NJ BPU Capacity Adequacy Technical Conference

Solutions Panel

Dean Stathis
Director, FirstEnergy (JCP&L)
Commodity Sourcing
June 24, 2010

JCP&L Corporate Background

- NJ Distribution utility
  - 1,095,000 customers served in 13 counties
  - Summer peak seasonal variability:
    - 2006 = 6702 MW
    - 2009 = 5738 MW
  - Average Peak Day variability (peak/valley)
    - 3230 MW
  - Little company owned generation
    - 200 MW Pumped Hydro
  - Significant Non-utility portfolio
    - 764 MW long-term obligations

Theme #1: BGS, RPM and RTEP constructs are currently well functioning; Seek process improvement where appropriate

- NJ Statewide Basic Generation Service procurement process producing relatively stable outcomes
  - Stable procurement model since 2002 provides demand backdrop for interested suppliers to source power supply
  - *EDCs currently in BGS compliance filing process (July of each year)*

- PJM's Capacity Market ("RPM") sending proper price signals for capacity resource expansion
  - RPM capacity price signal incenting generation queue interest in higher priced locations; Over 1000 MW (2 sites) gas-fired by 2013 in JCP&L queue;
  - *FE/JCP&L willing to participate in forums exploring improving gas-fired economics and/or Electric and Gas Industry Coordination*

- PJM's Regional Transmission Expansion Planning process resulting in key large scale transmission project investments to relieve constraints in Eastern PJM
  - 500kV Susquehanna - Roseland Trx line connecting western PA with northern NJ most noteworthy
  - *Analysis needed on LMP impacts of transmission projects*

Theme #2: Learn from past experience

- JCP&L does not support mandatory long-term utility based contracting for incenting new generation
  - Past NUG experience resulted in $1.6B over market costs for ratepayers since 2003
  - Risk of incorporating 20 plus year projections of energy prices into long term contracts
  - Negative impacts on balance sheet and credit rating
  - Risks should not be shifted to customers

Theme #3: Pursue technology-driven renewable and demand-side activities customers can touch

- Renewable Activity
  - Help jump start NJ Solar market with competitively bid SREC financing program (42MW target)
  - Adding small scale solar capacity to meet RPS/EMP
  - Early returns promising
- Demand-Side Activities
  - Legacy residential one-way direct load control program (18 MW target)
    - Cycles participants air conditioner in 15-minute intervals
  - IDER Smart Grid initiative (38 MW target)
    - Targeted peak load management through two-way communication located in selected high growth areas
    - Scalable; Three phases planned
- Both Renewable and Demand-Side approaches will help address capacity adequacy, but inherent uncertainty about achievable levels exist

Conclusions

- Seek process improvements to BGS process and PJM capacity/transmission market models for shaping future project additions
- JCP&L offers its negative experience with bilateral long-term contracts as a reminder of the potential poor outcomes for ratepayers when trying to incent generation through this approach
- Tap growing customer energy awareness
  - Provide solar renewable programs for attracting new solar capacity to meet RPS/EMP goals
  - Deploy scalable Smart Grid initiative to qualified participants to help mitigate future capacity additions in NJ and provide needed system reliability during peak periods