



Agenda Date: 03/19/14  
Agenda Item: 2G

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
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ENERGY

IN THE MATTER OF THE BOARD'S ESTABLISHMENT	)	DECISION AND ORDER
OF A GENERIC PROCEEDING TO REVIEW THE	)	APPROVING STIPULATION
PRUDENCY OF COSTS INCURRED BY NEW JERSEY	)	
UTILITY COMPANIES IN RESPONSE TO MAJOR STORM	)	
EVENTS IN 2011 AND 2012	)	DOCKET NO. AX13030196
	)	
IN THE MATTER OF THE BOARD'S REVIEW OF THE	)	
PRUDENCY OF THE COSTS INCURRED BY JERSEY	)	
CENTRAL POWER & LIGHT COMPANY IN RESPONSE	)	
TO MAJOR STORM EVENTS IN 2011 AND 2012	)	DOCKET NO. EO13050391

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BY THE BOARD:

In July 2012, the Board ordered Jersey Central Power and Light Company ("JCP&L" or "Company") to file a base rate case with 2011 as the historical test year.<sup>1</sup> The base rate case was ordered to allow the Board to review JCP&L's financial integrity and adequacy of capital expenditures, and to provide insight as to the Company's operational efficiency and

<sup>1</sup> In re Petition of Rate Counsel Requesting a Board Order Directing Jersey Central Power and Light Company to File a Base Rate Case Petition and Establishing a Test Year of 2010, Docket No. EO11090528 (Order dated July 31, 2012) ("Rate Petition Order").

organizational effectiveness. Rate Petition Order at 12-13. JCP&L filed the base rate case on November 30, 2012, and included its costs related to the 2011 storms, including Hurricane Irene.<sup>2</sup> The matter was transmitted to the Office of Administration Law ("OAL") and is pending before the Honorable Richard McGill, Administrative Law Judge ("ALJ"). ALJ McGill issued a Procedural Order on March 6, 2012, establishing a schedule with evidentiary hearings beginning on September 12, 2013 and continuing through October 17, 2013, with two specific hearings scheduled on November 19 and 20, 2013 to focus on the depreciation study the Board ordered JCP&L to file by June 14, 2013.

On February 22, 2013, JCP&L filed an "update" to its base rate case filing which included a request for recovery of JCP&L's costs for the preparation, response and recovery related to Superstorm Sandy and the subsequent Nor'easter snowfall. The requested costs for these events totaled approximately \$603 million. Subsequently, in the Company's June filing, the request was updated for actuals and included costs through March 31, 2013, which totaled approximately \$580 million for both capital and deferred operating and maintenance ("O&M") expenses for the 2012 major storms.<sup>3</sup>

On March 20, 2013, the Board issued an Order establishing a generic proceeding to review the prudence of costs incurred by New Jersey utilities in response to multiple Major Storm Events in 2011 and 2012 ("Storm Costs Proceeding").<sup>4</sup> Among other things, the March Order required any utility seeking reimbursement for these costs from its ratepayers to file a detailed expense report by July 1, 2013, for evaluation and prudence review under its own separate sub-docket within the Storm Costs Proceeding. March Order at 3.

On April 4, 2013, the Board sent a letter to the OAL in the JCP&L base rate proceeding (Docket No. ER12111052) directing that those portions of the Company's pending base rate case pertaining to the recovery of Major Storm Event<sup>5</sup> expenditures be returned to the Board for consideration in the Storm Costs Proceeding. Simultaneously, JCP&L filed a letter motion with the Board seeking reconsideration and/or clarification of the Storm Costs Proceeding, and on April 5, 2013, by letter motion, JCP&L requested that ALJ McGill defer action on the Board's request for the return of the storm cost issues to the Board until the Board acted on the motion for reconsideration. By letter dated April 15, 2013, ALJ McGill returned the 2011 and 2012 storm cost issues to the Board for review, and denied JCP&L's request to stay the pending base rate case pending resolution of the Storm Costs Proceeding.

In its Order Denying Reconsideration and Clarifying Original Order dated May 31, 2013 ("May 31 Order"), the Board reiterated that the Major Storm costs would be reviewed within this proceeding, retained this matter for hearing at the Board, and designated Commissioner Mary-Anna Holden as the presiding Commissioner with authority to rule on all matters that arise

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<sup>2</sup> In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Increases in and Other Adjustments to Its Rates and Charges for Electric Service, and for Approval of Other Proposed Tariff Revision in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Filing"), Docket No. ER12111052, OAL Docket No. PUC 16310-2012N.

