STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE VERIFIED PETITION OF JERSEY CENTRAL POWER & LIGHT COMPANY FOR APPROVAL OF AN INFRASTRUCTURE INVESTMENT PROGRAM (JCP&L RELIABILITY PLUS)	**)))))))**	**BPU DOCKET NO. EO18070728**

DIRECT TESTIMONY OF DAVID E. PETERSON ON BEHALF OF THE DIVISION OF RATE COUNSEL

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is David E. Peterson. I am a Senior Consultant employed by Chesapeake Regulatory Consultants, Inc. ("CRC"). Our business address is 1698 Saefern Way, Annapolis, Maryland 21401-6529. I maintain an office in Dunkirk, Maryland.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE IN THE PUBLIC UTILITY FIELD?

A. I graduated with a Bachelor of Science degree in Economics from South Dakota State University in May of 1977. In 1983, I received a Master's degree in Business Administration from the University of South Dakota. My graduate program included accounting and public utility courses at the University of Maryland.

In September 1977, I joined the Staff of the Fixed Utilities Division of the South Dakota Public Utilities Commission as a rate analyst. My responsibilities at the South Dakota Commission included analyzing and testifying on ratemaking matters arising in rate proceedings involving electric, gas and telephone utilities.

Since leaving the South Dakota Commission in 1980, I have continued performing cost of service and revenue requirement analyses as a consultant. In December 1980, I joined the public utility consulting firm of Hess & Lim, Inc. I remained with that firm until August 1991, when I joined CRC. Over the years, I have analyzed filings by electric, natural gas, propane, telephone, water, wastewater, and steam utilities in connection with utility rate and certificate proceedings before federal and state regulatory commissions. A copy of my curriculum vitae is provided in Appendix A attached to my testimony.

Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY IN PUBLIC UTILITY RATE PROCEEDINGS?

A. Yes. I have presented testimony in 168 other proceedings before the state regulatory commissions in Alabama, Arkansas, California, Colorado, Connecticut, Delaware, Indiana, Kansas, Maine, Maryland, Montana, Nevada, New Jersey, New Mexico, New York, Pennsylvania, South Dakota, West Virginia, and Wyoming, and before the Federal Energy Regulatory Commission. Collectively, my testimonies have addressed the following topics: the appropriate test year, rate base, revenues, expenses, depreciation, taxes, capital structure, capital costs, rate of return, cost allocation, rate design, life-cycle analyses, affiliate transactions, mergers, acquisitions, and cost-tracking procedures.

In addition, I testified twice before the Energy Subcommittee of the Delaware House of Representatives on the issues of consolidated tax savings and tax normalization. Also, I have presented seminars on public utility regulation, revenue requirements, cost allocation, rate design, consolidated tax savings, income tax normalization and other ratemaking issues to the Delaware Public Service Commission, to the Commissioners and Staff of the Washington Utilities and Transportation Commission, and to the Colorado Office of Consumer Counsel.

II. SUMMARY

Q. HAVE YOU TESTIFIED IN OTHER PROCEEDINGS BEFORE THE NEW JERSEY BOARD OF PUBLIC UTILITIES ("BOARD")?

A. Yes, I have. I have submitted testimony in the following proceedings before the Board:

Utility	Docket No.
South Jersey Gas Company	GR8704329
	GR03050413
	GR03080683
	GR10010035
New Jersey-American Water Company	WR88070639
	WR91081399J
	WR92090906J
	WR94030059
	WR95040165
	WR98010015
	WR03070511
	WR06030257
	WR17090985
ACE/Delmarva Merger	EM97020103
Atlantic City Electric Company	ER03020110
	ER11080469
	ER17030308
	EO18020196
FirstEnergy/GPU Merger (JCP&L)	EM00110870
Jersey Central Power & Light	ER02080506
	ER05121018
	ER12111052
	EM14060581
	EM15060733

