BEFORE THE STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

I/M/O THE VERIFIED PETITION OF	)	
JERSEY CENTRAL POWER AND COMPANY	)	**BPU DOCKET NO. EF03020133**
FOR A BONDABLE STRANDED COST	)	
RATE ORDER IN ACCORDANCE WITH	)	
CHAPTER 23 OF THE LAWS OF 1999	)	

SUPPLEMENTAL TESTIMONY OF JAMES A. ROTHSCHILD ON BEHALF OF THE NEW JERSEY DIVISION OF THE RATEPAYER ADVOCATE

SEEMA M. SINGH, ESQ.
RATEPAYER ADVOCATE

Division of the Ratepayer Advocate
31 Clinton Street, 11th Floor
P. O. Box 46005
Newark, New Jersey 07101
(973) 648-2690 - Phone
(973) 624-1047 - Fax
www.rpa.state.nj.us
njratepayer@rpa.state.nj.us

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JERSEY CENTRAL POWER & LIGHT COMPANY
TESTIMONY OF JAMES A. ROTHSCHILD

TABLE OF CONTENTS

I. STATEMENT OF QUALIFICATIONS OF JAMES A. ROTHSCHILD

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is James A. Rothschild and my address is 115 Scarlet Oak Drive, Wilton Connecticut 06897.

Q. WHAT IS YOUR OCCUPATION?

A. I am a financial consultant specializing in utility regulation. I have experience in the regulation of electric, gas, telephone, sewer, and water utilities throughout the United States.

Q. PLEASE SUMMARIZE YOUR UTILITY REGULATORY EXPERIENCE.

A. I am President of Rothschild Financial Consulting and have been a consultant since 1972. From 1979 through January 1985, I was President of Georgetown Consulting Group, Inc. From 1976 to 1979, I was the President of J. Rothschild Associates. Both of these firms specialized in utility regulation. From 1972 through 1976, Touche Ross & Co., a major international accounting firm, employed me as a management consultant. Touche Ross & Co. later merged to form Deloitte Touche. Much of my consulting at Touche Ross was in the area of utility regulation. While associated with the above firms, I have worked for various state utility commissions, attorneys general, and public advocates on regulatory matters relating to regulatory and financial issues. These have included rate of return, financial issues, and accounting issues. (Appendix A.)

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I received an MBA in Banking and Finance from Case Western University (1971) and a BS in Chemical Engineering from the University of Pittsburgh (1967).

II. BACKGROUND AND PURPOSE

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. Yes, I filed Direct Testimony in connection with this Petition on January 16, 2004.

Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENTAL TESTIMONY?

A. More than two years have lapsed since my last submission to the Board. Since that time several key pieces of information on which I based my conclusion have changed including the amount to be securitized, the prevailing interest rate and the Board approved stipulation entered into between the Company and the Board's Staff in the JCP&L Deferred Balance proceeding. The Ratepayer Advocate requested that I examine Jersey Central Power & Light Company's ("JCP&L", the "Company") updated proposal to securitize its basic generation service ("BGS") deferred balance and develop recommendations based on the most recent updates. JCP&L has now requested permission to issue securitized transition bonds ("Transition Bonds") totaling $203.2 million.[1] The purpose of this testimony is to provide the Board with important information that will help it

[1]Company's updated Exhibit A-1, attached hereto.

decide whether the proposed securitization offering will or will not benefit JCP&L's customers.

Q. CAN YOU PROVIDE SOME BACKGROUND TO PLACE THIS FILING IN CONTEXT?

A. The concept of accumulating these deferred commodity charges for future recovery from ratepayers and accumulating interest on the uncollected energy balance was approved by the Board in its Final Decision and Order in JCP&L's restructuring, stranded cost and unbundling proceeding ("JCP&L Restructuring Final Order").[2] The Board directed that to the extent these commodity costs exceeded the amount allowed in regulated rates, JCP&L could defer recovery of the net excess amount of costs and accumulate these costs, together with interest on the unamortized amount, in a deferred account (the "Deferred Balance"). The Board further directed the Company to file with the Board for review and approval of the Deferred Balance by August 1, 2002 (the "Deferred Balance proceeding").