<sup>3</sup> This revised amount was documented in Docket EO130050391 at discovery response RCR-A-5

<sup>4</sup> In re the Board's Establishing a Generic Proceeding to Review the Prudence of Costs Incurred by NJ Utility Companies in Response to Major Storm Events in 2011 and 2012, Docket No. AX13030196, March 20, 2013 ("March 20 Order")

<sup>5</sup> Major Storm Event is defined as sustained impact on or interruption of utility service resulting from conditions beyond the control of the utility that affect at least 10 percent of the customers in an operating area. March 20 Order at 2.

during the proceeding, and set an appropriate schedule. In addition, the May 31 Order directed those parties who intervened in the base rate case who also wished to participate in the Storm Costs Proceeding under this docket to file a notice making that request with Commissioner Holden.<sup>6</sup>

On June 23, 2013, JCP&L filed a petition with supporting testimony, schedules, and exhibits, pursuant to the Board's March 20 and May 31 Orders in these matters. In the petition, the Company sought approval to recover, through base rates, all the costs it incurred associated with the 2011 Major Storms (Hurricane Irene and the October snow storm), and the 2012 Major Storms (Hurricane Sandy and the November 2012 Nor'easter).

In the petition, the Company sought approval for cost recovery of capital expenditures related to the 2011 Major Storm events in the total amount of \$74,458,814. That total consisted of \$24,693,632 for Hurricane Irene and \$49,765,182 for the October snow storm. In the same petition, the Company also sought approval of deferred O&M expenses in the amount of \$89,504,499. That figure consisted of \$47,800,390 for Hurricane Irene and \$41,704,109 for the October snow storm. As related to the 2012 Major Storms JCP&L also sought approval for recovery of costs totaling \$580,187,857. This figure represents \$333,184,830 for capital expenditures and \$247,003,027 for deferred O&M expenses.

A pre-hearing conference was conducted on September 25, 2013, and on October 23, 2013, Commissioner Holden issued a prehearing order along with a procedural schedule for this matter. On November 18, 2013, Commissioner Holden issued an amended prehearing order and procedural schedule.

Throughout the course of this matter, the parties have engaged in discovery. In addition, the Board ruled in the May 31 Order that all relevant discovery from the Company's pending base rate case would be considered in this matter as well. May 31 Order at 8. On November 15, 2013, the New Jersey Division of Rate Counsel ("Rate Counsel") filed direct testimony in this matter. On December 20, 2013, JCP&L filed rebuttal testimony.

## **STIPULATION**

Following the review of discovery and testimony, the parties met to discuss the issues in this matter. As a result, on February 24, 2014, the Company, Rate Counsel, and Board Staff (collectively, "Signatory Parties") executed a stipulation of settlement ("Stipulation").<sup>7</sup> The Stipulation provides the following<sup>8</sup>:

- (1) JCP&L's level of recoverable deferred O&M Major Storm Costs shall be reduced by \$7,500,000 from the amounts requested in the petition and identified in the Stipulation. The \$7,500,000 reduction shall be allocated fifty percent (50%) to

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<sup>6</sup> The following parties provided such notice: AARP, New Jersey Large Energy Users Coalition, the Township of Robbinsville, Gerdau Ameristeel Sayreville, Inc., the Township of West Milford, the County of Morris, Public Service Electric and Gas Company, New Jersey Natural Gas Company, the Township of Marlboro, and the Township of Wayne. (collectively, "Intervening Parties")

<sup>7</sup> The Intervening Parties have indicated that they will not take a position either in support of or in opposition to the Stipulation.

<sup>8</sup> 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.

Hurricane Irene deferred O&M costs and fifty percent (50%) to the October 2011 Snow Storm deferred O&M costs.

- (2) The Signatory Parties agree that the following levels of 2011 and 2012 Major Storm Costs, which reflect the \$7,500,000 reduction in deferred O&M costs provided for in Paragraph 1 above in the Stipulation, reflect all the costs associated with the 2011 and 2012 Major Storms that are deemed prudent and appropriate for inclusion in, and recovery through JCP&L base rates:

**2011 Major Storm Costs – Capital**

Hurricane Irene	\$24,685,539 <sup>9</sup>
October 2011 Snow Storm	<u>\$49,321,857<sup>10</sup></u>
Total Capital	<u>\$74,007,396</u>

**2011 Major Storm Costs – Deferred O&M**

Hurricane Irene	\$44,050,390
October 2011 Snow Storm	<u>\$37,861,924<sup>11</sup></u>
Total Deferred O&M	<u>\$81,912,314</u>

**2012 Major Storm Costs – Capital**

\$333,184,830

**2012 Major Storm Costs – Deferred O&M**

\$247,003,027

The Company shall not seek to recover any additional 2011 or 2012 Major Storm Costs.

