



Agenda Date: 8/19/09

Agenda Item: 2M

STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE VERIFIED PETITION OF)	ORDER ADOPTING
JERSEY CENTRAL POWER & LIGHT COMPANY)	STIPULATION
CONCERNING A PROPOSAL FOR FOUR SMALL)	
SCALE/PILOT DEMAND RESPONSE PROGRAMS)	DOCKET NOS. EO08050326
FOR THE PERIOD BEGINNING JUNE 1, 2009)	AND EO08080542

(SERVICE LIST ATTACHED)

BY THE BOARD:

By this Order, the New Jersey Board of Public Utilities (“Board”) considers a stipulation (“Stipulation”) signed on August 6, 2009, by Jersey Central Power & Light Company (“JCP&L” or the “Company”), the New Jersey Department of the Public Advocate, Division of Rate Counsel (“Rate Counsel”) and the Staff of the Board of Public Utilities (“Staff”) (collectively, the “Parties”), implementing the Company’s proposed Integrated Distributed Energy Resource Program Expansion (“IDER Expansion”).¹

Background and Procedural History

By Order dated July 25, 2008², the Board approved a stipulation (“IDER Pilot Stipulation”) among the Company, Staff and Rate Counsel, providing for, among other things, the implementation by JCP&L of a new Integrated Distributed Energy Resource (“IDER”) Pilot program designed to deliver approximately 8 MW of new Demand Response (“DR”) by June 1, 2009, 5 MW of which was to be derived from residential customers and 3 MW of which was to be derived from small to medium commercial and industrial (“C&I”) customers.

By Order dated July 1, 2008 (“July 1 Order”) the Board, pursuant to L.2007, c.340, sec.13(a) (codified in part as N.J.S.A. 48:3-98.1(a)(3) and sometimes referred to as “RGGI”), directed the State’s four electric distribution companies (“EDCs”), including JCP&L, to submit proposals to the Board, by August 1, 2008, for DR programs to be implemented for the period beginning

¹ The intervenor, Enerwise Global Technologies, Inc., was provided with notice of the Stipulation but, as of the date of this Order, has not stated any position on the Stipulation.

² *In the Matter of the New Jersey Direct Load Control Program Proposal – Jersey Central Power and Light*, BPU Docket No. ER07060375, Order Adopting Stipulation of Settlement (July 25, 2008).

June 1, 2009³. On August 1, 2008, JCP&L filed its petition pursuant to the July 1 Order, along with supporting testimony and schedules (collectively, the "August 1 DR Filing"), proposing four separate small scale/pilot DR programs aggregating 83 MW of DR, which, together with the 8 MW from the IDER pilot program and 2 MW to be derived from certain Basic Generation Service ("BGS") rate design changes, were designed to achieve the JCP&L goal of 93 MW of DR beginning June 1, 2009, as described in the July 1 Order. One of the four proposed DR programs was an expansion of the IDER pilot program ("IDER Expansion") to produce an additional 15 MW of DR by June 1, 2009, with 11 MW from residential customers and 4 MW from C&I customers.

By Order dated September 22, 2008⁴, the Board suspended the procedural schedule relating to the EDCs' August 1, 2008 DR filings, including JCP&L's August 1 DR Filing, and directed Board Staff to meet with each of the EDCs and with Rate Counsel to reach agreement on those programs which could be reviewed in time for June 2009 implementation and which programs would require extended review. Based on those discussions, by letter dated September 26, 2008, Board Staff memorialized the agreement among JCP&L, Rate Counsel and Staff that only the Company's proposed IDER Expansion should be considered for implementation by June 2009, which was subsequently reflected in the March 12, 2009 Order designating Commissioner Joseph L. Fiordaliso as the presiding officer for this case.

The Board's July 1 Order⁵ set certain minimum filing requirements for all RGGI filings. By letter dated August 29, 2008 (inadvertently bearing a 2009 date) ("Deficiency Letter"), the Director of the Board's Division of Energy notified JCP&L of certain deficiencies in the August 1 DR Filing. On January 27, 2009, the Company provided additional information in response to the Deficiency Letter, and by letter dated February 26, 2009, Staff notified JCP&L that the August 1 DR Filing was deemed administratively complete with respect to the proposed IDER Expansion, effective January 27, 2009.

By Order dated July 1, 2009⁶, the Board approved a Stipulation among the Company, Staff and Rate Counsel setting a procedural schedule for addressing the proposed IDER Expansion. JCP&L agreed to waive the 180-day review period of RGGI solely in connection with the IDER Expansion. By Order dated July 14, 2009⁷, signed by Commissioner Fiordaliso as presiding officer for this case, a procedural schedule was set for addressing the three small scale/pilot DR programs, other than the IDER Expansion, included in the August 1 DR Filing.

³ *In The Matter of Demand Response Programs for the Period Beginning June 1, 2009 – Electric Distribution Company Programs*, BPU Docket No. EO08050326 (July 1, 2008).

⁴ *In The Matter of Demand Response Programs for the Period Beginning June 1, 2009 – Electric Distribution Company Programs*, BPU Docket Nos. EO08050326, EO08080541, EO08080542, EO08080543, EO08080544 (September 22, 2008).

⁵ *In The Matter Of Electric Public Utilities And Gas Public Utilities Offering Energy Efficiency And Conservation Programs, Investing In Class I Renewable Energy Resources, And Offering Class I Renewable Energy Programs In Their Respective Service Territories On A Regulated Basis Pursuant To N.J.S.A. 48:3-98.1*, BPU Docket No. EO08030164 (May 12, 2008).

⁶ *In the Of the Verified Petition of Jersey Central Power & Light Company Concerning a Proposal for Four Small Scale/Pilot Demand Response Programs for the Period Beginning June 1, 2009*, BPU Docket Nos. EO08050326, EO08080542 (July 1, 2009).

⁷ *In The Matter of Demand Response Programs for the Period Beginning June 1, 2009 – Electric Distribution Company Programs and In the Of the Verified Petition of Jersey Central Power & Light Company Concerning a Proposal for Four Small Scale/Pilot Demand Response Programs for the Period Beginning June 1, 2009*, BPU Docket Nos. EO08050326, EO08080542 (July 14, 2009).

Afternoon and evening public hearings with respect to the IDER Expansion were held in Morristown, New Jersey on October 30, 2008. One member of the public made a statement at the afternoon hearing related to reliability concerns. No members of the public made a statement at the evening hearing.

