



Agenda Date: 7/23/02

Agenda Item: 2B *orig*

**STATE OF NEW JERSEY**

**Board of Public Utilities**

*Two Gateway Center*

*Newark, NJ 07102*

IN THE MATTER OF THE VERIFIED PETITION )  
OF JERSEY CENTRAL POWER & LIGHT )  
COMPANY FOR AUTHORIZATION PURSUANT )  
TO N.J.S.A. 48:3-7.2 FOR APPROVAL TO )  
PARTICIPATE IN THE FIRSTENERGY CORP. )  
INTRASYSTEM UTILITY MONEY POOL )

ENERGY

ORDER OF APPROVAL

DOCKET NO: EF02030185

Marc Lasky, Esq., Counsel for Jersey Central Power & Light Company

Fred S. Grygiel, Chief Economist, Mark C. Beyer, Manager, Leo M. Lim, Supervising  
Accountant, Office of the Economist on behalf of the Staff of the Board of Public  
Utilities

BY THE BOARD:

Jersey Central Power & Light Company ("Petitioner", or "JCP&L"), a public utility corporation of the State of New Jersey, having principal New Jersey offices at 300 Madison Avenue, Morristown, New Jersey 07962, by petition filed on March 19, 2002, and amended by letter dated June 25, 2002, pursuant to N.J.S.A. 48:3-7.2, requests approval of JCP&L's participation in the FirstEnergy Intrasystem Utility Money Pool ("Money Pool") maintained for the benefit of various public utility subsidiaries of FirstEnergy Corp., including Petitioner. FirstEnergy Corp. owns 100% of Petitioner's common stock and is, therefore, the parent company of JCP&L.

The Money Pool is made up of various FirstEnergy Corp. public utility subsidiaries investing available cash in the Money Pool, which may then be loaned by the Money Pool to other participating FirstEnergy Corp. public utility subsidiaries to meet their short-term operating needs.

Under the terms of the Money Pool, JCP&L will make available to the Money Pool, from time to time through June 30, 2003, surplus short-term funds. Other participating subsidiaries may also make surplus short-term funds available to the Money Pool (such surplus short-term funds, whether provided by JCP&L or other participating subsidiaries, are herein referred to as "Internal Funds"). Other participating subsidiaries may also make available to the Money Pool proceeds from bank borrowings or the sale of commercial paper by such other participating subsidiaries ("External Funds").

If only Internal Funds make up the funds available in the Money Pool, the interest rate applicable and payable to or by the participating subsidiaries for all loans of these Internal

Funds will be the greater of the 30-day LIBOR rate as quoted in *The Wall Street Journal* or the money market rate that a lending participating subsidiary could have obtained if it placed its excess cash in such an investment. If only External Funds comprise the funds available in the Money Pool, the interest rate applicable to loans of such External Funds would be equal to the lending company's cost for such External Funds. Appropriate "blending" and pro-rating will be effected if more than one participating subsidiary has made funds available to the Money Pool and/or both Internal and External Funds are available in the Money Pool, provided that loans may be made exclusively from Internal Funds or External Funds, rather than from a "blend" of these funds, to the extent it is expected that these loans would result in a lower cost of borrowing. As stated above, JCP&L shall make available only Internal Funds to the Money Pool, but may borrow both Internal Funds and External Funds provided by other participating subsidiaries, provided this is the least costly borrowing alternative available to JCP&L.

JCP&L will make loans through the Money Pool only to participating subsidiaries that have investment grade or higher credit ratings on their senior secured debt from at least one nationally recognized rating agency. Therefore, any participating subsidiary that does not meet this credit rating standard would not be allowed to borrow from the Money Pool so long as JCP&L is contributing funds to the Money Pool. If a participating subsidiary has an outstanding loan from the Money Pool at a time when JCP&L is deemed to be a lender (because JCP&L had theretofore contributed funds to the Money Pool that were deemed included in such outstanding loan), such participating subsidiary would be required to repay that loan immediately upon no longer meeting the credit rating standard.