- (3) The Signatory Parties agree that the amounts set forth in Paragraph 2 to the Stipulation for 2011 Major Storm Costs, both capital and deferred O&M, shall, in accordance with the May 31 Order, be returned to the Company's 2012 base rate case that is currently pending before Administrative Law Judge Richard McGill for inclusion for recovery in and through the base rates that will be set at the conclusion of the Company's 2012 base rate case. The Signatory Parties each reserve their right to take whatever position each deems appropriate in regard to the length of the amortization period for the recovery of the deferred 2011 Major Storm O&M costs of \$81,912,314. The Signatory Parties also each reserve the right to take whatever position each deems appropriate in regard to the carrying charge to be applied to the unamortized balance during the amortization of the deferred 2011 Major Storm O&M costs amount of \$81,912,314. The Signatory Parties agree that the amortization period and carrying charge rate applicable to the deferred 2011 Major Storm O&M

<sup>9</sup> This amount incorporates a correction of \$(8,093) from the amount identified in the Petition. The correction is based on updated accounting entries. See Stipulation at Attachment A.

<sup>10</sup> This amount incorporates a correction of \$(443,325) from the amount identified in the Petition. The correction is based on updated accounting entries. See Stipulation at Attachment A.

<sup>11</sup> This amount incorporates a correction of \$(92,185) from the amount identified in the Petition. The correction is based on updated accounting entries. See Stipulation at Attachment A.

costs of \$81,912,314 shall be determined in JCP&L's base rate case that was filed in July 2012.

- (4) The Board has determined that it will consider the issue of the recovery of the prudent costs incurred in connection with the 2012 Major Storm Events through a Phase II in the pending base rate case or through another method found to be appropriate by the Board, with a decision by the Board at the conclusion of the instant proceeding.<sup>12</sup> The Signatory Parties agree to and request that the Board accept and approve the agreed-upon amount of 2012 Major Storm Costs set forth in the Stipulation as prudent and reasonable, and allow the parties to present briefs, pursuant to the briefing schedule set forth on Attachment B to the Stipulation, on the issue of when and how the 2012 Major Storm Costs as set forth in Paragraph 2 of the Stipulation shall be incorporated into JCP&L's base rates. The Signatory Parties agree to and request that these briefs be filed with the Board under this docket number to allow for a Board determination on the issue of when and how the 2012 Major Storm Costs shall be incorporated into JCP&L's base rates. The Signatory Parties agree that the Stipulation, and resolution by the Board of the issue identified in Paragraph 4 to the Stipulation, fully and completely resolve all issues pertaining to JCP&L in Docket Nos. AX13030196 and EO13050391.

By letter dated February 26, 2014, JCP&L submitted a correction to page 6 of the Stipulation. More specifically, the first table on page 6 captioned "Capital Expenditures," had incorrect dollar amounts listed for the category entitled "Other" for Hurricane Irene and the October Snow Storm columns.

## **DISCUSSION AND FINDINGS**

The March 20 Order required certain information to be filed by the utilities which would be reviewed by Board Staff and other interested parties to determine if the preparation, recovery and restoration costs associated with the Major Storm Events were prudent. According to the Stipulation, the Major Storm Events costs have been reviewed by the Signatory Parties, and it has been determined that the majority of the costs incurred by JCP&L for the Major Storm Events in 2011 and 2012 are reasonable and prudent. This Stipulation reflects a \$7,500,000 reduction from the Company's initial petition. Based on the Board's review of the petition and Stipulation, the Board **HEREBY FINDS** that the requirements of the March 20 Order have been satisfied.

Based on the Board's careful review and consideration of the record in this proceeding, the Board **HEREBY FINDS** the Stipulation to be reasonable and in accordance with the law, striking an appropriate balance between the needs of customers and of the Company. Therefore, the Board **HEREBY FINDS** that the 2011 and 2012 Major Storm Costs may be recovered from ratepayers. The Board **HEREBY RETURNS** the 2011 Major Storm Costs to the base rate case with the exact manner of recovery to be decided within the base rate case. With regard to the 2012 Major Storm Costs, the Board **HEREBY ADOPTS** the briefing schedule proposed by the Signatory Parties for a determination of the mechanism for recovery of the 2012 Major Storm Costs.