Stipulation Terms

As more fully described in the IDER Pilot Stipulation, IDER is a co-development effort between JCP&L and BPL Global, Ltd. and is designed to integrate customers and their electric equipment with smart grid utility operations, initially by focusing on integrating load management devices for both residential and commercial customers into system operations.

The Parties have agreed to the following terms:

- 1 JCP&L will expand the IDER program to add an anticipated additional 15 megawatts ("MW") of DR, set forth in paragraph 2 below.

Participants will have IDER load control technology installed in their facilities providing JCP&L with the ability to monitor, through two-way communications, and control non-critical customer electrical loads such as air conditioning, hot water heaters and pool pumps. Details about the IDER Expansion are described in Appendix A.

2. The Company will deploy the 15 MW IDER Expansion direct load control equipment in a phased approach, with the first 5 MW installed by the end of February 2010 with the goal of registering this load in the PJM 2010 summer programs. An additional 5 MW are to be deployed between March and September 2010 and the final 5 MW are to be deployed between October 2010 and February 2011, with the goal of registering the entire 15 MW in the 2011 PJM summer programs.
3. The deployment of the IDER Expansion will be ongoing and continuous to avoid delays that would increase the cost of deployment. The Company will use its best efforts to economically coordinate equipment purchases with expected installations in order to minimize inventory and cost with respect to all aspects of the IDER Expansion, including the timing of the purchase of equipment for C&I customers.

The Company will not purchase any C&I equipment for the IDER Expansion until all C&I equipment for the IDER pilot program has been deployed. JCP&L will develop a plan for evaluating the deployment and operation of the IDER Expansion and, if necessary, corrective actions will be identified. Any such evaluation plan and corrective actions will be discussed in collaboration with Board Staff and Rate Counsel.

4. IDER pilot program operations are continuing through the 2009 peak season. JCP&L will provide the interim Assessment Report on the IDER pilot program that is due by the end of 2009, as discussed in Attachment B to the IDER Pilot Stipulation ("2009 Pilot Assessment Report"), by no later than November 1, 2009. The outline of the 2009 Pilot Assessment Report is set forth in Appendix B hereto.
5. Based on preliminary findings relative to system operational performance in connection with JCP&L's IDER pilot program, and assumptions and projections regarding future costs and revenues as of the date of this Stipulation, the Parties agree that the IDER Expansion appears to be cost-effective, with the Total Resource Cost ("TRC")

cost/benefit analysis showing a ratio of not less than 1.08 based on those assumptions and projections.

Therefore, the Parties support implementation of the 15 MW IDER Expansion in a phased approach as described in paragraph 2 above. However, in order to provide additional assurances, any Party to this Stipulation may request in writing, within 15 business days of receipt of the 2009 Pilot Assessment Report, that a proceeding be initiated before the Board to determine whether further deployment of the IDER Expansion should be halted.

JCP&L may respond through a filing with the Board within five business days of receipt of such a written request and the Parties will use their best efforts to conduct that proceeding, including appropriate discovery (which may be accomplished through discovery conferences in addition to or in place of written discovery), evidentiary hearings and briefing, so as to close the record in time for a Board decision at a February 2010 agenda meeting. Absent any such request from any Party, the Parties support the continued deployment of the IDER Expansion pursuant to paragraph 2 above.

6. JCP&L will register the IDER Expansion capacity as a PJM Interruptible Load for Reliability ("ILR") resource and/or as DR in PJM reliability pricing model ("RPM") auctions and/or in other appropriate PJM capacity programs/markets and will also register the IDER Expansion in appropriate PJM energy markets, as it is deployed, consistent with PJM registration procedures.

JCP&L shall apply any credits and/or payments that it receives from PJM or any other source associated with the IDER Expansion to reduce program costs, as discussed in paragraph 9 below.

7. On February 17, 2009, the federal American Recovery and Reinvestment Act of 2009 ("ARRA") (Pub. L. No. 111-5) was signed into law by President Barack Obama. The Company is filing a proposal under the Department of Energy's ("DOE") Funding Opportunity Announcement for the Smart Grid Investment Grant program for funding of an additional 15 MW of IDER technology deployment, beyond the IDER Expansion, although JCP&L cannot provide any assurances that it will receive a DOE grant.

Because ratepayer funding of the IDER Expansion, as provided for in the Stipulation, supports such proposal to DOE, even if such a DOE grant is obtained, it will not offset any IDER Expansion costs. If funding or credits are obtained from any subsequent state or federal program for the IDER Expansion and, consistent with applicable law, are applied directly to reduce IDER Expansion costs, as opposed to funding further deployment of IDER technology beyond the IDER Expansion, such offset shall be reflected in the annual Rider RRC (" RGGI Recovery Charge") true-up .

8. Based on the budget for the IDER Expansion, the total revenue requirement over the 10-year recovery period for the IDER Expansion, as discussed in paragraph 10 below, is \$11.9 million.

9. The Parties agree that JCP&L will recover its actual incremental reasonable and prudent costs for the IDER Expansion through a component of Rider RRC – RGGI Recovery Charge, or through a comparable Rider mechanism approved by the Board. The Rider will provide for an equal per kWh charge applicable to all customers in all customer classes, whether full service BGS customers or delivery service shopping customers. Any associated revenues received from PJM or any other source in connection with the IDER Expansion will be applied to reduce the costs of the IDER Expansion to be recovered through the Rider.
10. The Rider will be implemented on the first day of the month following JCP&L's initial expenditure on the IDER Expansion, but not sooner than October 1, 2009 and not later than January 1, 2010, and will recover the all-in costs associated with the IDER Expansion, including the amortization of any capital investments with a return at a rate equal to JCP&L's overall pre-tax cost of capital as determined in its last rate case (11.61%). The investment on which the return is calculated will reflect the impact of deferred income taxes.

The RRC rate for the IDER Expansion will be based on a revenue requirement reflecting a six-year amortization of the IDER Expansion investment and will initially be structured to produce revenues of approximately \$2.1 million annually. The initial per kWh Rider RRC charge for the IDER Expansion and the associated bill impacts are described in Appendix C to the Stipulation with a proposed Tariff sheet for Rider RRC as Appendix D to the Stipulation.