Funds not required by the Money Pool to make loans (with the exception of funds required to satisfy the Money Pool's liquidity requirements) would ordinarily be invested in one or more short-term investments, as described in the petition. The interest income and other investment income earned by the Money Pool on loans and investment of surplus funds will be allocated among the participating subsidiaries in accordance with their proportionate contribution of funds to the Money Pool. Interest and other investment earnings will be computed on a daily basis and settled once per month.

JCP&L shall have discretion to lend its Internal Funds, if any, and other participating subsidiaries will have discretion to lend their Internal and External Funds, if any, and all participating subsidiaries (including JCP&L) shall have discretion to borrow moneys from the Money Pool at any time. The determination of whether a participating subsidiary at any time has surplus funds to lend to the Money Pool or shall lend funds to the Money Pool will be made on the basis of cash flow projections and other relevant factors, in such participating subsidiary's sole discretion. Each participating subsidiary may withdraw any of its funds from the Money Pool at any time upon notice to the administrator of the Money Pool. A participating subsidiary will not be required to borrow from the Money Pool, if it is determined that the participating subsidiary will be able to obtain funds at lower costs either through direct bank borrowing or through the issuance of its commercial paper.

Each participating subsidiary receiving a loan from the Money Pool shall repay the principal amount of such loan, together with all interest accrued thereon, on demand and in any event within 364 days of the date on which such loan was made. All loans made through the Money Pool may be prepaid by the borrower without premium or penalty. Loans from the Money Pool shall be made as open-account advances. Separate promissory notes will not be required for each transaction, but may be executed if the participating subsidiaries deem it necessary or appropriate.

Petitioner states that the Money Pool is administered by FirstEnergy Service Company, another subsidiary of FirstEnergy Corp., on an "at cost" basis, and will not incur any additional administrative costs.

Petitioner has requested that the Board specifically authorize it to borrow through the Money Pool from time to time amounts not to exceed the limitation on unsecured indebtedness contained in its Certificate of Incorporation (the "Charter Limit") outstanding at any one time.

After considering the record and the exhibits submitted in this matter, the Board FINDS that the FirstEnergy Corp. Intrasystem Money Pool will provide Petitioner an opportunity to earn a higher rate of interest on its short-term investments and an opportunity to reduce expenses associated with its short-term borrowings and, in any event, will not reduce such return or increase such expenses. Therefore, the Board HEREBY ORDERS that Petitioner be and is HEREBY AUTHORIZED to participate in the FirstEnergy Corp. Intrasystem Utility Money Pool.

THIS ORDER is subject to the following provisions:

1. Petitioner should not make any bank borrowings or issue commercial paper for the purpose of lending the proceeds to the Money Pool.
2. Petitioner should not borrow from the Money Pool if it will be able to obtain funds at lower costs either through a direct bank borrowing or issuance of its commercial paper.
3. Petitioner should only deposit such Internal Funds (i.e., surplus cash) in the Money Pool as it would otherwise have available for investment in short-term money markets or other short-term investments instruments.
4. Petitioner should not borrow any sum from the Money Pool for a period of greater than 364 days.
5. Petitioner's borrowing through the Money Pool should not exceed the limitation on unsecured indebtedness contained in its Certificate of Incorporation.
6. Petitioner shall file with the Board quarterly comparative statements indicating the interest rate imposed for borrowing/investing with the Money Pool and the prevailing market rate at the time for similarly situated utilities.

7. Petitioner shall inform the Board within three (3) days of any participating subsidiary that does not meet the credit rating standard set forth in the Money Pool Agreement.

DATED: 7/24/02

BOARD OF PUBLIC UTILITIES

BY:



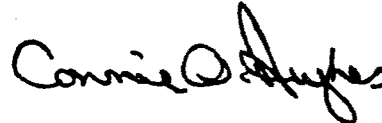
JEANNE M. FOX  
PRESIDENT



FREDERICK F. BUTLER  
COMMISSIONER

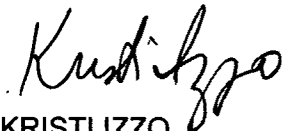


CAROL J. MURPHY  
COMMISSIONER



CONNIE O. HUGHES,  
COMMISSIONER

ATTEST:



KRISTI IZZO  
BOARD SECRETARY