In the Deferred Balance proceeding, the Board determined that during the deferral period, interest would only be charged on the amount of the deferred energy balance net of federal and state income tax savings.[3] The Board also ruled that beginning with the August 1, 2003 start of the recovery period, JCP&L

[2] *I/M/O JCP&L,* BPU Docket Nos. EO97070458, EO97070459, EO97070460 (Final Decision and Order 03/07/01) p.95-96.

would be allowed to earn interest on the deferred amount at the rate of 0.30% in excess of the interest rate on one-year treasury bonds, which at the time of the Deferred Balance Summary Order was determined to result in a total interest rate of 1.30% on the recoverable Deferred Balance, with the Deferred Balance being amortized over 10 years.[4]

On August 18, 2003, the Company filed a motion for rehearing, reconsideration, and partial remand of the Deferred Balance Summary Order. The Board's Final Order in the Deferred Balance proceeding was issued on May 17, 2004 and on June 1, 2004, JCP&L filed a Supplemental and Amended Motion of Rehearing, Reconsideration and Partial Remand of the Deferred Balance Final Order. The Ratepayer Advocate filed an Answer to JCP&L's Motion and a Cross-Motion for Reconsideration.

On May 25, 2005, to resolve the contested issues, the Company and the Board's Staff entered into a Stipulation of Settlement ("Phase I stipulation").[5] In that Phase I stipulation, prior to the Company's updated filing in the instant proceeding, Board Staff committed to "support" securitization.

In its Decision and Order Adopting Stipulation of Settlements[6], the Board stated the following:

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[3] *I/M/O Jersey Central Power and Light,* BPU Docket Nos. ER02080506, ER02080507, and EO02070414 (Summary Order 08/01/03), p.13 (the "Deferred Balance Summary Order").

[4] *Id*.

[5] The Ratepayer Advocate was not a party to the stipulation.

[6] *I/M/O JCP&L,* BPU Docket Nos. ER02080507, EO02070417, ER02030173 (Decision and Order Adopting Stipulations of Settlements Approving Phase II Rate Increase and Resolving Motion and Cross Motion for Reconsideration, 05/31/05) p.9 (the "Phase I Order").

> In the event that, notwithstanding this Stipulation, the Board denies the Company's securitization petition, or if securitization cannot be accomplished for any reason by March 31, 2006, and in addition to the accrual of interest provided for earlier in this paragraph, the Parties agree that effective with the day of denial of the securitization petition or April 1, 2006, whichever occurs first, the carrying cost that will apply to the recovery of the MTC/BGS Deferred Balance shall be a rate equal to the rate on seven-year constant maturity Treasuries as shown in the Federal Reserve Statistical Release on or closest to August 1 of each year, plus 60 basis points.

III. SUMMARY OF FINDINGS AND RECOMMENDATIONS

Q. PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS IN THIS CASE.

A. When transaction and capital reduction costs of $7.2 million are considered, securitization is not an economical choice for JCP&L at this time because the effective interest rate on the proposed securitized debt is 6.32%. This effective interest rate of 6.32% is 0.97% higher than the 5.35% cost rate the Board has ruled the Company will be using to compute the interest expense it is allowed to charge ratepayers on the deferred balance. Therefore, in this case, securitization should be rejected.

Q. WHAT DO YOU RECOMMEND IN PLACE OF SECURITIZATION?

A. I recommend that the Board direct the Company to continue the amortization of the Deferred Balance at the seven year Treasury rate plus 60 basis points for fifteen years.

Q. IF THE BOARD ADOPTS THE COMPANY'S SECURITZATION PROPOSAL, DO YOU AGREE WITH THE COMPANY'S PROPOSED USE OF SECURITIZATION PROCEEDS?