11. The Rider will provide for deferred accounting with interest on over- and under-recoveries at a rate equal to the interest rate on two-year constant maturity Treasuries as published in the Federal Reserve Statistical Release on the first day of each month (or the closest day thereafter on which rates are published), plus sixty basis points, but shall not exceed the overall rate of return for JCP&L as authorized by the Board. The interest rate shall be reset each month. Additionally, the calculation shall be based on the net of tax beginning and end average monthly balance. The Company shall accrue simple interest on any over- or under-recovered balance, with an annual roll-in to the RRC balance at the end of each reconciliation period.
12. The IDER Expansion component of Rider RRC will be reviewed, trued-up and modified in an annual filing that JCP&L will make with the Board. The cost-effectiveness of the IDER Expansion will be reviewed in the future annual filings using actual data.

Each annual filing will contain a reconciliation of JCP&L's actual recoveries and actual revenue requirements for the prior period. Each annual filing will also contain a forecast of revenue requirements for the upcoming 12-month period that shall be based on the Company's overall pre-tax cost of capital as determined in its last rate case. Such annual filings will take into account the outcome of any proceeding initiated pursuant to paragraph 5 above. The first such filing will include actual data through June 2010, with annual filings thereafter.

13. In addition to any reports contemplated in paragraph 4 above, JCP&L will provide monthly reports concerning the IDER Expansion comparable to the monthly reports provided with respect to the IDER pilot program and including information about any load reduction events that occurred during the month. In addition, the Company will provide

annual reports by the end of each year, commencing the end of 2010, with respect to the IDER pilot program and the IDER Expansion, which will follow the outline set forth in Appendix B to the Stipulation.

The Company will consult with Board Staff and Rate Counsel on the report outline for the annual reports as appropriate, including information with respect to the IDER deployment's impact on energy delivery operations and reliability as it becomes available.

14. To the extent relevant, the impacts of the IDER pilot program and the IDER Expansion shall count towards achievement of the demand response targets set forth in New Jersey's Energy Master Plan and the Board's Order dated January 28, 2009 in Docket No. EO08121065.
15. Costs associated with the IDER pilot program will continue to be recovered in Rider SCC without modification to the existing recovery mechanism.

DISCUSSION AND FINDING

The IDER Expansion, along with the previously Board-approved IDER Pilot program, promises to demonstrate the value and viability of targeted peak load management to improve operations on specific JCP&L distribution circuits. The Company expects that the new alternative technology that allows for direct load control of residential and commercial customers' air conditioning systems and other non-critical customer electrical loads will provide operational, as well as economic market-based benefits, to ratepayers. According to the descriptions provided by the Company, the IDER Expansion, building on the IDER Pilot program, will integrate customers and their electric equipment to smart grid utility operations, based on pre-defined operational rules. The IDER Expansion will leverage deployment of individual distributed energy resource ("DER") components with traditional transmission and distribution equipment for system reliability needs and optimum resource utilization.

In keeping with the IDER Pilot program, the IDER Expansion will seek to integrate customer DER load management devices for voluntary participants served by substations in selected high growth areas. The technology's Integrated Control Platform ("ICP") will be expanded under the IDER Expansion for the management of distribution operations. According to the program description, JCP&L will have the ability to monitor and control non-critical customer electrical loads at a granular level. The Company can utilize the ICP, through a variety of implementation options, to monitor the connected load on the targeted circuits in order to identify, assess and manage operations, as well as to monitor wholesale energy markets for price and/or capacity signals for demand response market opportunities.

The Board notes that the IDER Pilot program has been selected by the Electric Power Research Institute ("EPRI") as a smart grid demonstration project. Such testing of new technology and equipment is an important means to finding efficient and cost effective ways to help modernize the state's electric distribution and transmission system. The Board has consistently worked towards ensuring greater reliability of the State's utility infrastructure, and looks forward to reviewing the findings from the ongoing evaluations of the IDER Pilot program and the IDER Expansion, including reliability-related impacts on the selected congested circuits in high-growth areas of JCP&L's service territory. The Board notes that the one comment made at the public

hearing related to the Company's DR filing focused on the need for increased reliability of the electric distribution system, which the IDER Expansion seeks to address.

Furthermore, the Board believes that the IDER Expansion, if successfully implemented, with its goal of increasing demand response furthers the goals of the New Jersey Energy Master Plan ("EMP"), adopted in October 2008, which made a reduction in peak electricity demand a primary energy goal.⁸ The IDER Expansion is also in keeping with the July 1 Order as described above.

The estimated \$11.9 million total cost for the IDER Expansion over the 10-year recovery period with an initial monthly rate impact of an additional \$0.05 per 500 kilowatt-hours ("kWh") of electricity usage appears to be justified by the expected increased reliability and other overall benefits to ratepayers. After the second year of the IDER Expansion, the monthly rate impact on JCP&L customers is estimated to decrease. The Company plans to register the IDER Expansion capacity as demand response in the appropriate PJM capacity programs/markets and PJM energy markets, and will apply any credits and/or payments that it receives from PJM to off-set program costs, reducing the cost burden on the ratepayers.

The TRC Test, which has been relied upon in other dockets to support a cost-benefit analysis, has found the IDER Expansion to be cost-effective, based upon the assumptions provided. The Board makes no judgment at this time as to whether the costs to be recovered for the IDER Expansion will be found to be reasonable and prudent. However, the Board believes that the terms of the Settlement contain sufficient safeguards to shield ratepayers from future unnecessary or imprudent IDER Expansion program costs. In the future, the IDER Expansion will be reviewed for cost-effectiveness each year through annual filings based upon actual incurred costs. The Company will be required to show that all costs are reasonable and prudently incurred in such annual filings. Thus, the Board will review the costs for reasonableness and prudence when the Company makes its initial filing to adjust its RRC rates and through the subsequent annual cost recovery filings.

Therefore, based upon the review of the Stipulation and Appendices, the Board **HEREBY FINDS** the Stipulation to be reasonable and in the public interest. Accordingly, the Board **HEREBY ADOPTS** the Stipulation and Appendices in their entireties, incorporating the terms and conditions thereof into this Order as if they were set forth at length herein.

The Board **DIRECTS** that the Company's reasonable and prudently incurred costs associated with the IDER Expansion be recovered through a separate component of the electric RCC, which is consistent with the Board's treatment of other programs filed under N.J.S.A. 48:3-98.1. Such cost recovery will be dependent on a finding that the actual costs are reasonable and prudent in future annual reviews.

