail sales volume of 21,211,238 MWh for the twelve months ending May 31, 2013, the resulting calculated RAC factor is 0.192 mills/kWh, which would be an increase of 0.062 mills/kWh to the current RAC factor of 0.130 mills/kWh, and an increase in annual RAC revenue of approximately $1.315 million. However, as discussed above, JCP&L proposed to leave the current RAC factor in place rather than implementing a relatively small rate increase.

Following the filing of the 2011 RAC Filing, the Parties engaged in discovery and exchanged additional information during informal discussions and meetings. Based thereon, the Parties have determined to resolve the 2011 RAC Filing in accordance with the terms set forth below.

Stipulation

1. The Company's Rider RAC will remain $0.000130 per kWh (not including SUT) at this time.

2. The Company represents that no remediation properties were sold during the RAC remediation period for which the current RAC rate is being established. The Company also represents that any revenues it received from the lease of any remediation properties during the 2011 RAC period were credited to the deferred RAC balance.

3. The Parties agree that the Company's ending recoverable deferred RAC balance at December 31, 2011 was an under-recovered balance of $28,510,182, 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, 2011 of

$28,510,182 referred to above, JCP&L has deferred (i) $468,477 of costs related to NRD issues from 2005 through 2011, and (ii) $114,625 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2011. The Parties agree that it is appropriate for such NRD-related and incentive compensation costs to be deferred. The Company represents that this 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.

4. The Parties agree that NRD-related MGP expenditures of $33,404 incurred during the 2011 RAC period are not included in the $28,510,182 recoverable deferred RAC balance as of December 31, 2011. The Parties agree that incentive compensation of $10,874 incurred during the 2011 RAC period is not included in the $28,510,182 recoverable deferred RAC balance as of December 31, 2011. The deferred NRD and incentive compensation amounts have been excluded from the RAC factors set forth in herein above. The Parties expressly reserve their rights to argue their respective positions on these issues in future proceedings, as appropriate.

5. 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 and Staff's position that NRD-related costs are not included within the scope of the Board's RAC recovery authorization and therefore are not eligible for recovery through utility RAC clauses. JCP&L does not agree with Rate Counsel's and Staff'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 continue to defer NRD-related MGP 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.[1] 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, 2011, 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, subject to the Board's review and approval. In accordance with Generally Accepted Accounting Principles ("GAAP") as applied by JCP&L's independent auditors, the deferred RAC balance at December 31, 2011 included certain RAC expense accruals. Although the Parties will continue to review the levels 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.

6. 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

[1] The NRD-related MGP expenditures for the years 2005 through 2011 are as follows:

2005	62,856		
2006	157,594	2009	89,580
2007	53,434	2010	53,563
2008	18,046	2011	33,404

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.

7. Also consistent with the 2005 RAC Filing Stipulation, the Company agrees to continue to maintain a complaint log for each MGP site that 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.

8. 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 the 2006-2008 RAC Filing Stipulation settling the 2006-2008 RAC Filing, which was approved by Board Decision and Order dated March 9, 2011 (Docket No. ER09030194). A list of these MFRs is attached hereto as Appendix B.

9. Consistent with the 2006-2008 RAC Filing Stipulation, 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 9, the Company will be required to show that competitive bidding was not practical or advantageous under the circumstances.

10. Also consistent with the 2006-2008 RAC Filing Stipulation, the Company will make annual RAC filings, which will not be combined with SBC or SCC filings, regardless of whether it is seeking any change in its RAC recovery rate.

11. Also consistent with the 2006-2008 RAC Filing Stipulation, 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.

12. The Parties agree that the terms of this 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, 2011, except as described in paragraphs 3, 4, and 5 above with respect to NRD-related costs and incentive compensation costs.

Conclusion

13. The Parties agree that this Stipulation contains mutual balancing and interdependent clauses and is intended to be accepted and approved in its entirety. In the event any particular provision of this Stipulation is not accepted and approved in its entirety by the Board, or is modified by a court of competent jurisdiction, then any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right, upon written notice to be provided to all other Parties within ten (10) days after receipt of any such adverse decision, to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board in an appropriate Order, or is modified by a court of competent jurisdiction, then any Party hereto is free, upon the timely provision of such written notice, to pursue its then available legal remedies with respect to all issues addressed in this Stipulation, as though this Stipulation had not been signed.

14. The Parties agree that this Stipulation shall be binding on them for all purposes herein.

15. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and, except as otherwise expressly provided for herein:

a. By executing this Stipulation, no Party waives any rights it possesses under any prior Stipulation, except where the terms of this Stipulation supersede such prior Stipulation.

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

16. This Stipulation may be executed in any number of counterparts, each of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Parties.