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<sup>12</sup> May 31 Order at 7.

Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

DATED: 3/19/14

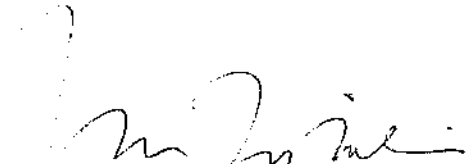
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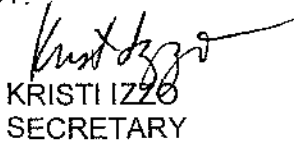


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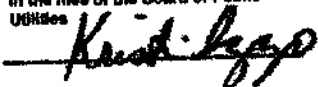
MARY-ANNA HOLDEN  
COMMISSIONER

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 Board's Establishment of a Generic Proceeding to Review the Prudence  
of Costs Incurred by New Jersey Utility Companies in Response to Major Storm Events  
in 2011 and 2012  
Docket No. AX13030196

and

In the Matter of the Board's Review of the Prudence of the Costs incurred by Jersey Central  
Power & Light Company in Response to Major Storm Events  
in 2011 and 2012  
Docket No. EO13050391

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**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

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IN THE MATTER OF THE BOARD'S	:	BPU Docket No. AX13030196
ESTABLISHMENT OF A GENERIC	:	
PROCEEDING TO REVIEW THE	:	
PRUDENCY OF COSTS INCURRED BY	:	
NEW JERSEY UTILITY COMPANIES IN	:	
RESPONSE TO MAJOR STORM EVENTS IN	:	
2011 AND 2012	:	

IN THE MATTER OF THE BOARD'S	:	BPU Docket No. E013050391
REVIEW OF THE PRUDENCY OF THE	:	
COSTS INCURRED BY JERSEY CENTRAL	:	
POWER & LIGHT COMPANY IN RESPONSE	:	<b>STIPULATION OF SETTLEMENT</b>
TO MAJOR STORM EVENTS IN 2011 AND	:	
2012	:	

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**TO THE HONORABLE BOARD OF PUBLIC UTILITIES:**

APPEARANCES:

**Gregory Eisenstark, Esq.** and **Michael J. Connolly** (Morgan, Lewis & Bockius LLP, attorneys) for the Petitioner, Jersey Central Power & Light Company

**Ami Morita, Esq.**, Deputy Rate Counsel, and **Diane Schulze, Esq.**, Assistant Deputy Rate Counsel, for the 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)

**Steven S. Goldenberg, Esq.** (Fox Rothschild LLP, attorneys), for New Jersey Large Energy Users Coalition

**Robert A. Weishaar, Jr., Esq.** (McNees Wallace & Nurick LLC, attorneys) for Gerdau Ameristeel Sayreville Inc.

**Martin C. Rothfelder, Esq.**, PSEG Services Corp., for Public Service Electric and Gas Company

**Tracey Thayer, Esq.**, New Jersey Natural Gas Company, for New Jersey Natural Gas Company

**Catherine E. Tamasik, Esq.**, (Decotiis, FitzPatrick & Cole, LLP, attorneys) for Township of Marlboro

**Fred Semrau, Esq.**, (Dorsey & Semrau, attorneys) for Township of West Milford

**Anthony J. Zarillo, Jr., Esq.** (Bevan, Mosca, Giuditta & Zarillo, attorneys) for County of Morris

**Janine G. Bauer, Esq.**, (Szaferman, Lakind, Blumstein & Blader, P.C., attorneys) for AARP.

**Anthony R. Francioso, Esq.** (Fornaro Francioso LLC, attorneys) for Township of Robbinsville

**Matthew J. Giacobbe, Esq.**, Township Attorney, for Township of Wayne

This Stipulation of Settlement (the "Stipulation") is hereby made and executed as of the dates indicated hereinafter below, by and among the Petitioner, Jersey Central Power & Light Company ("JCP&L" or the "Company"), the Staff of the New Jersey Board of Public Utilities ("Board Staff"), and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, the "Signatory Parties").<sup>1</sup>

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

### **Background**

On June 23, 2013, JCP&L filed a Verified Petition with supporting testimony, schedules, and exhibits, pursuant to the Board's March 20, 2013 and May 31, 2013 Orders in these matters ("Petition"). Through the Petition, JCP&L seeks approval of the recovery through base rates of all the costs it incurred associated with Hurricane Irene and the October 2011 Snow Storm (hereinafter "2011 Major Storms" and "2011 Major Storm Costs"), and Hurricane Sandy and the