Utility	**Docket No.**
Rockland Electric Company	ER02100724
	ER06060483
	ER09080668
Public Service Electric and Gas	EM00040253
	GR09050422
	GO12030188
	ER18010029
	GR18010030
Exelon/PSE&G Merger	EM05020106
Exelon/Pepco Holdings Merger	EM14060581
Conectiv/Pepco Merger (ACE)	EM01050308
Elizabethtown Gas Company	GR02040245
	GR09030195
The Southern Company/AGL Resources	GM15101196
United Water New Jersey, Inc.	WR07020135
United Water Toms River	WR15020269
New Jersey Natural Gas Company	GR07110889

Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A. My appearance in this proceeding is on behalf of the Division of Rate Counsel ("Rate Counsel").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I was asked by Rate Counsel to review and to analyze the Petition, testimonies and exhibits filed by Jersey Central Power & Light Company ("JCP&L" or "the Company") in support of its request to implement an Infrastructure Investment Program ("IIP") and related cost recovery mechanism pursuant to N.J.A.C. 14:3-

2A.1 *et seq.* Specifically, I was asked to review and to comment on the formula used by JCP&L for its IIP cost recovery mechanism and the allocation of IIP-related cost responsibility to the various rate classes and to the rate schedule within each rate class. I was also asked to review and comment on the Company's proposed earnings test. Therefore, the purpose of my testimony is to present the results of my analyses and my recommendations regarding JCP&L's proposed IIP cost recovery mechanism and earnings test to the Board.

Q. ARE YOU FAMILIAR WITH JCP&L'S RATE PROPOSALS IN THIS PROCEEDING?

A. Yes, I am. JCP&L's witness Mark A. Mader presents the Company's IIP-related revenue requirements, cost allocation and rate design proposals through his Direct Testimony. I have carefully reviewed Mr. Mader's Direct Testimony. I also reviewed the Company's responses to Rate Counsel's data requests relating to the issues that I address in my testimony.

Q. BEFORE DISCUSSING YOUR SPECIFIC FINDINGS AND RECOMMENDATIONS, PLEASE SUMMARIZE JCP&L'S REQUESTS IN THIS PROCEEDING.

A. On June 13, 2018, JCP&L filed a Petition seeking approval from the Board for an IIP and related cost recovery. The Board recently adopted regulations, codified in N.J.A.C. 14:3-2A.1 *et seq*, allowing New Jersey utilities to request approval for IIP's for accelerated cost recovery of qualifying investments made to enhance system safety, reliability, and/or resiliency. The Company is calling its proposed IIP "JCP&L Reliability Plus."

The Board's IIP regulations allow utilities accelerated cost recovery for qualifying projects to the extent they exceed the utility's "baseline" spending for utility plant and facilities that enhance safety, reliability, and/or resiliency. While utilities may request accelerated cost recovery on either an annual or semi-annual basis, qualifying IIP projects must be in-service before new rates are implemented. IIP costs are to be recovered through a special rate rider and will include a return allowance on net investment in qualifying projects and an allowance for depreciation. IIP rates are provisional and subject to refund, however, in that prudence for IIP projects will be examined in the context of future base rate proceedings.

JCP&L's IIP proposal includes approximately $386.8 million of projects to be completed during the period 2019 through 2023. This amount is over and above its claimed "baseline" spending of $141 million annually for the same four-year period. Each of JCP&L's proposed IIP projects fall into one of four broad categories, which include: Overhead Circuit Reliability and Resiliency, Substation Reliability Enhancement, Distribution Automation, and Underground System Improvements. Mr. Mader claims that JCP&L's proposed IIP rates will have a 1.8 percent cumulative impact on the current average monthly bill for JCP&L's New Jersey customers.

Q. ARE OVERHEAD CIRCUIT RELIABILITY AND RESILIENCY, SUBSTATION RELIABILITY ENHANCEMENT, DISTRIBUTION AUTOMATION, AND UNDERGROUND SYSTEM IMPROVEMENTS NEW ISSUES OF CONCERN FOR JCP&L?