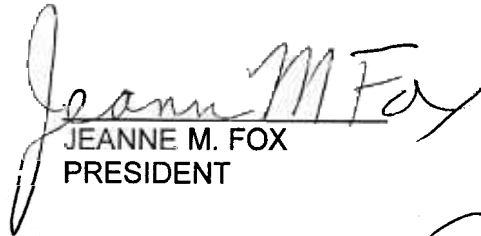
The Board **HEREBY RATIFIES** the decisions made by Commissioner Fiordaliso to date for the reasons stated in those Orders.

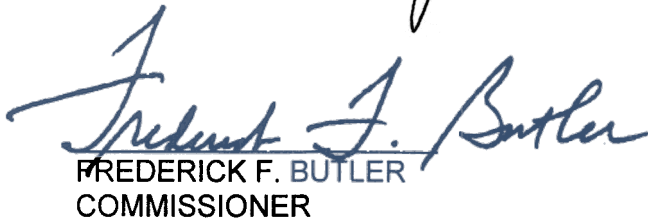
⁸ For the full text of the EMP, see www.nj.gov/emp.

The Board **HEREBY SETS** the effective date of the initial RRC on the first day of the month following JCP&L's initial expenditure on the IDER Expansion, but not sooner than October 1, 2009 and not later than January 1, 2010.

DATED: 8/19/09

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

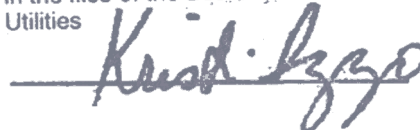

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
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



Jersey Central Power & Light Company
In The Matter of Demand Response Programs for the Period Beginning June 1, 2009
Electric Distribution Company Programs, Docket No. EO08050326; and in the Matter of the Verified
Petition of Jersey Central Power & Light Company Concerning a Proposal for Four Small Scale/Pilot
Demand Response Programs for the Period Beginning June 1, 2009, Docket No. EO08080542

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Petition of Jersey Central Power & Light Company Concerning a Proposal for Four Small Scale/Pilot
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C O U N S E L O R S A T L A W

A Pennsylvania Limited Liability Partnership

ROBERT A. WHITE
Partner-in-Charge

August 7, 2009

VIA FEDEX

Kristi Izzo, Secretary
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Re: In the Matter of the Verified Petition of Jersey Central Power & Light Company
 Concerning a Proposal for Four Small Scale /Pilot Demand Response Programs for the
 Period Beginning June 1, 2009
 Docket Nos.: EO08050326 & EO08080542

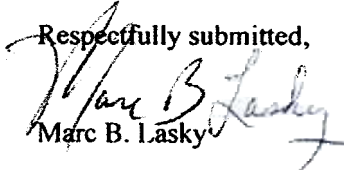
Dear Secretary Izzo:

Enclosed for filing with the Board of Public Utilities ("Board") are eleven copies of a Settlement Agreement among Jersey Central Power & Light Company ("JCP&L"), Board Staff and the Department of the Public Advocate, Division of Rate Counsel, with respect to the expansion of JCP&L's Integrated Distributed Energy Resource (IDER) program, which is one of the four small scale/pilot demand response programs proposed as part of the above-captioned proceeding.

Kindly stamp the enclosed copy of this letter with the date of filing and return same to the undersigned in the enclosed, self-addressed stamped envelope.

Thank you for your anticipated courtesy and cooperation.

Respectfully submitted,


Marc B. Lasky

Enclosures

cc: Service List (electronic delivery)

DB1/63490743.1

Jersey Central Power & Light Company
In The Matter of Demand Response Programs for the Period Beginning June 1, 2009
Electric Distribution Company Programs, Docket No. EO08050326; and in the Matter of the Verified
Petition of Jersey Central Power & Light Company Concerning a Proposal for Four Small Scale/Pilot
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In The Matter of Demand Response Programs for the Period Beginning June 1, 2009
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Jersey Central Power & Light Company
In The Matter of Demand Response Programs for the Period Beginning June 1, 2009
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**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

In the Matter of the Verified Petition of Jersey Central Power & Light Company Concerning a Proposal for Four Small Scale/Pilot Demand Response Programs for the Period Beginning June 1, 2009	: BPU DOCKET NO. EO08050326 : EO08080542	STIPULATION OF SETTLEMENT
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TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

APPEARANCES:

Marc B. Lasky, Esq. (Morgan, Lewis & Bockius LLP, attorneys) for the Petitioner, Jersey Central Power & Light Company

Ami Morita, Esq., Deputy Public Advocate, and **Diane Schulze, Esq.**, Assistant Deputy Public Advocate, Department of the Public Advocate, Division of Rate Counsel (**Ronald K. Chen, Esq.**, Public Advocate, **Stefanie A. Brand, Esq.**, Director)

Jessica L. Campbell, Esq. and **Alex Moreau, Esq.**, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Anne Milgram, Esq.**, Attorney General of New Jersey)

Steven Goldenberg, Esq. (Fox Rothschild LLP, attorneys) for the Intervenor, Enerwise Global Technologies, Inc.

This Stipulation of Settlement ("Stipulation") is hereby made and executed as of the 6th day of August, 2009, by and among Jersey Central Power & Light Company ("JCP&L" or the "Company"), the Staff of the Board of Public Utilities ("Staff") and the New Jersey Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") (collectively, the "Parties"), in settlement of the elements of the above-captioned proceeding addressed in this Stipulation.

The Parties do hereby join in recommending that the Board of Public Utilities (“Board”) issue an Order approving this Stipulation, based upon the following stipulations:

Background

By Order dated July 25, 2008¹, the Board approved a Stipulation of Settlement (“IDER Pilot Stipulation”) among the Company, Staff and Rate Counsel, providing for, among other things, the implementation by JCP&L of a new Integrated Distributed Energy Resource (“IDER”) pilot program designed to deliver approximately 8 MW of new Demand Response (“DR”) by June 1, 2009, 5 MW of which was to be derived from residential customers and 3 MW of which was to be derived from small to medium commercial and industrial (“C&I”) customers.

