



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1ST Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF JERSEY) ORDER
CENTRAL POWER & LIGHT COMPANY FOR)
AUTHORITY TO ISSUE AND SELL UP TO)
\$700,000,000 AGGREGATE PRINCIPAL AMOUNT OF)
SENIOR NOTES IN ONE OR MORE SERIES AND TO)
MAKE, EXECUTE AND DELIVER ONE OR MORE)
SUPPLEMENTAL INDENTURES IN CONNECTION)
THEREWITH) DOCKET NO. EF23060339

Parties of Record:

Gregory Eisenstark, Esq., Cozen O'Connor on behalf of Petitioner
Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On June 5, 2023, Jersey Central Power & Light Company ("JCP&L" or "Company") submitted a petition to the New Jersey Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9, seeking authority to issue and sell, in one (1) or more series from time to time through December 31, 2025, notes ("New Senior Notes") in an aggregate principal amount not to exceed \$700,000,000, and to make, execute, and deliver to The Bank of New York Mellon, as successor trustee ("Senior Note Trustee"), one (1) or more supplemental indentures to the indenture ("Senior Note Indenture") between the Company and the Senior Note Trustee, dated as of July 1, 1999, as amended from time to time for the purpose, among other things, of describing the terms of the New Senior Notes ("Petition").

By Orders dated (i) March 18, 1999, October 26, 2000, April 25, 2001 and November 22, 2002, in Docket No. EF98121419; (ii) April 5, 2004, in Docket No. EF03100838; (iii) April 7, 2006, in Docket No. EF06020085; (iv) April 13, 2007, in Docket No. EF07010015 ("2007 Order"); (v) December 9, 2008, in Docket No. EF08090719 ("2008 Order"); (vi) February 20, 2013 in Docket No. EF12111053 ("2013 Order"); (vii) January 17, 2019 in Docket No. EF18090979; and (viii) May 19, 2021 in Docket No. EF20120759 ("2021 Order"). Via a series of prior Orders ("Prior Orders") referred to above, JCP&L was granted authority to issue and sell, among other things, \$3,450,000,000 in aggregate principal amount of senior notes (collectively, "Prior Senior Notes") under the Senior Note Indenture.

Initially, the Prior Senior Notes were secured by a corresponding principal amount of so-called “mirror” first mortgage bonds issued under the Company’s mortgage indenture dated as of March 1, 1946, as supplemented and amended (“Mortgage”).¹ However, following the application of the proceeds of the Prior Senior Notes that were issued and sold in 2007, consistent with the terms of the Note Indenture and the Prior Senior Notes and as contemplated by the 2007 Order, all of the “mirror” first mortgage bonds securing all of the Prior Senior Notes were cancelled and ceased to secure the Prior Senior Notes, which became unsecured general obligations of the Company. In addition, the Mortgage was satisfied, and the lien cancelled and discharged on September 14, 2007. As a result, and as recognized by the Prior Orders, including the 2007 Order and 2008 Order, the Company cannot issue any additional first mortgage bonds, and no “mirror” first mortgage bonds will be issued to secure the New Senior Notes.

By the Petition, the Company sought the flexibility to issue and sell the New Senior Notes in one (1) or more transactions, publicly, through either competitive biddings or negotiated underwritings, or privately, through direct placements. JCP&L stated that the New Senior Notes would be sold primarily based on their own credit ratings as unsecured general obligations of the Company and that these and similar securities should be treated by investors as relatively fungible as between issuers. The Company asserted that securities such as the New Senior Notes are typically sold with interest rates negotiated at the time of sale based on spreads over comparable maturities of U.S. Treasury securities. Based upon past experience with its prior issuances and sales of the Prior Senior Notes, JCP&L expects that there will be competition, not only among the institutional investors seeking to purchase the New Senior Notes within a given maturity range and credit rating, but also among the underwriters seeking to place the issue on behalf of JCP&L, with the underwriters competing primarily in the areas of the “quality” of the investor base and investor pricing requirements. The Company requested that, should it determine, based upon existing market conditions and other relevant factors, to issue and sell the New Senior Notes, it should be authorized to do so on a negotiated basis in a manner similar to that authorized in the past by the Board in the Prior Orders. The Company proposed that New Senior Notes would have maturity dates of not less than one (1) year nor more than thirty-one years from the date of issuance.

