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August 26, 2022

TO THE SERVICE LIST:

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 ("2020 RAC FILING")

DOCKET NO. ER21101155

DECISION AND ORDER APPROVING STIPULATION DATED AUGUST 17, 2022

Please be advised that the Board is redistributing the above referenced Order with the following changes:

On page 6 of the Order, under **DISCUSSION AND FINDINGS**, the Order incorrectly Orders JCP&L to:

The Board **HEREBY ORDERS** that the Company increase its RAC rate to \$0.000806 per kWh before SUT to become effective August 1, 2022 and shall remain in effect until further Order of the Board.

That Order has been corrected as follows:

The Board **HEREBY ORDERS** that the Company increase its RAC rate to \$0.000806 per kWh before SUT to become effective September 1, 2022 and shall remain in effect until further Order of the Board.

Also on page 6 of the Order, under **DISCUSSION AND FINDINGS**, the Order incorrectly directs JCP&L to:

The Board **HEREBY DIRECTS** the Company to file revised tariff sheets that conform to the terms and conditions of this Order by July 29, 2022.

This direction has been corrected as follows:

The Board **HEREBY DIRECTS** the Company to file revised tariff sheets that conform to the terms and conditions of this Order by August 29, 2022.

These are the only changes to the issued Order which will be redistributed to the parties of record and the attached service list.

Sincerely,

Carmen D. Diaz
Carmen D. Diaz,
Acting Secretary



Agenda Date: 8/17/22
Agenda Item: 2A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
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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 ("2020 RAC FILING"))

DECISION AND ORDER
APPROVING STIPULATION

DOCKET NO. ER21101155

Parties of Record:

Joshua R. Eckert, Esq., FirstEnergy Service Company, Petitioner, Jersey Central Power & Light Company

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On October 1, 2021, Jersey Central Power & Light Company ("JCP&L" or "Company") filed a petition ("2020 RAC Petition") with the New Jersey Board of Public Utilities ("Board") seeking review and approval of actual costs and expenditures incurred by JCP&L related to the environmental remediation of its former manufactured gas plant ("MGP") sites for the period January 1, 2020 through December 31, 2020 ("2020 RAC Period"). In the 2020 RAC Petition, the Company proposed to increase the Remediation Adjustment Charge ("RAC") component of the Company's Societal Benefits Charge ("SBC"). By this Decision and Order, the Board considers a stipulation of settlement ("Stipulation") executed by JCP&L, Board Staff ("Staff"), and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, "Parties") which seeks to resolve the 2020 RAC Petition.

BACKGROUND AND PROCEDURAL HISTORY

JCP&L's RAC is a separate component of the SBC that allows for the recovery of reasonably incurred MGP remediation program costs ("MGP Costs") amortized over a seven (7) year rolling average period, and carrying charges tied to interest on seven (7) year treasuries plus 60 basis points.

In the 2020 RAC Petition, the Company included actual MGP data for the 2020 RAC Period, and expenditures incurred in connection to its MGP sites. The 2020 net annual recoverable MGP expenses were \$1.439 million calculated below:

Jersey Central Power & Light Company			
Derivation of Manufactured Gas Plant (MGP) Remediation Adjustment Charge (RAC)			
	Through 12/31/2019	Year 2020	Total as of 12/31/20
Derivation of Tariff Rider RAC			
Total Recoverable MGP remediation expense	\$118,488,174	\$12,363,665	\$130,851,839
Less: Fully Amortized Layer at 12/31/19	(\$20,379,454)		(\$20,379,454)
Ending under-recovered deferred RAC balances		(\$2,291,806)	(\$2,291,806)
Total Recoverable MGP remediation costs including under recovery	\$98,108,720	\$10,071,858	\$108,180,578
RAC Recovery Period (years)	7	7	7
Net annual recoverable MGP expenses	\$14,015,531	\$1,438,837	\$15,454,368
Retail Sales Forecasted (MWh)			\$19,185,264
Calculated RAC factor (\$ per kWh) before SUT			\$0.000806
RAC factor currently in effect (\$ per kWh)			\$0.000704
Calculated increase/(decrease) in RAC Factor (\$ per kWh) before SUT			\$0.000102
Proposed Rider RAC revenue increase			\$1,956,897

In accordance with previous Board Orders, the 2020 RAC Period costs of approximately \$10.072 million was to be amortized over a period of seven (7) years. The total annual net recovery amount was approximately \$15.454 million representing one seventh of each of the RAC expenditures in the years for each applicable seven (7) year amortization period, plus the amortization of the deferred RAC expenditures at December 31, 2020. After applying the forecasted retail sales volumes for the 12 months ending December 31, 2022, the resultant increase to the Rider RAC rate would be \$0.000102 kilowatt-hour ("kWh") [excluding Sales and Use Tax ("SUT")], and an increase of approximately \$1.957 million in annual revenues.