By Order dated July , 2008 (“July 1 Order”), the Board, pursuant to L.2007, c.340, sec.13(a) (codified as N.J.S.A. 48:3-98.1(a)(3) and sometimes referred to as “RGGI”), directed the State’s four electric distribution companies (“EDCs”), including JCP&L, to submit proposals to the Board, by August 1, 2008, for DR programs to be implemented for the period beginning June 1, 2009². On August 1, 2008, JCP&L filed its petition pursuant to the July Order, along with supporting testimony and schedules (collectively, the “August 1 DR Filing”), proposing four separate small scale/pilot DR programs aggregating 83 MW of DR, which, together with the 8 MW from the IDER pilot program and 2 MW to be derived from certain Basic Generation Service (“BGS”) rate design changes, were designed to achieve the JCP&L goal of 93 MW of DR beginning June 1, 2009 set forth in the July Order. One of the four proposed DR programs

¹ *In the Matter of the New Jersey Direct Load Control Program Proposal – Jersey Central Power and Light*, BPU Docket No. ER07060375, Order Adopting Stipulation of Settlement (July 25, 2008).

² *In The Matter of Demand Response Programs for the Period Beginning June 1, 2009 – Electric Distribution Company Programs*, BPU Docket No. EO08050326 (July 1, 2008).

was an expansion of the IDER pilot program (“IDER Expansion”) to produce an additional 15 MW of DR by June 1, 2009, 11 MW of which is targeted to be derived from residential customers and 4 MW of which is targeted to be derived from C&I customers.

By Order dated September 22, 2008³, the Board suspended the procedural schedule relating to the EDCs’ August 1, 2008 DR filings, including JCP&L’s August 1 DR Filing, and directed Board Staff to meet with each of the EDCs and with Rate Counsel to reach agreement on those programs which could be reviewed in time for June 2009 implementation and which programs would require extended review. Based on those discussions, by letter dated September 26, 2008, Board Staff memorialized the agreement among JCP&L, Rate Counsel and Staff that only the Company’s proposed IDER Expansion should be considered for implementation by June 2009, which was subsequently reflected in the March 12, 2009 Order designating Commissioner Joseph L. Fiordaliso as the presiding officer for this case.

The Board’s RGGI Order⁴ set forth certain minimum filing requirements for all RGGI filings. By letter dated August 29, 2008 (inadvertently bearing a 2009 date) (“Deficiency Letter”), the Director of the Board’s Division of Energy notified JCP&L of certain deficiencies in the August 1 DR Filing. On January 27, 2009, the Company provided additional information in response to the Deficiency Letter, and by letter dated February 26, 2009, Staff notified JCP&L that the August 1 DR Filing was deemed complete with respect to the proposed IDER Expansion, effective January 27, 2009.

³ *In The Matter of Demand Response Programs for the Period Beginning June 1, 2009 – Electric Distribution Company Programs*, BPU Docket No. EO08050326, EO08080541, EO08080542, EO08080543, EO08080544 (September 22, 2008).

⁴ *In The Matter Of Electric Public Utilities And Gas Public Utilities Offering Energy Efficiency And Conservation Programs, Investing In Class I Renewable Energy Resources, And Offering Class I Renewable Energy Programs In Their Respective Service Territories On A Regulated Basis Pursuant To N.J.S.A. 48:3-98.1*, BPU Docket No. EO08030164 (May 12, 2008).

By Order dated July 1, 2009⁵, the Board approved a Stipulation of Settlement among the Company, Staff and Rate Counsel setting a procedural schedule for addressing the proposed IDER Expansion and in which JCP&L agreed to waive the 180-day review period provision of RGGI solely in connection with the IDER Expansion. By Order dated July 14, 2009⁶, signed by Commissioner Fiordaliso as presiding officer for this case, a procedural schedule was set for addressing the three small scale/pilot DR programs, other than the IDER Expansion, included in the August DR Filing.

Afternoon and evening public hearings with respect to the IDER Expansion were held in Morristown, New Jersey on October 30, 2008. One member of the public made a statement at the afternoon hearing. No members of the public made a statement at the evening hearing.

Stipulation

The undersigned Parties DO HEREBY STIPULATE AND AGREE as follows with respect to the proposed IDER Expansion:

1. Building on the momentum gained in implementing the IDER pilot program, as described in the Board-approved IDER Pilot Stipulation, JCP&L will expand the IDER program to add an anticipated additional 15 MW of DR pursuant to the schedule set forth in paragraph 2 below. As more fully described in the IDER Pilot Stipulation, IDER is a co-development effort between JCP&L and BPL Global, Ltd. and is designed to integrate customers

⁵ *In the Of the Verified Petition of Jersey Central Power & Light Company Concerning a Proposal for Four Small Scale/Pilot Demand Response Programs for the Period Beginning June 1, 2009*, BPU Docket Nos. EO08050326, EO08080542 (July 1, 2009).

⁶ *In The Matter of Demand Response Programs for the Period Beginning June 1, 2009 – Electric Distribution Company Programs and In the Of the Verified Petition of Jersey Central Power & Light Company Concerning a Proposal for Four Small Scale/Pilot Demand Response Programs for the Period Beginning June 1, 2009*, BPU Docket Nos. EO08050326, EO08080542 (July 14, 2009).

and their electric equipment with smart grid utility operations, initially by focusing on integrating load management devices for both residential and commercial customers into system operations. Participants will have IDER load control technology installed in their facilities providing JCP&L with the ability to monitor, through two-way communications, and control non-critical customer electrical loads such as air conditioning, hot water heaters and pool pumps. Details about the IDER Expansion are set forth in Appendix A hereto.

2. The Company will deploy the 15 MW IDER Expansion direct load control equipment in a phased approach, with the first 5 MW installed by the end of February 2010 with the goal of registering this load in the PJM 2010 summer programs. An additional 5 MW are to be deployed between March and September 2010 and the final 5 MW are to be deployed between October 2010 and February 2011 with the goal of registering the entire 15 MW in the 2011 PJM summer programs.

3. The deployment of the IDER Expansion will be ongoing and continuous to avoid delays that would increase the cost of deployment. As part of this deployment, the Company will use its best efforts to economically coordinate equipment purchases with expected installations in order to minimize inventory and cost with respect to all aspects of the IDER Expansion, including the timing of the purchase of equipment for C&I customers. The Company will not purchase any C&I equipment for the IDER Expansion until all C&I equipment purchased for the IDER pilot program has been deployed. JCP&L will develop a plan for evaluating the deployment and operation of the IDER Expansion and, if necessary, corrective actions will be identified. Any such evaluation plan and corrective actions will be discussed in collaboration with Board Staff and Rate Counsel.