WHEREFORE, the Parties hereto have duly executed and do respectfully submit this Stipulation to the Board, and recommend that the Board issue a Final Decision and Order adopting and approving this Stipulation in its entirety in accordance with the terms hereof. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

Jersey Central Power & Light Company By: ____________ Gregory Eisenstark, Esq. Windels Marx Lane & Mittendorf, LLP Dated: October 23, 2014	John J. Hoffman Acting Attorney General of New Jersey Attorney for **Staff of the Board of Public Utilities** By: ____________ Carolyn McIntosh Deputy Attorney General Dated: October 23, 2014
Stefanie A. Brand, Esq. Director, **Division of Rate Counsel** By: ____________ Henry M. Ogden, Esq. Assistant Deputy Rate Counsel Dated: October 24, 2014	

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JERSEY CENTRAL POWER & LIGHT COMPANY
Derivation of Manufactured Gas Plant (MGP) Remediation Adjustment Charge (RAC)

Line No.		Through 12/31/2010 (1)	Year 2011 (2)	Total as of 12/31/2011 (3)	Data Sources
	MGP Remediation Costs				
1	Total MGP remediation costs incurred (a)	$ 50,166,335			
2	Carrying cost on deferred MGP costs accrued	(150,892)			
3	Application of over-recovered SBC	(29,097,165)			Footnote (b)
4	Total net MGP costs at 12/31/10 after SBC applications	20,918,278			Line Nos. 1 through 3
5	Less: Natural Resources Damages (NRD) expenses	435,073			Footnote (c)
6	Less: Incentive Compensation Program (ICP) Costs	103,751			Footnote (d)
7	Total MGP costs approved for recovery	$ 20,379,454			ER10020130 (6/15/11) & ER11030141 (3/12/12)
8	Total MGP remediation costs incurred		$ 7,700,028		Attachment B
9	Carrying cost on deferred MGP costs accrued		474,978		Attachment G
10	Total unrecovered MGP costs		8,175,006		Line Nos. 8 + 9
11	Application of over-recovered SBC		-		Footnote (b)
12	Total net unrecovered MGP costs		8,175,006		
13	Less: NRD current year expenses		33,404		Footnote (c)
14	Less: ICP current year expenses		10,874		Footnote (d)
15	Total recoverable MGP remediation expenses	$ 20,379,454	$ 8,130,728	$ 28,510,182	Columns (1) and (2)
16	**Derivation of Tariff Rider RAC:**				
17	Total recoverable MGP remediation expenses	$ 20,379,454	$ 8,130,728	$ 28,510,182	Line 15
18	RAC recovery period (years)	7	7	7	ER91121820J (12/16/94)
19	Annual recoverable MGP expenses	$ 2,911,351	$ 1,161,533	$ 4,072,884	Line 17 divided by Line 18
20	Under/(Over) recovered deferred RAC balance end of current year	-	(5,719)	$ (5,719)	Attachment A-2, Line 25
21	Net annual recoverable MGP expenses	$ 2,911,351	$ 1,155,814	$ 4,067,165	Line Nos.19 + 20
22	Retail sales forecasted (MWh)			21,211,238	12 mos. Ended 5/31/13
23	Calculated RAC factor (Mills/kWh) before SUT			0.192	Line 21 divided by Line 22
24	RAC factor currently in effect (Mills/kWh)			0.130	Rider RAC effective 4/1/12
25	Calculated increase/(decrease) in RAC Factor (Mills/kWh) before SUT			0.062	Line 23 - Line 24
26	Calculated increase/(decrease) in RAC revenue before SUT			$ 1,315,097	Line 22 x Line 25
27	**No Proposed Change to Rider RAC**			$ -	

Footnotes:

(a) Total cost incurred is net of:
   (1) Write-off in accordance with RAC Stipulation and BPU Order ER03121020 ($2,500,000);
   (2) Insurance proceeds received ($36,100,000);
   (3) MGP revenue previously collected through base rates ($16,877,403).

(b) Application of over-recovered SBC components at year-end in accordance with Tariff Rider SBC:

			Cumulative
2004	$	(6,424,026)	
2005		(2,639,759)	
2006		(2,401,577)	
2007		(5,621,172)	
2008		(2,640,262)	
2009		(1,523,158)	
2010		(7,847,211)	($29,097,165)
2011		-	($29,097,165)

(c) NRD Expenses incurred by year:

2005	$	62,856	
2006		157,594	
2007		53,434	
2008		18,046	
2009		89,580	
2010		53,563	$435,073
2011		33,404	$468,477

(d) ICP Costs by year:

2006	$	27,479	
2007		32,141	
2008		30,346	
2009		-	
2010		13,785	$103,751
2011		10,874	$114,625

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.

17. 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.