After publication of notice in the Company's service territory, public hearings in this matter were held on January 6, 2022, at 1:00 p.m. and 4:00 p.m.¹ No members of the public attended the public hearings or submitted written comments with the Board.

¹ Due to COVID-19 pandemic, public hearings were conducted telephonically.

STIPULATION

Following a review of the 2020 RAC Petition and conducting discovery, the Parties executed the Stipulation, which provides for the following:²

1. The resulting net deferred RAC account balance at December 31, 2020, after deduction of such NRD-related and incentive compensation costs, was \$108,180,578, as shown in the following chart:

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

	YEAR 2011	YEARS 2012-2014	YEAR 2015	YEAR 2016	YEAR 2017	YEAR 2018	YEAR 2019	YEAR 2020	Balances through YEAR 2020
Actual Expenditures ¹	7,700,028	34,539,907	7,893,897	13,621,248	26,063,647	16,629,985	8,983,474	11,210,112	126,632,298
NRD Expenses Included Above ¹	33,404	182,593	98,616	51,947	3,217	(1,196)	-	-	368,581
Incentive Compensation Incl. Above	10,874	28,452	13,248	13,551	12,722	9,922	14,062	14,815	117,646
Net Recoverable Costs	7,655,750	34,328,862	7,772,033	13,555,750	26,047,708	16,621,269	8,969,412	11,195,297	126,146,071
Carrying Charges	474,978	1,589,722	851,961	1,016,079	1,367,586	1,975,403	1,716,401	1,168,367	10,160,497
Total Including Carrying Cost	8,130,728	35,918,584	8,623,994	14,571,829	27,415,294	18,596,662	10,685,813	12,363,664	136,306,568
SBC Over-Recovery Application ³						(17,256,349)	(4,629,843)		(21,886,192)
SRC Over-Recovery Application ⁴							(3,947,932)		(3,947,932)
Subtotal									110,472,384
End'g Under-recovered Dfd RAC Bal.								(2,291,806)	(2,291,806)
Recoverable Bal. at Dec. 31, 2020									108,180,578

Notes:

- ¹ Net of insurance proceeds, revenue previously collected through base rates and write-off in accordance with BPU Order, Docket No. ER03121020.
- ² The Company maintains that it is entitled to retain NRD-related costs totaling approximately \$76,000 from 2003-2004.
- ³ 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.
- ⁴ In accordance with the BPU's Order adopting the Stipulation of Settlement in the 2018-2019 SRC Filing in Docket No. ER19010661, dated July 10, 2019, requiring JCP&L apply any net ending over/under-recovered balance in the Rider SRC deferred balance to the largest under-recovered component of the Rider SBC deferred balance, which was the Rider RAC component.

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 2020 RAC Period were credited to the deferred RAC balance.
3. The Parties agree that the Company's ending deferred recoverable RAC balance at December 31, 2020 was an under-recovered balance of \$108,180,578. In addition to the deferred RAC net balance at December 31, 2020 of \$108,180,578 referred to above,

² Should there be any contradiction between the terms of this summary and the terms of the Stipulation, the terms of the Stipulation control, subject to the finding and conclusion in this Order. Paragraphs are lettered and/or numbered to coincide with the Stipulation.

JCP&L deferred (i) \$803,654 of costs related to NRD issues from 2005 through 2020, and (ii) \$221,397 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2020. The Parties agree that it is appropriate for such NRD-related and incentive compensation costs to be deferred. The Company represents that the 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 no NRD-related MGP expenditures were incurred during the 2020 RAC Period and, therefore, none are included in the \$108,180,578 recoverable deferred RAC balance as of December 31, 2020. The Parties also agree that the incentive compensation of \$14,815 incurred during the 2020 RAC Period is not included in the \$108,180,578 recoverable deferred RAC balance as of December 31, 2020. Further, the Parties agree that the deferred NRD and incentive compensation amounts have been excluded from the RAC factors set forth in the Stipulation. 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 (2) 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 its right 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.³ 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, 2020, 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

³ The NRD-related MGP expenditures for the years 2005 through 2020 are as follows (\$):

Year	\$	Year	\$	Year	\$
2005	62,856	2011	33,404	2017	3,217
2006	157,594	2012	83,412	2018	(1,196)
2007	53,434	2013	5,116	2019	0
2008	18,046	2014	94,065	2020	0
2009	89,580	2015	98,616		
2010	53,563	2016	51,947		