A. No, they should not be. Each of the four broad categories of JCP&L's proposed IIP, if prudently designed and constructed or purchased, represent elements of JCP&L's pre-existing public service obligation to its customers. That is, each element is part of the Company's existing obligation to deliver safe, adequate and reliable service to its customers at the lowest reasonable cost. Therefore, the new rules governing IIP filings did not create the need for the projects that JCP&L is proposing in its IIP. That need already existed and was already part of the Company's service obligation to its customers. In that sense, there is nothing unique about the projects that JCP&L has identified in its IIP, except that those are the projects that JCP&L has singled out for accelerated cost recovery, outside of the traditional base rate proceeding.

Q. DOES SINGLING OUT THE IIP INVESTMENTS FOR COST RECOVERY THROUGH A NEW RATE RIDER CONFER ANY BENEFITS ON JCP&L AND ITS INVESTORS THAT ARE NOT AVAILABLE FROM JCP&L'S OTHER RATE BASE INVESTMENTS THAT ARE ALSO PART OF THE COMPANY'S PUBLIC SERVICE OBLIGATION?

A. Yes, it does. Projects deemed eligible for JCP&L's IIP will be guaranteed accelerated cost recovery, unlike JCP&L's other non-IIP investments. This is significant because JCP&L proposes to include $386.8 million of new investment over the next four years under the IIP and receive guaranteed cost recovery on that investment, subject to a prudency review in the Company's next base rate case.

Moreover, despite guaranteed accelerated cost recovery, which should reduce investment risk considerably, which Mr. O'Donnell addresses in his testimony, JCP&L is requesting a return allowance for IIP investments that is the same rate of return authorized by the Board for JCP&L's non-IIP rate base investments. Using the same rate of return for both IIP and non-IIP investments gives the Company a significant incentive to have as much of its capital expansion projects included in its IIP and, thereby, create a windfall for the Company's investors.

Finally, the IIP procedure is a form of single-issue ratemaking of which the Board should be very cautious to be led down that path. The IIP procedure permits a guaranteed increase in JCP&L's distribution rates to reflect certain plant additions made during a certain time period while ignoring all other changes (both increases and decreases) in JCP&L's revenues and costs occurring during the same time period. The "test period" concept is a fundamental ratemaking principle that has been used for decades to fairly measure a utility's revenue requirement. The IIP procedure, however, turns the test period concept on its head by ignoring all factors that influence a utility's cost of service except for a one-sided return allowance and a depreciation expense allowance on IIP investments. Such a one-sided procedure cannot accurately or fairly measure a utility's revenue requirement.

Q. WHAT ARE JCP&L'S SPECIFIC PROPOSALS RELATING TO IIP REVENUE REQUIREMENTS, COST ALLOCATION AND RATE DESIGN?

A. The Company's revenue requirement, cost allocation and rate design proposals are presented through Mr. Mader's Direct Testimony. Therein, Mr. Mader proposed to collect JCP&L's IIP-related costs through a separate tariff rider, Rider RP-JCP&L Reliability Plus Charge ("Rider RP"), which is to be calculated on a semi-annual basis and become effective 60 days after JCP&L's periodic IIP filings. Each filing is to reflect actual plant-in-service IIP-related closings during the six months prior to the filing and for each filing, the Company is required to seek recovery of at least 10 percent of its overall IIP expenditures.