4. IDER pilot program operations are continuing through the 2009 peak season. JCP&L will provide the interim Assessment Report on the IDER pilot program that is due by the end of 2009, as discussed in Attachment B to the IDER Pilot Stipulation (“2009 Pilot Assessment Report”), by no later than November 1, 2009. The outline of the 2009 Pilot Assessment Report is set forth in Appendix B hereto.

5. Based on preliminary findings relative to system operational performance in connection with JCP&L’s IDER pilot program, and assumptions and projections regarding future costs and revenues as of the date of this Stipulation, the Parties agree that the IDER Expansion appears to be cost-effective, with the Total Resource Cost cost/benefit analysis showing a ratio of not less than 1.08 based on those assumptions and projections. Therefore, the Parties support implementation of the 15 MW IDER Expansion in a phased approach as described in paragraph 2 above. However, in order to provide additional assurances, any Party to this Stipulation may request in writing, within 15 business days of receipt of the 2009 Pilot Assessment Report, that a proceeding be initiated before the Board to determine whether further deployment of the IDER Expansion should be halted. JCP&L may respond through a filing with the Board within five business days of receipt of such a written request and the Parties will use their best efforts to conduct that proceeding, including appropriate discovery (which may be accomplished through discovery conferences in addition to or in place of written discovery), evidentiary hearings and briefing, so as to close the record in time for a Board decision at a February 2010 agenda meeting. Absent any such request from any Party, the Parties support the continued deployment of the IDER Expansion pursuant to paragraph 2 above.

6. JCP&L will register the IDER Expansion capacity as a PJM Interruptible Load for Reliability resource and/or as DR in PJM reliability pricing model auctions and/or in

other appropriate PJM capacity programs/markets and will also register the IDER Expansion in appropriate PJM energy markets, as it is deployed, consistent with PJM registration procedures. JCP&L shall apply any credits and/or payments that it receives from PJM or any other source associated with the IDER Expansion to reduce program costs, as discussed in paragraph 9 below.

7. On February 17, 2009, the federal American Recovery and Reinvestment Act of 2009 (ARRA) (Pub. L. No. 111-5) was signed into law by President Barack Obama. The Company is filing a proposal under the Department of Energy's ("DOE") Funding Opportunity Announcement for the Smart Grid Investment Grant program for funding of an additional 15 MW of IDER technology deployment, beyond the IDER Expansion, although JCP&L cannot provide any assurances that it will receive a DOE grant. Because ratepayer funding of the IDER Expansion, as provided for in this Stipulation, supports such proposal to DOE, even if such a DOE grant is obtained it will not offset any IDER Expansion costs. If funding or credits are obtained from any subsequent state or federal program for the IDER Expansion and, consistent with applicable law, are applied directly to reduce IDER Expansion costs, as opposed to funding further deployment of IDER technology beyond the IDER Expansion, such offset shall be reflected in the annual Rider RRC true-up.

8. Based on the budget for the IDER Expansion, the total revenue requirement over the 10-year recovery period for the IDER Expansion, as discussed in paragraph 10 below, is \$11.9 million.

9. The Parties agree that JCP&L will recover its actual incremental reasonable and prudent costs for the IDER Expansion through a component of Rider RRC RGGI Recovery Charge, or through a comparable Rider mechanism approved by the Board. The Rider will provide for an equal per kWh charge applicable to all customers in all customer

classes, whether full service BGS customers or delivery service shopping customers. associated revenues received from PJM or any other source in connection with the IDER Expansion will be applied to reduce the costs of the Expansion to be recovered through the Rider.

10. The Rider will be implemented on the first day of the month following JCP&L's initial expenditure on the IDER Expansion, but not sooner than October 1, 2009 and not later than January 1, 2010, and will recover the all-in costs associated with the IDER Expansion, including the amortization of any capital investments with a return at a rate equal to JCP&L's overall pre-tax cost of capital as determined in its last rate case (11.61%). investment on which the return is calculated will reflect the impact of deferred income taxes. The RRC rate for the IDER Expansion will be based on a revenue requirement reflecting a six year amortization of the IDER Expansion investment and will initially be structured to produce revenues of approximately \$2.1 million annually. The initial per kWh Rider RRC charge for the IDER Expansion and the associated bill impacts are set forth in Appendix C hereto. The proposed Tariff sheet for Rider RRC is attached as Appendix D hereto.

11 The Rider will provide for deferred accounting with interest on over- and under-recoveries at a rate equal to the interest rate on two-year constant maturity Treasuries as published in the Federal Reserve Statistical Release on the first day of each month (or the closest day thereafter on which rates are published), plus sixty basis points, but shall not exceed the overall rate of return for JCP&L as authorized by the Board. The interest rate shall be reset each month. Additionally, the calculation shall be based on the net of tax beginning and end average monthly balance. The Company shall accrue simple interest on any over- or under-recovered balance, with an annual roll-in to the RRC balance at the end of each reconciliation period.

12. The IDER Expansion component of Rider RRC will be reviewed, trued-up and modified in an annual filing that JCP&L will make with the Board. The cost effectiveness of the IDER Expansion will be reviewed in the future annual filings using actual data. Each annual filing will contain a reconciliation of JCP&L's actual recoveries and actual revenue requirements for the prior period. Each annual filing will also contain a forecast of revenue requirements for the upcoming 12-month period that shall be based on the Company's overall pre-tax cost of capital as determined in its last rate case. Such annual filings will take into account the outcome of any proceeding initiated pursuant to paragraph 5 above. The first such filing will include actual data through June 2010, with annual filings thereafter.

13. In addition to any reports contemplated by paragraph 4 above, JCP&L will provide monthly reports concerning the IDER Expansion comparable to the monthly reports provided with respect to the IDER pilot program and including information about any load reduction events that occurred during the month. In addition, the Company will provide annual reports by the end of each year, commencing the end of 2010, with respect to the IDER pilot program and the IDER Expansion, which will follow the outline set forth in Appendix B hereto. The Company will consult with Board Staff and Rate Counsel on the report outline for the annual reports as appropriate, including information with respect to the IDER deployment's impact on energy delivery operations and reliability as it becomes available.