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, 2020 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. The Parties agree that the total recoverable MGP remediation expense for 2020 is \$12.364 million (Appendix A, Attachment A-1, Line 60 of the Stipulation), and when combined with the 2020 over-recovered deferred RAC balance of \$2.291 million (Appendix A, Attachment A-1, line 62 of the Stipulation), and the remaining amortization of prior RAC expenditures previously approved for recovery, the result is an increase of \$0.000102 per kWh (before SUT) in JCP&L's Rider RAC charge to a proposed rate of \$0.000806 per kWh (before SUT) from the current rate of \$0.000704 kWh (before SUT), increasing revenues by approximately \$1.956 million annually. See Attachment A-1, lines 67 through 70 of the Stipulation. A typical residential customer using 783 kWh per month on RS rate will see an average monthly increase of \$0.08 or 0.07% from \$113.72 to \$113.80.
7. 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.
8. 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 the complaints.
9. 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, approved by Board Decision and Order dated March 9, 2011 (Docket No. ER09030194). A list of these MFRs is attached to the Stipulation as Appendix B.
10. 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 10 of the Stipulation, the Company will be required to show that competitive bidding was not practical or advantageous under the circumstances.
11. Also, consistent with the 2006-2008 RAC Filing Stipulation, the Company will make annual RAC filings, which will not be combined with any SBC filings, regardless of whether it is seeking any change in its RAC recovery rate.

12. Also, consistent with the 2006-2008 RAC Filing Stipulation, the Company agrees to provide a final reconciliation of its annual RAC factor recovery within 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.
13. 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, 2020 except as described in paragraphs 3, 4, and 5 of the Stipulation with respect to NRD-related costs and incentive compensation costs.
14. JCP&L agrees to file its next annual RAC Filing for the period January 1, 2021 through December 31, 2021 no later than October 1, 2022.

DISCUSSION AND FINDINGS

The Board reviewed the record in this matter, including the 2020 RAC Petition, discovery, and the Stipulation. The Board **HEREBY FINDS** the Stipulation to be reasonable and in the public interest, being persuaded that the MGP Costs were thoroughly reviewed. The Board **FURTHER FINDS** that the Company's MGP remediation work performed during the 2020 RAC Period was prudent, and the resulting MGP Costs for the 2020 RAC Period are reasonable and prudent.

Accordingly, the Board **HEREBY ADOPTS** the Stipulation as its own, as if fully set forth herein. The Board **HEREBY ORDERS** that the Company increase its RAC rate to \$0.000806 per kWh before SUT to become effective September 1, 2022 and shall remain in effect until further Order of the Board. As a result of the Stipulation, a typical residential customer using an average of 783 kWh per month will see their current bill increase by \$0.08 or 0.07% from \$113.72 to \$113.80.

The Board **FURTHER ORDERS** that the NRD related costs of \$803,654, covering the period 2005 through 2020, and \$221,397 for incentive compensation related to the period 2006 through 2020, shall continue to be deferred until such time as the Board addresses the rate recoverability of expenditures related to NRD and incentive compensation via the RAC mechanism.

The Board **FURTHER ORDERS** that the Company continue to defer all additional reasonable and prudent MGP remediation costs and expenses incurred and deferred subsequent to December 31, 2020, including NRD-related and incentive compensation costs, together with accrued interest thereon, for review and inclusion in future RAC filings and related adjustments to the Company's RAC rate.

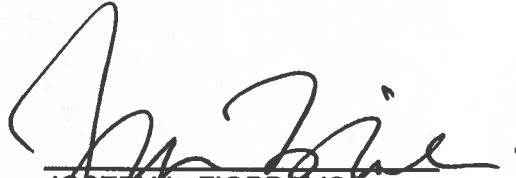
The Board **HEREBY DIRECTS** the Company to file revised tariff sheets that conform to the terms and conditions of this Order by August 29, 2022.

The Company's costs, including those related to the RAC, shall remain subject to on-going audit by the Board. Additionally, the Company 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.

The effective date of this Order is August 24, 2022.

DATED: August 17, 2022

BOARD OF PUBLIC UTILITIES
BY:

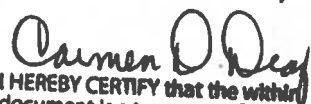

JOSEPH L. FIORDALISO
PRESIDENT


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


ROBERT M. GORDON
COMMISSIONER

ATTEST: 
CARMEN D. DIAZ
ACTING 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 ("2020 RAC Filing")

DOCKET NO. ER21101155

SERVICE LIST

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