Mr. Mader's proposed semi-annual revenue requirement includes a return allowance and a depreciation expense allowance on actual plant closings. JCP&L's proposed IIP "rate base" includes the Company's actual IIP construction-related costs, including engineering, design, construction, property acquisition, labor, materials, and AFUDC, less accumulated depreciation and deferred taxes. Construction work in progress will not be included in the periodic IIP rate base. JCP&L proposes a rate of return allowance based on the Company's most recent approved rate of return – 9.16%. Similarly, depreciation rates to be applied to IIP plant investment will reflect depreciation rates previously approved by the Board. The income tax consequences associated with IIP plant investment will reflect the requirements of the Tax Cuts and Jobs Act of 2017, ("TCJA"), including a 21% federal income tax rate, Modified Accelerated Cost Recovery System depreciation and no bonus depreciation.

Mr. Mader proposes to allocate the Company's IIP revenue requirement to each service class on the basis of current rate class specific levels of non-customer-related distribution revenues (i.e. total class revenues minus revenues collected through the monthly customer charge) approved by the Board in JCP&L's most recent base rate proceeding.

For rate schedules RS, RT/RGT, and GS, the IIP rate will be designed as a volumetric (i.e., $/kWh) charge. For rate schedules GST, GP, and GT, the IIP rate will be designed as a demand charge (i.e., per kW) applicable to the customers' maximum monthly demand. For the street lighting classes, the IIP rate will be calculated as a per lamp charge.

In addition to Mr. Mader's proposals regarding the IIP, he also proposed that costs of removal, net of salvage, ("COR") associated with retirements related to the IIP be debited to the excess cost of removal liability that was established by the Board in JCP&L's 2002 base rate proceeding in Docket No. ER02080506. Mr. Mader also proposed an adjustment to pension and other post-employment benefits ("OPEB") expenses for purposes of the earnings test that is required pursuant to the Board's IIP regulations. Both of these requests are discussed in greater detail below.

Q. DO YOU TAKE ISSUE WITH ANY OF MR. MADER'S PROPOSALS IN THIS PROCEEDING?

A. Yes, I do. I have no issue with Mr. Mader's proposed IIP revenue requirement calculation, other than the underlying projects themselves, which Mr. Chang and Mr. Salamone address in their Direct Testimony, and the rate of return, which Mr. O'Donnell addresses in his Direct Testimony. Nor do I take issue with Mr. Mader's proposed allocation of the IIP revenue requirement to the various service classes. His proposed non-customer charge revenue basis preserves the relative class revenue responsibilities, as a percentage of total distribution revenue, that were established in JCP&L's last base rate proceeding. Mr. Mader's proposal to adjust volumetric rates for residential customers also is reasonable, in that IIP investments will not result in an increase in monthly service charges.

I do object, however, to Mr. Mader's proposed treatment of COR associated with IIP-related retirements.

Q. BEFORE YOU DISCUSS YOUR OBJECTION TO MR. MADER'S PROPOSED TREATMENT OF COR RELATING TO IIP RETIREMENTS, PLEASE EXPLAIN HOW COR HAS BEEN TREATED FOR RATEMAKING PURPOSES SPECIFICALLY FOR JCP&L.

A. Prior to JCP&L's 2002 base rate proceeding in Docket No. ER02080506, COR estimates were included in the determination the Company's book depreciation rates. In the 2002 base rate case, however, that procedure was terminated. The Board's Order in that proceeding effectively removed COR from JCP&L's book depreciation rates. In its place, a separate ratemaking allowance for COR was established – essentially treating COR as an on-going operating expense. JCP&L's current annual ratemaking allowance for COR, $14,347,238, was established in JCP&L's 2016 base rate case in Docket No. ER16040383. The $14.3 million annual COR amount was calculated using a recent five-year average of JCP&L's actual COR, as follows:

Table 1

Jersey Central Power & Light Company

COR Normalization Adjustment From
BPU Docket No. ER16040383[1]

2011	$ 6,499,147
2012	$ 9,657,885
2013	$12,401,001
2014	$21,500,983
2015	$21,677,175
Five-Year Average	$14,347,238

The $14.3 million rate allowance was intended to represent total compensation for JCP&L's annual COR, regardless of the actual COR level experienced during any given year, until the allowance is re-set in a subsequent base rate proceeding. That is, COR in excess of $14.3 million is not to be deferred for future rate recovery; nor is COR less than $14.3 million required to be refunded to ratepayers.