14. To the extent relevant, the impacts of the IDER pilot program and the IDER Expansion shall count towards achievement of the demand response targets set forth in New Jersey's Energy Master Plan and the Board's Order dated January 28, 2009 in Docket No. EO08121065.

15. Costs associated with the IDER pilot program will continue to be recovered in Rider SCC without modification to the existing recovery mechanism.

Conclusion

16. The 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 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 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 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.

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

18. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, (i) no Party waives any rights it possesses under any prior Stipulation, except where the terms of this Stipulation supersede such prior Stipulation, and (ii) the Parties shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein in total or by

specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

19. 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 Parties.

WHEREFORE, the 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: Marc B. Lasky
Marc B. Lasky
Morgan, Lewis & Bockius LLP

Dated: 8/6/09

Ronald K. Chen
Public Advocate of New Jersey

Stefanie A. Brand
Director, Rate Counsel

By: _____
Diane Schulze
Assistant Deputy Public Advocate

Dated: _____

Anne Milgram,
Attorney General of New Jersey
Attorney For
Staff of The Board of Public Utilities

By: Alex Moreau
Alex Moreau
Deputy Attorney General

Dated: 08/06/09

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By: _____
Marc B. Lasky
Morgan, Lewis & Bockius LLP

Dated: _____

Anne Milgram,
Attorney General of New Jersey
Attorney For
Staff of The Board of Public Utilities

By: _____
Alex Moreau
Deputy Attorney General

Dated: _____

Ronald K. Chen
Public Advocate of New Jersey

Stefanie A. Brand
Director, Rate Counsel

By: *Diane Schulze*
Diane Schulze
Assistant Deputy Public Advocate

Dated: 8/6/09

JCP&L Integrated Distributed Energy Resource Expansion Description

JCP&L will deploy the Integrated Distributed Energy Resource (“IDER”) Expansion (the “IDER Expansion”) that delivers operational and market based benefits through direct load control of residential and commercial customers’ air conditioning systems and other non-critical customer electrical loads. The IDER Expansion will build on the experience and understanding started with the IDER pilot program integrating customers and their electric equipment consistent with smart grid utility operations based on pre-defined operational rules. The IDER Expansion leverages deployment of individual DER components and traditional T&D equipment for system needs and optimum resource utilization.

Expansion Scope: The IDER Expansion will integrate IDER load management devices for customers served by substations in selected high growth areas. Participation will be voluntary. The Integrated Control Platform (“ICP”) which will be expanded under the IDER Expansion will be managed locally for distribution operations or for market benefits using criteria comparable to conditions used for the IDER Pilot. Customers’ air conditioners will be controlled by managing their ambient temperature to program options of plus 6 or plus 9 degree Fahrenheit. The IDER Expansion will also include on/off control of hot water heaters and pool pumps.

The IDER Expansion technology will be installed in participants’ facilities providing JCP&L with the ability to monitor and control non-critical customer electrical loads at a granular level. The control device for central air conditioning systems includes temperature sensors, thermostat control switch and a two-way data communications architecture to verify operations, detect tampering and document impacts, and, upon purchase, will be owned by JCP&L. The control devices for hot water heaters and pool pumps includes a control switch and a two-way data communications architecture to verify operations, detect tampering and document impacts, and, upon purchase, will be owned by JCP&L. JCP&L will utilize the ICP, through a variety of implementation options, to monitor the connected load on the targeted circuits in order to identify, assess and manage operations, monitor wholesale energy markets for price and/or capacity signals for market opportunities,

The IDER Expansion will deliver an estimated 15 MW of direct load control – to be deployed in 5 MW tranches. Approximately 7,000 residential customers and 100 business customers will be selected to participate.

Customer enrollment for the IDER Expansion will begin as soon as practicable. The IDER Expansion will be partially deployed for summer 2010, with full 15 MW deployment for summer 2011 peak season, subject to paragraph 5 of the Stipulation.

Load Reduction Events: Under the IDER Expansion, JCP&L will initiate load reduction events for operations support and PJM events using the following criteria:

- 1) PJM’s declaration of a system emergency; or
- 2) Local distribution emergencies; or
- 3) A combination of a high WTHI of at least 80 (or, for simplicity, a dry bulb temperature in excess of 90 degrees Fahrenheit), with high LMPs of at least \$250/MWh forecasted in the day-ahead PJM market (average value over the period between 2PM and 4PM) in the EDC zone.

JCP&L may also initiate load reduction events at other times in order to develop and understand the capabilities of the IDER technology.

Load reduction events are expected, generally, to be up to six hours, but shorter or longer durations may be managed under certain circumstances in the event of system emergencies.

Expected Value: The IDER Expansion will demonstrate the value and viability of targeted peak load management as a source of improved operations and load management for JCP&L distribution circuits. The IDER Expansion will help demonstrate alternative means of cost-effectively addressing critical 2020 goals related to demand response. The IDER Expansion utilizes open architecture consistent with EPRI IntelliGrid standards and serves as an industry smart grid demonstration.

Reports: JCP&L will submit a deployment report on the IDER Expansion during April 2010 and Assessment Report by the end of 2010.

Budget: \$11.12 million. Residential customers will receive a \$50 pilot participation incentive in conjunction with installation. Business customer incentives consist of an annual payment of \$30/kW for each kW enrolled and active in the program and an event payment of 15¢ per actual kWh reduced during each load reduction event. This incentive is paid once per year to business customers after the peak season is over.

Interactions with PJM:

PJM Studies: JCP&L will register the IDER Expansion resource in accordance with the phased deployment schedule for ILR capacity credits in March of 2010 and 2011. JCP&L will also bid into the RPM Base Residual Auction and/or incremental auctions, or any successor program that the IDER Expansion may qualify for, in ongoing years and will participate in appropriate PJM energy markets.

Explanation of Rate Treatment:

JCP&L will recover the all-in actual incremental reasonable and prudent costs associated with the IDER Expansion through the current Rider RRC. This includes a six-year amortization of the capital investments with a return at a rate equal to JCP&L's overall pre-tax cost of capital as determined in its last base rate case (11.61%), in addition to the annual operation and maintenance costs. There will be deferred accounting with carrying costs on over- and under-recoveries at the two-year Treasury rate plus 60 basis points, with simple interest rolled in to the balance annually.