A. No. My recommendation is that the Company should use the $196 million in securitization proceeds to eliminate the Company's current outstanding balance of short-term debt. Any remaining proceeds could be used to finance on-going construction projects.

IV. ANALYSIS

Q. WHAT HAS THE COMPANY PROPOSED IN THIS CASE?

A. The Company proposes to issue transition bonds to finance its after-tax Deferred Balance. The total proposed size of the securitization financing is $203.2[7] million, including $7.2[8] million in financing costs. The securitization financing is proposed to occur in such a way that rating agencies will consider the securitization financing as effectively not the debt of JCP&L or FirstEnergy Company (the parent of JCP&L). The Company has presented testimony based

[7] *See* Company's updated Exhibit A-1.

[8] Company's Revised Exhibit B- Supplement, attached hereto.

upon an estimated interest cost on securitized debt of 5.45% based upon a 15-year recovery.[9] In addition to having to pay interest on the securitized bonds, the Company estimates it will incur about $7.2 million in costs to accomplish the proposed securitization and will incur $600,000[10] per year in extra annual expenses.

The Company has provided an alternative recovery calculation using its overall cost of capital. This analysis is inconsistent with the Phase I Order in which the Board decided that, in the event that the Company's proposal to securitize the Deferred Balance is not approved, the carrying cost on the Deferred Balance would be not the Company's overall cost of capital but rather the carrying cost would be 60 basis points in excess of the 7 year treasury bond rate.

Q. DOES YOUR ANALYSIS SHOW THAT SECURITIZATION IS IN THE BEST INTEREST OF JCP&L'S RATEPAYERS?

A. No, it does not. As shown on my Schedule JAR-1, the effect of the $7.2 million in transaction costs and the annual expense of $600,000 on the $204 million financing increases the effective interest rate on the Company proposed 15-year securitization bond offering from 5.45% to 6.32%. As noted above, the Board has directed that if securitization does not take place, "the carrying costs that will apply to the recovery of the MTC/BGS Deferred Balance shall be a rate equal to

[9] *See* Company's updated Exhibit A-1.

[10] Company's response to Ratepayer Advocate discovery request of April 3, 2006, attached hereto.

the rate on seven-year constant maturity Treasuries . . . plus 60 basis points." As of March 27, 2006[11] the interest rate on a seven year Treasury Bond plus 60 basis points is 5.29%, or 1.03% less than the effective interest rate of the Securitization issue as proposed by the Company. An increase in the interest rate is not a savings but a cost to ratepayers and therefore does not meet the "benefit to ratepayers" standard.

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN NEW JERSEY IN SUPPORT OF SECURITIZATION?

A. Yes, I have testified previously in numerous other securitization cases in New Jersey. In most of those stranded costs securitization cases where I testified, my recommendation was that securitization of stranded costs was in the best interest of ratepayers.

Q. HOW DOES THE ANALYSIS OF SECURITIZATION IN THE CASE OF DEFERRED COMMODITY COSTS CONTRAST TO THE ANALYSIS OF SECURITIZATION IN STRANDED COST CASES?

A. Stranded cost cases were based upon the recovery of assets that had previously been in rate base and were earning a return equal to the overall cost of capital. Deferred BGS and MTC costs are different. Deferred commodity costs were

[11] Most recent date available from weekly Federal Reserve Release dated April 3, 2006. Although testimony and attached schedules reflect a rate of 5.35%, the most recent data indicate that the interest on seven year Treasuries has gone down.

never in rate base and never were allowed to earn a return at the overall cost of capital. Deferred commodity costs are a different type of asset than stranded costs. Furthermore, the Board has definitively determined that in this case, absent securitization, the interest rate if no securitization offering were made would be at a lower rate of interest than the all-in effective interest cost to ratepayers if the proposed securitization financing were allowed to proceed.