Also in JCP&L's 2002 base rate proceeding, the Board established a regulatory liability for what it considered an excess in the depreciation reserve for COR. The initial liability, $150.2 million, is being amortized and refunded to ratepayers

[1] Amounts shown in Table 1 were taken from Exhibit JC-3, Schedule CAP-2 (6+6), page 16 and exclude storm-related COR.

over the average remaining life of JCP&L's distribution assets, 34.3 years, at a rate of $3.1 million annually. Mr. Mader explained in his Direct Testimony that as of May 31, 2018, there remained $96,155,295 in the excess COR regulatory liability account that had not yet been refunded to ratepayers.

Q. WHAT IS MR. MADER'S SPECIFIC PROPOSAL IN THIS PROCEEDING RELATING TO COR?

A. For asset retirements under the IIP, Mr. Mader proposes to debit the COR amount to its excess COR liability account and thereby reduce its future refund obligation by the amount of the IIP-related COR. JCP&L anticipates that over the four-year IIP, it will incur $12.15 million in COR, or an average of approximately $3.1 million annually.[2] Thus, under Mr. Mader's proposed treatment of IIP-related COR, JCP&L's refund obligation will be reduced by $12.15 million, if JCP&L's estimate is accurate.

Q. WHAT REASONS DID MR. MADER GIVE TO SUPPORT HIS COR PROPOSAL?

A. Essentially, Mr. Mader created two arguments to support his proposal. First, he argues that while the current $14.3 million ratemaking allowance for COR should provide recovery for "baseline" retirements, it "does not provide recovery of the COR related to accelerated JCP&L Reliability Plus investments."[3] Second, Mr. Mader argues that if a special allowance is not recognized for IIP-related COR and it is to be addressed solely through base rates, "[to] realize the full annual

[2] JCP&L's response to RCR-A-9.
[3] Direct Testimony of Mark A. Mader, page 9.

increase in the COR expense in base rates, JCP&L first would have to experience 5-years of increased COR expense before filing a base rate case."[4]

Q. DO YOU AGREE WITH MR. MADER'S ARGUMENTS?

A. No, I do not. For Mr. Mader's arguments to be true, actual, total COR (i.e. including COR-relating to the IIP) will have to exceed $14.3 million in each year during the IIP. For each year in which the actual, total COR is less than $14.3 million, the current base rate allowance will be sufficient to recover IIP-related COR. Of course, we cannot now know with certainty what JCP&L's actual total COR will be over the next four years. Thus, there is no definitive proof to support Mr. Mader's arguments in this regard.

To me the important question concerning the level of COR that JCP&L is authorized to recover is whether the current $14.3 million allowance provides JCP&L a reasonable opportunity to recover its actual, total COR. It does.

Q. UPON WHAT DO YOU BASE YOUR CONCLUSION?

A. Refer back to the five years of historical data presented in Table 1, above. First, notice the wide variability in the annual COR amount, ranging from $6.5 million in 2011 to $22.7 million in 2015 – a $16.2 million swing in annual COR. This variation is greater than five times JCP&L's forecasted annual average IIP-related COR. Notice also that in three of the five years (i.e., years 2011-2013), JCP&L's actual COR was substantially less than $14.3 million.

If we were to layer an additional $3.0 million, representing JCP&L's forecasted average annual IIP-related COR, on top of each of the COR amounts shown in Table 1, we would see that the adjusted COR in two of those years (2011 and

[4] Ibid.

2012) would still be less than $14.3 million; the adjusted COR in two of the years would will be much greater than $14.3 million (2014 and 2015); and the 2013 amount will only be slightly greater than $14.3 million. This is illustrated in the following table.