JCP&L

**Integrated Distributed Energy Resources (IDER) Management Pilot
2009 Pilot Assessment Report**

Report Outline

Project Design

Introduction

Project Overview

Equipment Description & Specifications

- Integrated Control Platform
- Communications
- Residential & Small Business Direct Load Control
- Large Business Direct Load Control

Siting & Installation

- Integrated Control Platform
- Communications
- Residential Direct load Control
 - Number of Customers Enrolled and Active
 - Attrition
- Small Business Direct Load Control
 - Number of Customers Enrolled and Active
 - Attrition
- Large Business Direct Load Control
 - Number of Customers Enrolled and Active
 - Attrition

Operational Performance

- Test Plan
- PJM
 - Registrations
 - Test Event Information (date, duration, etc.)
 - PJM-Called Event Information (date, duration, etc.)
- JCP&L System Operations
 - JCP&L-Called Event Information (date, duration, etc.)

Performance Results – Yield per Controller

For each event also include the following information:

- Date, time and reason event was initiated,
- # of participating controllers,
- # of controllers not participating,
- # of controllers installed,
- # of controllers without operational temperature sensors,
- Amount of available load,
- Amount of controlled load,
- Amount of shed load,
- IDER active load breakdown by substation immediately prior to load control event,
- IDER average load breakdown by substation during a load control event.
- Duration of event

Budget/Costs Comparison

- Investment
- Administrative Costs
- Participant Incentives
- PJM Revenues

Participation as an EPRI Smart Grid Host Demonstration Site

- Use Case Scenario Development and Their Evaluation
- Integrated Control Platform Evaluation

Conclusions

**Jersey Central Power & Light Company
Derivation of Proposed IDER Expansion Rate in Rider RRC**

Annual Revenue Requirement for IDER Expansion Program (\$000)	\$2,093
Projected Sales in MWH {1}	22,493,759
Proposed IDER Expansion Rate in Rider RRC (\$ per kWh)	\$0.000093
Proposed IDER Expansion Rate in Rider RRC (\$ per kWh with 7% Sales and Use Tax)	\$0.000100

{1} Based on projected sales for an assumed annual recovery period of October 1, 2009 through September 30, 2010

Jersey Central Power & Light Company

**Typical Residential Average Monthly Bill
(Includes 7% Sales and Use Tax)**

	Present Charges {1}	Proposed Charges {2}	Proposed Increase (\$)
<u>Residential (RS)</u>			
500 kWh average monthly usage	\$89.78	\$89.83	\$0.05
1000 kWh average monthly usage	\$185.02	\$185.12	\$0.10
1500 kWh average monthly usage	\$282.16	\$282.31	\$0.15
<u>Residential Time of Day (RT)</u>			
500 kWh average monthly usage	\$92.04	\$92.09	\$0.05
1000 kWh average monthly usage	\$178.79	\$178.89	\$0.10
1500 kWh average monthly usage	\$265.55	\$265.70	\$0.15

{1} Based on rates effective as of 6/1/2009

{2} With proposed IDER Expansion Rate in Rider RRC

**Overall Monthly Class Average Per Customer
(Includes 7% Sales and Use Tax)**

Rate Class	Present Charges {1}	Proposed Charges {2}	Proposed Increase (%)
Residential (RS))	\$146.96	\$147.04	0.05%
Residential Time of Day (RT)	\$207.04	\$207.16	0.06%
General Service – Secondary (GS)	\$837.68	\$838.15	0.06%
General Service - Secondary Time of Day (GST)	\$45,467.32	\$45,494.42	0.06%
General Service – Primary (GP)	\$71,288.23	\$71,329.10	0.06%
General Service – Transmission (GT)	\$227,451.95	\$227,600.37	0.07%
Street & Area Lighting (Average Per Fixture)	\$14.25	\$14.25	0.00%

{1} Based on rates effective as of 6/1/2009

{2} With proposed IDER Expansion Rate in Rider RRC

JERSEY CENTRAL POWER & LIGHT COMPANY

BPU NO. 10 ELECTRIC - PART III

XX Rev. Sheet No. 61
Superseding XX Rev. Sheet No. 61

Rider RRC RGGI Recovery Charge

APPLICABILITY: Rider RRC provides a charge for costs associated with demand response/energy efficiency programs directed by the BPU as detailed below. The RGGI Recovery Charge (RRC) is applicable to all KWH usage of any Full Service Customer or Delivery Service Customer.

For service rendered effective

RRC= \$0.000093 per KWH (\$0.000100 per KWH including SUT)

The above RRC provides recovery for the following program:

Integrated Distributed Energy Resource Expansion (IDER Expansion)

The IDER Expansion program is being deployed to deliver an estimated 15 MW of direct load control with approximately 7,000 residential and 100 business customers. Load management devices will be deployed at customers that volunteer to participate and are served by substations in selected high growth areas. The Company will manage the deployed equipment locally for distribution operations and for market benefits using the IDER integrated control platform. The air conditioners will be controlled by managing ambient temperature in the participating customer homes and their hot water heaters and pool pumps will be controlled with an on/off switch, all in the manner prescribed in the program material provided at the time of enrollment.

Pursuant to BPU Order dated _____ (Docket No. EO08050326/EO08080542) approving the Stipulation of Settlement, the Company shall include an initial IDER Expansion Rate of \$0.000093 per kWh (\$0.000100 per kWh including SUT) in RRC effective _____.

The IDER Expansion costs shall accrue interest on any over or under recovered balances of such costs at the interest rate based on a two-year constant maturity Treasuries as published in the Federal Reserve Statistical Release on the first day of each month (or the closest day thereafter on which rates are published), plus sixty basis points, but shall not exceed the Company's overall rate of return as approved by the BPU. Such interest rate shall be reset each month. The interest calculation shall be based on the net of tax beginning and end average monthly balance, consistent with the methodology in the Board's Final Order dated May 17, 2004 (Docket No. ER02080506 et al.). Interest shall be accrued monthly, with interest roll-in to the deferred balance as provided in the Stipulation of Settlement.

The IDER Expansion Rate in RRC is subject to annual true-up.

Issued:

Effective:

Filed pursuant to Order of Board of Public Utilities
Docket Nos. EO08050326 and EO08080542 dated _____, 2009

Issued by Donald M. Lynch, President
 300 Madison Avenue, Morristown, NJ 07962-1911