Q. HAS THE COMPANY PROVIDED AN ANALYSIS TO CONFIRM THAT SECURITIZATION IS A MORE COSTLY ALTERNATIVE THAN CONTINUING TO AMORTIZE THE DEFERRED BALANCE?

A. Yes. In response to a Staff interrogatory, the Company provided Attachment S-JCSEC-2b Revised Exhibit A – Supplement.[12] In this exhibit, the Company was asked to show what the net present value ("NPV") of the savings from securitization would be if the securitization cash flow were compared to the cash flow ratepayers would have to pay if both the securitization option and the no-securitization option were compared using a 15-year amortization period in both cases. The exhibit provided by the Company shows that when the timing is matched, the alleged savings from securitization on a NPV basis switches from a savings to a cost to ratepayers of $9.9 million. Since the above schedule was prepared by the Company, JCP&L has increased its estimate of the interest cost

[12] Company's Attachment S-JCSEC-2b Revised Exhibit A- Supplement, attached hereto.

of securitization upwards by 0.22%. At the same time, the interest expense in the non-securitization case has dropped by 0.06% due to a lower rate on 7-year Treasury bonds. The Company did not provide an update to Attachment S-JCSEC-2 b to show the effect of these revisions to interest rates. However, since the revisions cause the cost of no securitization to go down very slightly and the cost of securitization to go up, the effect of the updates is to make the no securitization case that much more economical for ratepayers.

Q. HAVE YOU PREPARED AN NPV COMPARISION OF THE COST OF SECURITIZATION COMPARED TO THE COST OF YOUR PROPOSAL?

A. No. This is an instance where an NPV analysis is unnecessary because the relative answer is obvious. Under these conditions, a NPV analysis is more likely misleading than helpful.

Q. WHEN IS THE NPV ANALYSIS UNNECESSARY BECAUSE THE RELATIVE ANSWER IS OBVIOUS?

A. As long as the time period for recovery is held constant, as in the Staff request discussed above, the NPV analysis will always show that the procedure with the lower effective interest rate[13] has a greater benefit to ratepayers. However, the

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[13] In this context, effective interest rate is an interest rate that includes an allowance for financing costs as an increment to the interest rate rather than an increment to the amount financed and recovered. By using an effective interest rate, a direct comparison of the relative cost of available

NPV analysis can produce unintended distortions if there is a time period mismatch between the securitization and no-securitization options.

Q. HOW COULD AN NPV ANALYSIS BE MISLEADING?

A. If the securitization option has a longer recovery period and has a higher interest rate, then the determination of which procedure is better is highly dependent upon the discount rate used to compute the NPV. If the discount rate used to compute the NPV is higher than the interest rate on securitization, longer recovery periods will make the securitization option improve in attractiveness. Conversely, if a longer time duration securitization option is discounted at a rate less than the interest rate on securitization, then the NPV computation will make securitization appear even less economical than the result of a direct comparison of interest rates.

The cash flows in the securitization case are cash flows that would be paid by ratepayers in each case. Therefore, the cash flow benefit that should be optimized is the cash flow from the perspective of ratepayers. Ratepayers generally do not have the same opportunity cost for capital as does a company. Therefore, the NPV analysis should not be done using a company cost of capital amount. In this case, a properly done NPV analysis should use the discount rate of ratepayers, not investors.

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alternatives for financing can be made in a more straight-forward manner than if an unnecessarily complex net present value method is used.

Q. WHAT NPV FACTOR IS APPROPRIATE FOR RATEPAYER FUNDS?

A. The discount rate applicable to ratepayers varies widely from ratepayer to ratepayer. For some ratepayers, additional funds are invested in bank savings accounts that in the current market are commonly paying approximately 1%. For ratepayers whose alternative for extra funds is a low-interest bank account, any extension of the recovery period would increase their effective cost of providing recovery of the Deferred Balance. At the other extreme are ratepayers that would use any extra funds to pay down very high interest rate debt. Ratepayers in this later category would benefit more by having the recovery time lengthened.