The Company proposed to enter into underwriting agreements from time to time, and intends to offer the New Senior Notes for sale to purchasers through those underwriters or directly to underwriters as principals. According to the Company, underwriters would utilize the competitive forces of the marketplace to sell the New Senior Notes at rates and on terms favorable to the Company. In essence, the underwriters would solicit indications of interest for the purchase of the New Senior Notes so as to create the greatest demand practicable for the securities. To take advantage of the competition, new issues are typically announced with no price guidelines while the underwriter leads build an oversubscribed order book. JCP&L maintained that this demand will generate competition among the potential purchasers competing to purchase the New Senior Notes so as to achieve the most aggressive pricing levels. The Company also requested authority to utilize competitive bidding and direct private placement as flexibility of use of these methods of sale will allow the Company to get the best possible rates and terms and will satisfy the competitive bidding requirements of the Board. The price of the securities would be based on a competitive process.

¹ The Prior Senior Notes excluded senior notes authorized by the Board in 2008, 2013, 2019 and 2021.

On the basis of current and historical market conditions, including consideration of current U.S. Treasury securities rates and market all-in yield rates for comparable securities, the Company anticipates that the maximum coupon spread over U.S. Treasury securities for the New Senior Notes will be as follows:

Range of Maturities	Maximum Coupon Spread Over U.S. Treasury Securities Basis Points
Up to 5 years	320
From 5 years to 10 years	340
From 10 years to 30 years	360

These proposed coupon spreads are based upon the difference between market yield of unsecured corporate debt securities having ratings comparable to the Company's senior notes and U.S. Treasury securities with like maturities. These maximum coupon spreads are designed to allow for differences in redemption provisions as well as for ordinary market volatility. If market conditions change materially, the Company would deliver an updated yield spread schedule to the Board.

According to the Petition, the purpose of the issuance of the New Senior Notes is to provide a portion of the permanent financing required by the Company to provide safe, adequate and proper service to the public. The Company expects to apply the net proceeds of the sale of the New Senior Notes to refinance existing long-term debt that is maturing, for the repayment of outstanding short-term debt, to address storm recovery and restoration costs and expenses, capital expenditures, working capital requirements and for other general corporate purposes, including to reimburse the Company's treasury for funds previously expended therefrom for the above purposes. The Company may also use such net proceeds to repurchase senior notes in the open market.

JCP&L represented that it would not repurchase outstanding senior notes at a premium, i.e., at a price above par or stated value, unless the estimated present value savings derived from the difference between interest or dividend payments on a new issue of comparable securities and those securities refunded is on an after-tax basis greater than the estimated present value of all redemption, tendering and issuing costs, assuming an appropriate discount rate ("Repurchase Savings").

The New Jersey Division of Rate Counsel ("Rate Counsel") reviewed this matter and, by letter dated November 22, 2023, indicated that it not object to the Company's request as described in the Petition. However, Rate Counsel also included several recommendations in its letter. Some recommendations pertained directly to the subject Petition. One recommendation related to findings in a management audit of JCP&L, conducted on behalf of the Board by the Liberty Consulting Group, dated February 7, 2023. Rate Counsel stated that the embedded cost of debt in JCP&L's rates is higher than it should be due to the lower credit ratings of its parent company, FirstEnergy. Rate Counsel recommended that, in an appropriate proceeding, the Board should "consider ordering . . . that the interest rates that JCP&L's customers pay for the \$700 million issuance be reduced by 15 to 25 basis points." On December 7, 2023, JCP&L submitted a letter in response to the comments filed by Rate Counsel. JCP&L requested that the Board "reject Rate Counsel's comments alleging that the Company's actual embedded cost of debt should be reduced in some other proceeding." The Company indicated that it has filed comments in the

Management Audit docket rebutting the findings of the audit in regard to any impact on its cost of debt due to credit ratings of its parent company. On January 5, 2024, Rate Counsel responded to JCP&L's letter by stating that JCP&L's argument was unpersuasive. Rate Counsel continued to request that the Board carefully consider, in a separate proceeding, the recommendation of a reduction in the allowed long-term debt cost recovered by JCP&L for the intended \$700 million long-term debt issuance.