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<sup>1</sup> The following parties have indicated that they will not take a position either in support of or in opposition to this Stipulation of Settlement: AARP, New Jersey Large Energy Users Coalition, the Township of Robbinsville, Gerdau Ameristee! Sayreville Inc., the Township of West Milford, the County

November 2012 Nor'easter (hereinafter "2012 Major Storms" and "2012 Major Storm Costs") (the costs at issue herein are referred to collectively as "Major Storm Costs"). As part of its Petition, JCP&L filed the direct testimony of Mark A. Mader, Jeffrey Cummings of the UMS Group, Inc., and Steven E. Strah.

The 2011 and 2012 Major Storms were among the most destructive storm events and natural disasters to ever hit New Jersey and the Company's service territory. Hurricane Irene made landfall near Atlantic City and then passed directly through JCP&L's service territory. Irene had a devastatingly destructive impact on the Company's electric system, leaving approximately 780,000 of JCP&L's approximately 1.1 million customers without power for varying periods of time, and causing damage to parts of 88% of JCP&L's circuits. The damage included over 21,000 reports of downed power lines and over 3,100 reports of blown fuses. In addition crews replaced 97 miles of conductor, 479 broken poles, 600 broken cross arms, and 484 damaged transformers. JCP&L's service territory experienced a significant amount of rain, with portions of the territory receiving rainfall of 8" to 10" in approximately 24 hours, producing widespread and previously unpredicted levels of flooding. Numerous locations on the Rockaway, Passaic, and Delaware Rivers in the North, and the Rancocas River in the South, flooded for over five days. Certain locations on the Passaic and Delaware Rivers reached record flood levels and remained flooded for over a week. In addition to presenting the expected obstacles in obtaining access to damaged facilities to effect requisite repairs, this extensive flooding also resulted in severe public road damage (*e.g.*, sink holes, washouts, and mudslides) throughout the JCP&L service territory creating traffic jams, delays and other obstacles, which

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of Morris, Public Service Electric and Gas Company, New Jersey Natural Gas Company, the Township of Marlboro, and the Township of Wayne.



impeded the movement of materials, equipment and restoration personnel around the service territory.

The October 2011 Snow Storm also severely impacted JCP&L's electrical system, particularly in the Northern Region of the Company's service territory. This storm moved north along the coast and, with limited forewarning, brought heavy wet snow to New Jersey, leaving almost 450,000 of JCP&L's approximately 1.1 million customers without power for varying periods of time. Many areas of the Northern Region had over one foot of snow accumulation, and several locations nearly one and one-half feet. In addition to the snow, winds gusted between 22 and 26 mph during the storm. These unseasonable conditions caused extensive and widespread damage across the entire Northern Region, predominantly from fallen trees and tree limbs as a result of accumulating heavy snow on the many trees, which, given the time of year, remained foliated at the time of the storm. In all, crews repaired or replaced 39 miles of conductor, 496 broken poles, 1,620 broken cross arms, 392 damaged transformers and damage to over 2,400 service wires.

While the 2011 Major Storms were severe, Hurricane Sandy coupled with the November 2012 Nor'easter was a devastating, horrific natural disaster. Hurricane Sandy was one of the most destructive storms to ever hit the East Coast of the United States, knocking out power to 8.5 million customers across 21 states. New Jersey took a direct hit from Hurricane Sandy during October 29-30, 2012; the storm inflicted unprecedented damage across the state. This major hurricane had an extraordinarily destructive impact on the JCP&L electrical system, by affecting nearly all of JCP&L's 1.1 million customers. Further complicating restoration efforts, a Nor'easter (known as winter storm Athena) dumped more than a foot of heavy, wet snow on parts of central New Jersey on November 7, causing an additional 130,000 customer outages.

Together, these storms did more damage to the JCP&L infrastructure than Hurricane Irene and the October 2011 Snow Storm combined. Overall, JCP&L experienced more than 1.3 million customer interruptions, as many customers experienced multiple service interruptions.