If a more realistic NPV discount rate is used to compute the "savings" from securitization, a very different picture emerges. A reasonable alternative for a ratepayer would be to invest extra funds in the securitization debt issuance that JCP&L proposed.

Q. WHAT ARE YOU RECOMMENDING IN THIS CASE?

A. I recommend that the Board require amortization of the Deferred Balance over the fifteen years. The interest on the deferred costs should be the 7-year Treasury rate plus 60 basis points ordered by the Board and the interest rate should be fixed over the recovery period.

Q. WHY SHOULD THE INTEREST RATE BE FIXED AT THE BEGINNING OF THE RECOVERY PERIOD?

A. Between the date of the implementation of the JCP&L Restructuring Final Order and the end of the transition period, the amount deferred in the MTC and the BGS balances was growing considerably. Therefore, it made sense to readjust the interest rate every year. This is because the Company had to finance a growing Deferred Balance as time passed. However, now that the recovery period has begun, the Deferred Balance should be declining every year. Therefore, since the Deferred Balance will have already been effectively financed at the beginning of the recovery period, the Board should fix the interest rate at the beginning of the permanent recovery period. Using the fixed interest rate will have the additional advantages of (1) not having to change the recovery rate annually and (2) making the non-securitization case more directly comparable to the securitization case, because if securitization financing is used, that financing must be accomplished at a fixed rate.

If the interest rate applied to the Deferred Balance is to be changed annually and the principal is to be amortized over fifteen years, then the variable rate of interest used can reasonably be based upon one-year treasury bonds. This is because over the majority of the one-year periods, most of the principal of the Deferred Balance is still outstanding. However, if the interest rate is to be fixed over the entire term, then the appropriate treasury benchmark is one that approximates the average time it will take to recover each dollar of the deferred balance. Since the recovery of the Deferred Balance continuously occurs over the recovery period, the average amount of time that it takes to recover any one dollar of the Deferred Balance is approximately one-half of the time to full recovery. Using the seven-year debt rate as the Board has done in the past, appropriately matches up to a recovery period of approximately 15 years.

Q. IS IT REALISTIC FOR JCP&L TO FINANCE ITS DEFERRED BALANCE WITH INCREMENTAL NON-SECURITIZED DEBT?

A. Yes. Even if not securitized, the recovery of the Deferred Balance will produce a substantial positive cash flow. The Deferred Balance has already been effectively financed. Therefore, recovery of the Deferred Balance through a non-securitized route will produce positive cash flow both in the form of interest earned and the return of principal. Other things being equal, an increase in a company's cash flow provides it with the ability to service more debt. This is because the cash flow can be used to make debt payments. Therefore, the higher cash flow that is made possible by ratepayers paying the Company to amortize the Deferred Balance enables the Company to increase its debt ratio. As the Deferred Balance is gradually paid down, the Company can then use this cash flow to gradually pay off the extra debt so that at the time the Deferred Balance is fully recovered, the extra debt will also be fully paid.

Q. IF THE BOARD APPROVES SECURITIZATION, DO YOU AGREE WITH THE USE OF THE SECURITIZATION PROCEEDS AS HAS BEEN PROPOSED BY THE COMPANY?

A. No. Of the $196 million net proceeds, the Company proposes to use $125 million to retire long-term debt and another $13 million of the proceeds to retire its preferred stock. From a capital structure design perspective, retiring $125 million of debt is undesirable because even before retiring this additional debt, JCP&L already has a common equity ratio of 59.5%[14], a common equity ratio that is much higher than the 46% found appropriate by the Board in JCP&L's last rate case. Retiring the $125 million of long-term debt would only serve to further increase the common equity ratio above the level approved by the Board. The assumption that the securitization proceeds would be used to retire this long-term debt and preferred stock has unnecessarily driven up the cost of securitization by $3,725,000 because of the associated capital reduction costs claimed by the Company[15]. By denying such approval as part of the securitization process, the costs of securitization would be reduced by $3,725,000.