DISCUSSION AND FINDINGS

The Board, having considered the Petition, exhibits, Rate Counsel's comments, and the Company's response to Rate Counsel's comments, **HEREBY FINDS** that the action proposed to be taken by the Company will allow it to maintain a reasonable capital structure, reduce the risk associated with fluctuations in short-term interest rates, provide a portion of the permanent financing required by the Company to provide safe, adequate and proper service to the public, is in accordance with law, is in the public interest, and through the reduction of the ratio of common equity in the Company's capital structure, should result in savings which will be passed on to customers in the form of lower capital costs. Moreover, the Board **FURTHER FINDS** the proposed financing is consistent with the Board's policy that utilities engage in competitive sales of debt financing. Accordingly, the Board **HEREBY ORDERS** that the Company, be and is **HEREBY AUTHORIZED**, from time to time through December 31, 2025, without further action by the Board, to:

1. Issue and sell, in one or more series through December 31, 2025, New Senior Notes in an aggregate principal amount not to exceed \$700,000,000 and, in connection therewith, to make, execute and deliver to the Note Trustee, as may be required, one or more New Senior Note Supplements to the Note Indenture for the purpose, among other things, of providing for the issuance of such New Senior Notes and describing the terms of the New Senior Notes; and
2. Repurchase senior notes at a premium, if such action yields Repurchase Savings.

This Order is issued subject to the following conditions:

1. With respect to each issue of New Senior Notes, the Company shall provide the following material for informational purposes as soon as it is available and in no event later than 24 hours prior to the anticipated time for the pricing (which materials may be provided by facsimile transmission or by hand delivery to the Office of the Chief Economist and confirmed by mail to the Board and are deemed provided upon dispatch):
 - (a) a statement with respect to the indicative pricing for the New Senior Notes and the terms thereof which shall specify:
 - (i) the anticipated date and time for the pricing of the New Senior Notes,
 - (ii) the aggregate principal amount of the New Senior Notes,
 - (iii) the terms and conditions upon which the New Senior Notes may be redeemed, whether at the option of the Company, pursuant to any mandatory provision, or otherwise, and
 - (iv) such other provisions as may be established by the Company with respect to the terms and conditions of the New Senior Notes and the pricing therefore; and

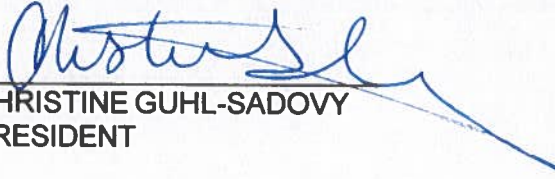
- (b) an assessment of the then current financial markets applicable to the New Senior Notes which shall include:
- (i) data with respect to recent sales of comparable securities of other utilities, if any,
 - (ii) data with respect to current yields on certain outstanding long-term notes of the Company,
 - (iii) anticipated compensation to and the names of the underwriters for the New Senior Notes,
 - (iv) the anticipated range of the yield of the New Senior Notes based upon current market conditions, and
 - (v) such other information the Company deems relevant to assess the sale of the New Senior Notes and the reasonableness of the effective cost of money rate thereof.
2. If (a) the interest rate on any series of New Senior Notes, in relation to U.S. Treasury securities, does not exceed the range set forth in the table above, and (b) the compensation to the underwriters with respect to any series does not exceed 1.0% of the aggregate principal amount of the New Senior Notes to be issued and sold, the Company may effect New Senior Notes transactions without further Order of the Board. If either the interest rate or the compensation to the underwriters exceeds such amounts, the proposed issuance and sale of such New Senior Notes shall not be consummated without further Order of the Board.
 3. The Company shall, as promptly as is practical after acceptance of an offer for, and the pricing of, any New Senior Notes, notify the Office of the Chief Economist and Rate Counsel in writing, of the action to be taken and include a statement setting forth the compensation to and names of all the underwriters, and, as applicable, the aggregate principal amount of New Senior Notes, the interest rate of the New Senior Notes and any other material provision with respect to the terms and conditions of the New Senior Notes.
 4. The Company shall furnish the Board with copies of executed documents filed with other regulatory agencies relating to the New Senior Notes.
 5. The New Senior Notes authorized herein shall not be redeemed at a premium prior to maturity without further Board approval, unless the estimated present value savings derived from the difference between interest or dividend payments on a new issue of comparable securities and those securities refunded is on an after-tax basis greater than the estimated present value of all redemption, tendering and issuing costs, assuming an appropriate discount rate.
 6. The approval by the Board of JCP&L's petition shall not constitute pre-approval for any costs or authorization for rate recovery. All capital costs are subject to review in the Company's next base rate proceeding.
 7. The approval by the Board of JCP&L's petition shall not be construed as a certification that the securities authorized to be offered for sale will be represented by tangible or intangible assets of commensurate value or investment costs.
 8. The Company shall furnish the Board with copies of all executed supplements to the Senior Note Indenture.