During Hurricane Sandy, JCP&L's service territory experienced a significant amount of rain. Portions of the service territory received up to seven inches of rainfall in a short period of time. The estimated storm surge from Hurricane Sandy along the New Jersey coast ranged from 4-8 feet and up to 6-11 feet on the north shore of the State. Hurricane Sandy produced wind gusts near 90 miles per hour. The Barrier Islands that protect New Jersey's coastline were among the hardest hit areas during Hurricane Sandy. The destruction there was extensive, severe, and likely to be long-lasting. The statistics surrounding Hurricane Sandy's devastation of JCP&L's system are staggering. Eleven hundred of JCP&L's 1,200 circuits were damaged and, ultimately, 786 of those circuits were quarantined.<sup>2</sup> Damage was so severe that approximately 65,000 trees were cut and cleared to restore power, 34,000 hazard locations were identified, and over 13,454 cross arms, 5,774 poles, 3,600 transformers and 359 miles of wire were replaced. In many areas, line workers rebuilt entire sections of the electrical system. For example, JCP&L serves over 230 municipalities and in some of those towns over 300 poles needed to be replaced.

### **2011 Major Storm Costs**

In its Petition, JCP&L sought approval for cost recovery of the following level of prudently-incurred capital expenditures relating to Hurricane Irene and the October 2011 Snow Storm:

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<sup>2</sup> Quarantine refers to a JCP&L process whereby a circuit or a portion of a circuit with heavy damage or for special circumstances is electrically isolated so that multiple repair activities can occur simultaneously along the circuit. The primary objective of the circuit quarantine process is to safely eliminate bottlenecks, optimize response time, improve internal and external communications, maximize resource

**Capital Expenditures**

As of June 30, 2012	Hurricane Irene	October Snow Storm
JCPL Internal Labor - Straight Time	\$ 2,039,005	\$ 1,686,078
FEU (Non JCP&L) Internal labor - Straight Time	858,874	1,003,145
JCP&L and FEU Internal Labor - Over Time	5,000,338	6,937,028
Billings from Alleg Electric Companies	1,588,716	1,556,309
Business Travel and Expense	437,286	786,938
Materials and Supplies	2,654,559	1,528,863
Garage & Fleet Services	549,411	612,926
Other	549,999	622,519
401K Bonus Match	100,640	135,408
Forestry Contractors	16,503	5,257,672
Contractors - Other	6,787,725	21,393,713
Overheads applied	4,110,576	8,244,583
<b>Total Capital Costs</b>	<b>\$ 24,693,632</b>	<b>\$ 49,765,182</b>

In its Petition, JCP&L also sought approval of the following level of prudently-incurred deferred Operation and Maintenance (“O&M”) expenses relating to Hurricane Irene and the October 2011 Snow Storm:

Deferred Expense Category As of June 30, 2012	Hurricane Irene	October Snow Storm
FEU (Non JCP&L) Internal labor - Straight Time	\$ 1,993,770	\$ 1,027,397
JCP&L and FEU Internal Labor - Over Time	10,996,515	7,241,091
Billings from Alleg Electric Companies	3,692,881	1,583,505
Business Travel and Expense	1,028,126	806,681
Materials and Supplies	389,728	230,188
Garage & Fleet Services	1,164,337	671,127
Other	548,416	179,035
401K Bonus Match	239,360	137,592
Forestry Contractors	10,476,097	5,345,833
Contractors - Other	16,361,981	21,739,550
Overheads applied	909,179	2,742,110
<b>Total Deferral</b>	<b>\$ 47,800,390</b>	<b>\$ 41,704,109</b>

**2012 Major Storm Costs**

In its Petition, JCP&L also sought approval for recovery of the following 2012 Major Storm costs. The amounts listed are as of March 31, 2013.

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utilization and allow for improved data and information flow during any large-scale emergency

2012 Storm Costs (as of March 31, 2013)	Capital	Deferred Expense
JCP&L Internal Labor - Straight Time	\$ 8,482,843	\$ -
FEU (Non JCP&L) Internal Labor - Straight Time	5,353,292	4,471,549
JCP&L and FEU Internal Labor - Over Time	23,109,683	18,856,885
Billings from Alleg Electric Companies (a)	-	-
Business Travel and Expense	2,372,291	1,977,941
Materials and Supplies	22,424,390	4,453,858
Garage & Fleet Services	2,405,310	2,071,743
Other	459,622	866,807
401K Bonus Match (b)	-	-
Forestry Contractors	20,360,404	17,210,458
Contractors – Other	194,031,222	158,062,318
Overheads Applied	60,281,110	40,524,111
Insurance Reimbursement Accrual	(6,095,337)	(1,492,642)
<b>Total</b>	<b>\$ 333,184,830</b>	<b>\$ 247,003,027</b>
(a) Beginning in 2012, charges from the former Allegheny Energy Companies were directly charged and are reported in the appropriate cost categories above.		
(b) Not included in total because it has not yet been recorded.		