If the Company decides it is economical for it to refinance the $125 million debt issuance and/or the $13 million preferred stock issuance then, in a separate proceeding, the Company should request permission from the Board to undergo the replacement financing. Assuming the Board's standards are met for the justification of such refinancing, it could be approved at that time. Hiding the refinancing costs as part of the securitization is inappropriate because it masks

[14] Attachment RAR-JCPL-3c Updated 3-16-06, total common equity of $1,380 divided by total capitalization of $2,320 (2,501-181=2,320). Short-term debt was excluded from this computation because the Board excluded short-term debt when determining the overall cost of capital for JCP&L.

[15] *See* Revised Exhibit B- Supplement Updated 3/10/06

whether or not such refinancings are or are not economical on a stand-alone basis.

Q. IF SECURITIZATION IS APPROVED AND THE COMPANY IS NOT PERMITTED TO USE THE PROCEEDS TO REFINANCE THE PROPOSED LONG-TERM DEBT ISSUANCE OR THE PREFERRED STOCK, WHAT SHOULD BE DONE WITH THE PROCEEDS?

A. Assuming the Board approves securitization, then $181 million of the $196 million should be used to eliminate the Company's current outstanding balance of short-term debt. The remaining $15 million could either be used to pay down common equity, or saved to pay for new construction projects. By using the proceeds to pay down short-term debt, the Company will be in a position to readily finance asset improvements as they are needed to improve the quality of service in JCP&L's territory merely by drawing down on what would be a large, unused line of credit.

Q. WOULD PAYING DOWN SHORT-TERM DEBT COST RATEPAYERS MORE THAN IF THE PROCEEDS WERE USED IN ANOTHER WAY?

A. No. Although short-term has a lower cost associated with it than any other source of capital available to the Company, short-term debt is not included in capitalization. Common equity is the most expensive source of capital to the Company, but paying it down would also not save ratepayers any money because the level of common equity in the capital structure has already been determined to be 46% - a level considerably below the 59.5% currently carried by JCP&L. For these reasons, paying down short-term debt will not cost ratepayers any more than if the other types of capital were reduced. Furthermore, paying down a short-term debt line of credit provides the Company with the readily available flexibility to re-obtain the financing as soon as the funds are needed for corporate purposes. Such ready availability is not present when long-term debt, preferred stock, or common equity is retired.

V. CONCLUSION

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

A. I recommend that the Board order recovery of the Deferred Balance over a 15-year period. The interest earned on the deferred costs should be fixed over the recovery period. This approach is fair to the Company because it has already financed the Deferred Balance and is preferable to ratepayers because the carrying cost using the 7-year treasury bond plus 60 basis points method is a lower cost alternative to the securitization option.

The estimated interest rate on securitized debt, including an allowance for financing costs, is 6.32% (see Schedule JAR-1). The effective interest rate makes securitization financing materially higher than any of the methodologies based on benchmark interest rates. The recommendation to reject securitization is made in this case because, in this instance, securitization fails to make economic sense. Securitization only becomes an economical choice if the alternative to securitization is a carrying cost equal to the overall cost of capital, which, as explained earlier in my testimony, is an inappropriate benchmark.

Lengthening the period over which deferred charges are recovered mitigates rate shock, but prolongs the time that rates remain higher. A reasonable recovery period is 15 years.