Table 2

Jersey Central Power & Light Company
Analysis of the Adequacy of the COR Allowance

Year (A)	Actual COR (B)	Average IIP COR (C)	Adjusted COR (D)
2011	$6,499,147	$3,037,500	$ 9,536,647
2012	9,657,885	3,037,500	12,695,385
2013	12,401,001	3,037,500	15,438,501
2014	21,500,983	3,037,500	24,538,483
2015	21,677,175	3,037,500	24,714,675
COR allowance currently in rates			$14,347,238

With two years considerably over the current rate allowance for COR, two years under, and the fifth year only slightly over, it appears that even with the forecasted IIP-related COR, the experienced variability in annual COR makes JCP&L as likely as not to recover its total COR even with the existing $14.3 annual rate allowance.

Moreover, to track IIP-related COR in the manner that Mr. Mader proposes is inconsistent with the Board's established procedure to ***not*** track actual COR year by year.

In sum, the authorized rate allowance for COR was never intended to track JCP&L's actual COR prospectively. Nevertheless, given the historical variability in JCP&L's annual COR, the Company has a reasonable opportunity to recover its IIP-related COR, even with no changes to its existing COR rate allowance. Therefore, I oppose Mr. Mader's proposal to debit (i.e., reduce) JCP&L's excess COR liability with IIP-related COR.

Q. EARLIER IN YOUR TESTIMONY YOU STATED THAT MR. MADER IS PROPOSING A CHANGE TO HOW PENSION AND OPEB EXPENSES ARE TO BE TREATED IN THE EARNINGS TEST. PLEASE BRIEFLY SUMMARIZE MR. MADER'S PROPOSAL IN THAT REGARD AND YOUR RESPONSE TO MR. MADER'S PROPOSAL.

A. The Board's IIP regulations require an earnings test before changes in IIP costs are to be recognized in rates. Specifically, for the Company to increase its IIP rate rider, its jurisdictional earnings cannot exceed its authorized common equity return by more than 50 basis points. In determining its jurisdictional earnings, Mr. Mader proposed to change the way that pension and OPEB expenses are accounted-for. In its 2012 and 2016 base rate cases, JCP&L's pension and OPEB expenses were calculated, for ratemaking purposes, using the "delayed recognition" method of accounting for actuarial gains and losses, whereby changes in the value of the plan assets or obligations are amortized over a future period. For financial reporting purposes, however, the Company's actuarial gains and losses are recognized immediately in the year in which they occurred, rather than amortized over future years. Thus, there is a difference between JCP&L's financial reporting of pension and OPEB expenses and the way that those two expenses were determined for ratemaking purposes. To reconcile this difference, Mr. Mader proposes to adjust the booked pension and OPEB expense to reflect the amortization method of recognizing gains and losses, so that reported earnings will reflect the treatment afforded pension and OPEB expenses in JCP&L's existing base rates. I agree that Mr. Mader's proposed adjustment is necessary and appropriate so that adjusted book earnings, for purposes of the earnings test, will closely match the manner in which expenses were recognized in setting JCP&L's existing base rates. In this regard, Rate Counsel intends to diligently review JCP&L's periodic earnings test to determine if other similar conforming adjustments are also necessary so that book earnings more closely reflect the Board's ratemaking treatments.

Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?

A. Yes, it does.

APPENDIX

STATEMENT OF EDUCATION AND EXPERIENCE
FOR
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Mr. Peterson is employed as a public utility rate consultant by Chesapeake Regulatory Consultants, Inc. Mr. Peterson has over thirty-nine years of experience analyzing regulated public utility ratemaking and service matters including three years as a member of a state regulatory commission staff and thirty-eight years as a consultant. Mr. Peterson specializes in utility revenue requirement and cost of service analyses. He has presented testimony in more than 165 proceedings before twenty state regulatory commissions, the Delaware House Energy Subcommittee, and the Federal Energy Regulatory Commission. Utilities addressed in Mr. Peterson's analyses and testimonies have included electric, natural gas, propane, telephone, water, steam and sewer companies.