In its Petition, the Company requested approval of recovery of the deferred O&M costs for the 2011 Major Storms through a three-year amortization in base rates, and recovery of the deferred O&M costs for the 2012 Major Storms through a six-year amortization in base rates. The Company also requested a return on the unamortized deferred balances related to both the 2011 and 2012 Major Storms at its weighted-average cost of capital. The Company likewise requested approval to include expenditures for capital additions in service related to the 2011 and 2012 Major Storms, net of depreciation reserve and accumulated deferred income taxes, in rate base.

In an Order dated May 31, 2013, the Board designated Commissioner Mary-Anna Holden as the presiding Commissioner for this matter. A prehearing conference was conducted on September 25, 2013, and on October 23, 2013 Commissioner Holden issued a prehearing order

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restoration response.

with a procedural schedule for this matter. On November 18, 2013, Commissioner Holden issued an amended prehearing order and procedural schedule.

Throughout the course of this matter, the parties have engaged in discovery. In addition, the Board ruled that all relevant discovery from the Company's pending base rate case<sup>3</sup>, which was extensive, would be considered in this matter as well. See May 31, 2013 Order. On November 15, 2013, Rate Counsel filed the direct testimony of Peter J. Lanzalotta, which alleged that JCP&L's vegetation management in certain years negatively affected the Company's performance during major storms in 2011 and 2012, and recommended that several million dollars of expenses incurred for the 2011 and 2012 Major Storms not be recoverable from ratepayers. Following discovery on Rate Counsel's direct testimony, on December 20, 2013, JCP&L filed the rebuttal testimony of Steven E. Strah, which rebutted Mr. Lanzalotta's contentions regarding the Company's vegetation management practices, as well as the recommended cost disallowances.

Thereafter, the parties engaged in settlement discussions and negotiations.

### STIPULATION

The undersigned Signatory Parties DO HEREBY STIPULATE AND AGREE as follows:

1. JCP&L's level of recoverable deferred O&M Major Storm Costs shall be reduced by \$7,500,000 from the amounts requested in the Petition and identified hereinabove. The \$7,500,000 reduction shall be allocated 50% to Hurricane Irene deferred O&M costs and 50% to

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<sup>3</sup> *In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Increases In and Other Adjustments to its Rates and Charges for Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Case")*, BPU Docket No. ER12111052, OAL Docket No. PUC 16310-2012N.



the October 2011 Snow Storm deferred O&M costs. Please refer to Attachment A to this Stipulation for additional details.

2. The Signatory Parties agree that the following levels of 2011 and 2012 Major Storm Costs, which reflect the \$7,500,000 reduction in deferred O&M costs provided for in Paragraph 1 hereinabove, reflect all the costs associated with the 2011 and 2012 Major Storms that are deemed prudent and appropriate for inclusion in, and recovery through, JCP&L's base rates:

**2011 Major Storm Costs – Capital**

Hurricane Irene	\$24,685,539 <sup>4</sup>
October 2011 Snow Storm	\$49,321,857 <sup>5</sup>
Total Capital	\$74,007,396

**2011 Major Storm Costs – Deferred O&M**

Hurricane Irene	\$44,050,390
October 2011 Snow Storm	\$37,861,924 <sup>6</sup>
Total Deferred O&M	\$81,912,314

**2012 Major Storm Costs – Capital**

\$333,184,830

**2012 Major Storm Costs – Deferred O&M**

\$247,003,027

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<sup>4</sup> This amount incorporates a correction of \$(8,093) from the amount identified in the Petition. The correction is based on updated accounting entries. *See* Attachment A.

<sup>5</sup> This amount incorporates a correction of \$(443,325) from the amount identified in the Petition. The correction is based on updated accounting entries. *See* Attachment A.

<sup>6</sup> This amount incorporates a correction of \$(92,185) from the amount identified in the Petition. The correction is based on updated accounting entries. *See* Attachment A.

The Company shall not seek to recover any additional 2011 or 2012 Major Storm Costs. Please refer to Attachment A to this Stipulation for a schedule of the amounts set forth in this Paragraph.