My recommendation for the Deferred Balance recovery is preferable to the securitization offering proposed in the Company's Petition because it has a lower effective interest rate than the method proposed by the Company. I explained that the net present value computations can be highly misleading if used to compare cases with different amortization periods due to the challenges associated with selecting the proper discount rate. Because of the discount rate problem, financial comparisons between the securitization and no securitization option should be made based upon the same recovery period. This is because the same recovery period could be used under either option and because the relevant discount rate to use for net present value comparisons is both highly speculative and can dramatically change the answer. If the same time periods are used, all that needs to be compared is the effective interest rate. The one with the lower effective interest rate has the better NPV. With like recovery time periods, the option with the lowest effective interest rate is the proper economic choice.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

Appendix A- Testifying Experience of James A. Rothschild

THROUGH DECEMBER 31, 2005

ALABAMA

Continental Telephone of the South; Docket No. 17968, Rate of Return, January, 1981

ARIZONA

Southwest Gas Corporation; Rate of Return, Docket No. U-1551-92-253, March, 1993
Sun City West Utilities; Accounting, January, 1985

CONNECTICUT

Aquarion Water Company, Docket No. 04-02-14, Rate of Return, June 2004
Connecticut American Water Company; Docket No. 800614, Rate of Return, September, 1980
Connecticut American Water Company, Docket No. 95-12-15, Rate of Return, February, 1996
Connecticut Light & Power Company; Docket No. 85-10-22, Accounting and Rate of Return, February, 1986
Connecticut Light & Power Company; Docket No. 88-04-28, Gas Divestiture, August, 1988
Connecticut Light & Power Company, Docket No. 97-05-12, Rate of Return, September, 1997
Connecticut Light & Power Company, Docket No. 98-01-02, Rate of Return, July, 1998
Connecticut Light & Power Company, Docket No. 99-02-05, Rate of Return, April, 1999
Connecticut Light & Power Company, Docket No. 99-03-36, Rate of Return, July, 1999
Connecticut Light & Power Company, Docket No. 98-10-08 RE 4, Financial Issues, September 2000
Connecticut Light & Power Company, Docket No. 00-05-01, Financial Issues, September, 2000
Connecticut Light & Power Company, Docket No. 01-07-02, Capital Structure, August, 2001
Connecticut Light & Power Company, Docket No. 03-07-02 , Rate of Return, October, 2003
Connecticut Natural Gas; Docket No. 780812, Accounting and Rate of Return, March, 1979
Connecticut Natural Gas; Docket No. 830101, Rate of Return, March, 1983
Connecticut Natural Gas; Docket No. 87-01-03, Rate of Return, March, 1987
Connecticut Natural Gas, Docket No. 95-02-07, Rate of Return, June, 1995
Connecticut Natural Gas, Docket No. 99-09-03, Rate of Return, January, 2000
Southern Connecticut Gas, Docket No. 97-12-21, Rate of Return, May, 1998

Southern Connecticut Gas, Docket No. 99-04-18, Rate of Return, September, 1999

United Illuminating Company; Docket No. 89-08-11:ES:BBM, Financial Integrity and Financial Projections, November, 1989.

United Illuminating Company; Docket No. 99-02-04, Rate of Return, April, 1999

United Illuminating Company, Docket No. 99-03-35, Rate of Return, July, 1999

United Illuminating Company, Docket No. 01-10-10-DPUC, Rate of Return, March 2002

DELAWARE

Artesian Water Company, Inc.; Rate of Return, December, 1986

Artesian Water Company, Inc.; Docket No. 87-3, Rate of Return, August, 1987

Diamond State Telephone Company; Docket No. 82-32, Rate of Return, November, 1982

Diamond State Telephone Company; Docket No. 83-12, Rate of Return, October, 1983

Wilmington Suburban Water Company; Rate of Return Report, September, 1986

Wilmington Suburban Water Company; Docket No. 86-25, Rate of Return, February, 1987

FEDERAL ENERGY REGULATORY COMMISSION (FERC)

Koch Gateway Pipeline Company, Docket No. RP97-373-000 Cost of Capital, December, 1997

Maine Yankee Atomic Power Company, Docket No. EL93-22-000, Cost of Capital, July, 1993

New England Power Company; CWIP, February, 1984. Rate of return.