9. The approval by the Board of JCP&L's petition shall not affect nor in any way limit the exercise of the authority of this Board or of this state, in any future petition or any proceedings with respect to rates, franchises, services, financing (including method of sale of securities), accounting, capitalization, depreciation, or in any other matters affecting the Company.
10. The approval by the Board of JCP&L's petition shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by the Company.
11. The debt issuance authority granted by the Board in this docket is to be used to fund utility operations and investments only, not to fund unregulated entities.
12. The Company shall endeavor to issue its planned long-term debt at lowest reasonable cost.
13. The Company shall utilize a prudent and cost-effective capital structure and mix of capital to finance its utility rate base at lowest reasonable cost.
14. The authority granted in this order shall become null and void and of no effect with respect to any portion which is not exercised on or before December 31, 2025.
15. Beginning June 15, 2024, and every six (6) months thereafter, the Company shall submit to the Board Secretary, and provide a copy to the Chief Economist, a letter report detailing each debt issuance, term loan, and use of revolving credit opened or concluded in the prior six (6) months, along with copies of executed indentures associated with the authorization contained in this Order. The reports shall include the name of the issuing entity, issue date, amount of debt issued, the term in years, final maturity date, coupon rate, price to public, underwriters discount, net proceeds after expenses, gross proceeds before expenses, breakdown of estimated issuance costs (including, but not limited to, information such as the underwriting fees, underwriting expenses, legal fees and expenses, recordation taxes and fees, trustee fees, etc.) and any other material provision with respect to the terms and conditions of the new issuance.


This Order shall become effective on March 27, 2024.

DATED: March 20, 2024

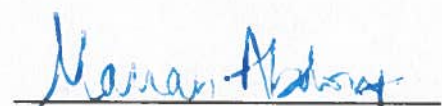
BOARD OF PUBLIC UTILITIES
BY:



CHRISTINE GUHL-SADOVY
PRESIDENT



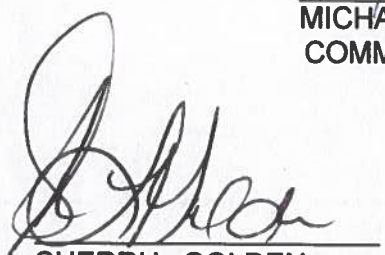
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COMMISSIONER



MARIAN ABDOU
COMMISSIONER



MICHAEL BANGE
COMMISSIONER

ATTEST: 
SHERRIL L. GOLDEN
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 PETITION OF JERSEY CENTRAL POWER & LIGHT COMPANY FOR AUTHORITY TO
ISSUE AND SELL UP TO \$700,000,000 AGGREGATE PRINCIPAL AMOUNT OF SENIOR NOTES IN ONE OR
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CONNECTION THEREWITH

DOCKET NO. EF23060339

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