3. The Signatory Parties agree that the amounts set forth in Paragraph 2 hereinabove for 2011 Major Storm Costs, both capital and deferred O&M, shall, in accordance with the Board's May 31, 2013 Order, be returned to JCP&L's 2012 Base Rate Case that is currently pending before Administrative Law Judge Richard McGill for inclusion for recovery in and through the base rates that will be set at the conclusion of JCP&L's 2012 Base Rate Case. The Signatory Parties each reserve the right to take whatever position each deems appropriate in regard to the length of the amortization period for recovery of the deferred 2011 Major Storm O&M Costs of \$81,912,314. The Signatory Parties also each reserve the right to take whatever position each deems appropriate in regard to the carrying charge to be applied to the unamortized balance during the amortization of the deferred 2011 Major Storm O&M Costs amount of \$81,912,314. The Signatory Parties agree that the amortization period and carrying charge rate applicable to the deferred 2011 Major Storm O&M costs of \$81,912,314 shall be determined in JCP&L's 2012 Base Rate Case.

4. The Board has determined that it will consider the issue of the recovery of the prudent costs incurred in connection with the 2012 Major Storm Events through a Phase II in the pending base rate case or through another method found to be appropriate by the Board, with a decision by the Board at the conclusion of the instant proceeding.<sup>7</sup> The Signatory Parties hereby agree to and request that the Board accept and approve the agreed-upon amount of 2012 Major Storm Costs set forth in this Stipulation as prudent and reasonable, and allow the parties to

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<sup>7</sup> May 31, 2013 Order, at 7.

present briefs, pursuant to the briefing schedule set forth on Attachment B hereto, on the issue of when and how the 2012 Major Storm Costs as set forth in Paragraph 2 hereinabove shall be incorporated into JCP&L's base rates. The Signatory Parties agree to and request that these briefs be filed with the Board under this docket number to allow for a Board determination on the issue of when and how the 2012 Major Storm Costs shall be incorporated into JCP&L's base rates. The Signatory Parties agree that this Stipulation, and resolution by the Board of the issue identified in this Paragraph 4, fully and completely resolve all issues pertaining to JCP&L in BPU Docket Nos. AX13030196 and E013050391.

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

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

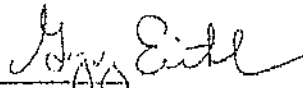
a. By executing this Stipulation, no Signatory Party waives any rights it possesses under any prior Stipulation, except where the terms of this Stipulation supersede such prior Stipulation.

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

7. 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 Signatory Parties.


WHEREFORE, the Signatory 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.

Jersey Central Power & Light Company

By:   
Gregory Eisenstark, Esq.  
Morgan, Lewis & Bockius LLP

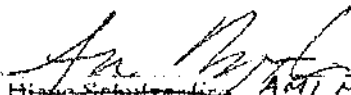
Dated: 2-20-14

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: 2-20-14

Stefanie A. Brand, Esq.  
Director, Division of Rate Counsel

By:   
Diana Schutze, Esq. ANI MORITA  
Assistant Deputy Rate Counsel

Dated: 2/24/14



ATTACHMENT A

JERSEY CENTRAL POWER & LIGHT  
2011 AND 2012 STORM COST SUMMARY

CAPITAL:

	OCTOBER			2012 STORMS	TOTAL
	HURRICANE IRENE	SNOWSTORM	SUBTOTAL		
PETITION	24,693,632	49,765,182	74,458,814	333,184,830	407,643,644
OVERHEAD CREDITS	(8,093)	(443,325)	(451,418)	-	(451,418)
<b>TOTAL CAPITAL</b>	<b>24,685,539</b>	<b>49,321,857</b>	<b>74,007,396</b>	<b>333,184,830</b>	<b>407,192,226</b>

DEFERRED:

	OCTOBER			2012 STORMS	TOTAL
	HURRICANE IRENE	SNOWSTORM	SUBTOTAL		
PETITION	47,800,390	41,704,109	89,504,499	247,003,027	336,507,526
OVERHEAD CREDITS		(92,185)	(92,185)		(92,185)
SUBTOTAL	47,800,390	41,611,924	89,412,314	247,003,027	336,415,341
SETTLEMENT	(3,750,000)	(3,750,000)	(7,500,000)	-	(7,500,000)
<b>TOTAL DEFERRED</b>	<b>44,050,390</b>	<b>37,861,924</b>	<b>81,912,314</b>	<b>247,003,027</b>	<b>328,915,341</b>

ATTACHMENT B

Initial Briefs of All Parties

March 21, 2014

Reply Briefs of All Parties

April 1, 2014