New England Power Company; Docket No.ER88-630-000 & Docket No. ER88-631-000, Rate of Return, April, 1989

New England Power Company; Docket Nos. ER89-582-000 and ER89-596-000, Rate of Return, January, 1990

New England Power Company: Docket Nos. ER91-565-000, ER91-566-000 , FASB 106, March, 1992. Rate of Return.

Philadelphia Electric Company - Conowingo; Docket No. EL-80-557/588, July, 1983. Rate of Return.

Ocean State Power Company, Ocean States II Power Company, Docket No. ER94-998-000 and ER94-999-000, Rate of Return, July, 1994.

Ocean State Power Company, Ocean States II Power Company, Docket No ER 95-533-001 and Docket No. ER-530-001, Rate of Return, June, 1995 and again in October, 1995.

Ocean State Power Company, Ocean State II Power Company, Docket No. ER96-1211-000 and ER96-1212-000, Rate of Return, March, 1996.

Southern Natural Gas, Docket No. RP93-15-000. Rate of Return, August, 1993, and revised testimony December, 1994.

Transco, Docket No. RP95-197-000, Phase I, August, 1995. Rate of Return.

Transco, Docket Nos. RP-97-71-000 and RP97-312-000, June, 1997, Rate of Return.

FLORIDA

Alltel of Florida; Docket No. 850064-TL, Accounting, September, 1985
Florida Power & Light Company; Docket No. 810002-EU, Rate of Return, July, 1981
Florida Power & Light Company; Docket No. 82007-EU, Rate of Return, June, 1982
Florida Power & Light Company; Docket No. 830465-EI, Rate of Return and CWIP, March, 1984
Florida Power & Light Company, Docket No. , Rate of Return, March 2002
Florida Power Corporation; Docket No. 830470-EI, Rate Phase-In, June, 1984
Florida Power Corp.; Rate of Return, August, 1986
Florida Power Corp.; Docket No. 870220-EI, Rate of Return, October, 1987
Florida Power Corp; Docket No. 000824-EI, Rate of Return, January, 2002
GTE Florida, Inc.; Docket No. 890216-TL, Rate of Return, July, 1989
Gulf Power Company; Docket No. 810136-EU, Rate of Return, October, 1981
Gulf Power Company; Docket No. 840086-EI, Rate of Return, August, 1984
Gulf Power Company; Docket No. 881167-EI, Rate of Return, 1989
Gulf Power Company; Docket No. 891345-EI, Rate of Return, 1990
Gulf Power Company; Docket No.010949-EI, Rate of Return, December 2001
Progress Energy Florida, Docket No. 050078, Rate of Return, July 2005
Rolling Oaks Utilities, Inc.; Docket No. 850941-WS, Accounting, October, 1986
Southern Bell Telephone Company; Docket No. 880069-TL, Rate of Return, January, 1992
Southern Bell Telephone Company, Docket No. 920260-TL, Rate of Return, November, 1992
Southern Bell Telephone Company, Docket No. 90260-TL, Rate of Return, November, 1993
Southern States Utilities, Docket No. 950495-WS, Rate of Return, April, 1996
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Schedule JAR-1

Jersey Central Power & Light
Effective Interest Rate on Proposed Securitization
Including Impact of Financing Costs as Proposed by Company
(Dollars in Thousands)

Year		15-Year Securitization (B) @5.45% Interest rate	
1		22,802	[A]
2		20,159	[A]
3		20,465	[A]
4		20,430	[A]
5		20,434	[A]
6		20,433	[A]
7		20,433	[A]
8		20,433	[A]
9		20,433	[A]
10		20,433	[A]
11		20,433	[A]
12		20,433	[A]
13		20,433	[A]
14		20,433	[A]
15		19,417	[A]
Net present value at	**6.31771%**	**196,000**	
Round to:	**6.32%**		

Source:
[A] Attachment
RA Email Request
Dated 3/31/06
Exhibit A-1

Note: The above analysis sloves for the interest rate that result in a
net present value equal to the $196 million MTC deferred balance (net of deferred taxe