EMPLOYMENT

1991 - Present	Senior Consultant Chesapeake Regulatory Consultants, Inc. Annapolis, Maryland
1980 - 1991	Consultant Hess & Lim, Inc. Greenbelt, Maryland
1977 - 1980	Rate Analyst South Dakota Public Utilities Commission Pierre, South Dakota
1977	Research Assistant Economics Department South Dakota State University Brookings, South Dakota

As a rate analyst and consultant, Mr. Peterson has served a diverse group of public utility consumers and governmental agencies on utility ratemaking and service-related issues. Clients have included state regulatory commissions and their staffs, consumer advocate agencies of state governments, federal agencies, municipalities, privately owned, municipally owned and cooperatively owned utilities, civic organizations, and industrial consumers.

EDUCATION

December 1983	Master of Business Administration University of South Dakota Vermillion, South Dakota
May 1977	Bachelor of Science Degree in Economics South Dakota State University Brookings, South Dakota

EXPERT TESTIMONY

Among the issues that Mr. Peterson has addressed in testimony are the appropriate test year, construction work in progress, cash working capital lead/lag studies, rate base, excess capacity, revenues, expenses, depreciation, income taxes, capital structure, rate of return, cost allocation, rate design, customer service charges, flexible rates, life-cycle analyses, cost tracking procedures, affiliate transactions, mergers, acquisitions and the consequences of industry restructuring. Mr. Peterson has presented testimony to the following regulatory bodies.

Alabama Public Service Commission
Arkansas Public Service Commission
California Public Utilities Commission
Colorado Public Utilities Commission
Connecticut Public Utilities Control Authority

Delaware Public Service Commission
Indiana Public Service Commission
Kansas State Corporation Commission
Maine Public Utilities Commission
Maryland Public Service Commission

Montana Public Service Commission
Nevada Public Service Commission
New Jersey Board of Public Utilities
New Mexico Public Service Commission
New York Dept. of Environmental Protection

New York Public Service Commission
Pennsylvania Public Utility Commission
South Dakota Public Utilities Commission
West Virginia Public Service Commission
Wyoming Public Service Commission

Delaware House of Representatives (Energy Subcommittee)
Federal Energy Regulatory Commission

In addition, Mr. Peterson has presented several utility training seminars, including the following:

Consolidated Tax Savings and Income Tax Normalization
Presented to Delaware Public Service Commission 2006

Public Utility Ratemaking Principles
Presented to Washington Utilities and Transportation Commission 2011

Electric Cost Allocation and Rate Design
Presented to Colorado Office of Consumer Counsel 2012

Public Utility Revenue Requirements
Presented to Delaware Public Service Commission 2012

Electric Cost Allocation and Rate Design
Presented to Delaware Public Service Commission 2013

RELEVANT
DISCOVERY
RESPONSE

I/M/O the Verified Petition of Jersey Central Power & Light Company For Approval of Infrastructure Investment Program (JCP&L Reliability Plus)

BPU Docket No. EO18070728

RESPONSE TO DISCOVERY REQUEST

RCR-A-9: Will the Company incur any COR over the four-year period JCP&L's proposed Reliability Plus program relating to the specific Reliability Plus investments and that Company has proposed for the four-year period? If so, please explain and quantify. In other words, of $386.8 million of Reliability Plus investments envisioned for the four-year program, what amount of that specific plant will be retired within four years and will incur a COS?

RESPONSE: The Company will incur COR over the 4-year JCP&L Reliability Plus program period related to program investments. COR will be incurred when items in service are removed from service. The $386.8 million represents only the capital cost of the investments made under the Reliability Plus program. The total cost of the Reliability Plus program is $400.6 million, of which $12.15 million is estimated to be cost of removal. JCP&L has not estimated or forecasted the plant retirements associated with the Reliability Plus program.