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Jersey Central Power & Light
A FirstEnergy Company

300 Madison Avenue
P. O. Box 1911
Morristown, NJ 07962-1911

January 27, 2016

Irene K. Asbury, Secretary
Board of Public Utilities
44 South Clinton Avenue-3rd Floor, Suite 314
P.O. Box 350
Trenton, NJ 08625-0350

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
BPU Docket Nos. EO08050326 and EO08080542

Dear Secretary Asbury:

Please accept this letter on behalf of Jersey Central Power & Light Company ("JCP&L" or "Company") in the above-referenced matter. An original and eleven copies are enclosed; kindly mark the extra copy as "filed" and return it to me in the enclosed, postage-paid return envelope.

The purpose of this letter is to confirm the conclusion of operation of JCP&L's Integrated Distribution Energy Resource ("IDER") program, effective as of the end of the summer 2015.

Background

By Order dated July 25, 2008[1], the Board of Public Utilities ("Board") approved a Stipulation of Settlement ("IDER Pilot Stipulation") among the Company, Board Staff and the Division of Rate Counsel ("Rate Counsel"), providing for, among other things, the implementation by JCP&L of an 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 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, 2009[2]. On August 1, 2008, JCP&L filed its petition pursuant to the July 1 Order, along with

[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).

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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 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, 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.

Following a series of procedural steps and orders, on August 19, 2009, the Board issued an Order approving a Stipulation regarding an expansion of the IDER Program. The August 19, 2009 Stipulation and Order called for, among other things, that an additional 15 MW of DR be added to the IDER Program, and that the costs of the 15 MW expansion of the IDER Program would be recovered through the Company's Rider RRC – RGGI Recovery Charge ("Rider RRC"). An additional 15 MW of DR capacity was deployed in the IDER Program pursuant to a grant from the Department of Energy ("DOE") under the Federal American Recovery and Reinvestment Act of 2009, bringing the total targeted installation of capacity to 38 MW (8 MW + 15 MW + 15 MW).

On December 3, 2010, the Company filed a Verified Petition ("Continuation Petition") with the Board requesting, among other things, consolidation of cost recovery under Rider RRC for the then-existing legacy AC Cycling Program and all elements of the Company's IDER Program. In an Order dated June 15, 2011, the Board approved a Stipulation that, among other things, provided that:

a. Recovery of the O&M costs associated with the continued operation of the 8 MW IDER pilot program beyond 2010, and the then-existing under- or over-recovery in Rider SCC, will be transferred from Rider SCC to Rider RRC, effective June 1, 2011 or as soon thereafter as the Board may approve;

b. O&M costs associated with the 15 MW of IDER deployment being implemented pursuant to the DOE grant, as part of the total 38 MW IDER program, to the extent not funded by DOE, will be recovered through Rider RRC;

c. JCP&L will register not less than 30 MW of the IDER capacity resources in the 2011 and 2012 RPM BRAs, for delivery in EY2014-2015 and EY2015-2016, respectively, and will also register the IDER resource in appropriate PJM energy markets, consistent with PJM registration procedures, and all PJM revenues associated with such 30 MW, other than revenues from the provision of ancillary services, will be credited to customers against the O&M costs through Rider RRC. PJM revenues from the provision of ancillary services and PJM revenues associated with the IDER resources in excess of 30

MW may be used by the Company to solicit replacement customers for IDER program participants who have dropped out of the program, with any such revenues not used to enroll new participants in the IDER program to be credited to ratepayers through Rider RRC; and

d. Recovery of O&M costs, as described above, will continue in order to support JCP&L's commitment to deliver 30 MW of capacity in EY2014-2015 and EY2015-2016 through the 2011 and 2012 RPM BRAs.

In addition, concomitant with the requirement in the June 15, 2011 Order and Stipulation, to deliver 30 MW of capacity into the PJM capacity market in each of EY2014-2015 and EY2015-2016 (*i.e.*, the summers of calendar years 2014 and 2015), JCP&L also agreed to "submit an updated cost/benefit analysis to determine if continued operation of the program is appropriate." June 15, 2011 Stipulation, at ¶6. During the summer and fall of 2013, JCP&L performed an updated cost/benefit analysis and provided it to Board Staff and Rate Counsel. Due to a variety of factors, including the number of participants who had dropped out of the program, lower than forecast capacity revenues from PJM, and a number of devices that were damaged and rendered inoperable by Hurricane Irene and Superstorm Sandy, the cost/benefit analysis indicated that it would not be cost-effective to operate the IDER Program beyond EY2015-2016. *See* Attachment A for the updated cost/benefit analysis reflecting actual expenses and revenues through year end 2014. More specifically, the analysis showed that, based on the projections at that time, the revenues JCP&L would receive from PJM in EY 2016-2017 and beyond would be lower than the IDER Program's operating costs. After reviewing these analyses, JCP&L, Board Staff, and the Division of Rate Counsel concurred that the IDER Program should cease operation after EY2015-2016.

Subsequent to those conversations, the PJM BRA capacity auctions resulted in pricing of $119.13 per MW-day for EY 2016/2017 and $106.02 per MW-day for EY 2017/2018 for limited summer resources. See Attachment B for an estimation of potential program costs and revenue were the Program to continue operation. Consistent with that analysis and discussions, the Company did not participate in the BRA for energy years 2016/2017 and 2017/2018.

Discussion

In accord with the prior Board Orders concerning the IDER Program, JCP&L will recover the remaining, incremental costs associated with the Program through its Rider RRC, including certain program support and termination costs as identified in Attachment C. In mid-February 2016, the Company will send a notice to the Program participants regarding the end of the Program, indicating that no customer action is necessary and providing the Company's customer service center phone number for questions. A copy of that letter is included as Attachment D. The IDER system has been placed in cold standby state whereby communications with installed field components (e.g., data concentrators, repeaters and direct load control switches) have been suspended providing no visibility into the state of operation. JCP&L intends to abandon the Program devices in place, unless a customer specifically requests removal, in which case the Company will remove the device. Customer support activities will continue through the end of 2016 to respond to inquiries as well as requests to remove devices from customer equipment.

In order to minimize program termination costs, the Company plans to transition to a new vendor to provide device removal services. Initial customer phone calls received as a result of the customer notification letter will be handled by the Company's customer service center and, if necessary, transferred to an IDER team representative who will provide the customer contact information to the vendor to schedule removal services if required.

JCP&L will continue to file with the Board the monthly and annual IDER Program reports through year end 2016. If the Board requires any additional information concerning this matter, please contact Thomas Donadio, of JCP&L, at 973-401-8534.

Sincerely,

Mark A. Mader
Director,
Rates & Regulatory Affairs – NJ

cc:
J. May
A. Bator
S. Brand, Esq.
A. Morita, Esq.
D. Schulze, Esq.

Attachment A

Integrated Distributed Energy Resource Program
Total Resource Cost Analysis

Forecast Year*	Annual Amortization	Investment Return	Other Expenses	Total Cost	PJM Revenues	Rev - Cost	MW
2009	$ 449,833	$ -	$ 656,000	$ 1,105,833	$ 213,000	$ (892,833)	5.0
2010	$ 1,183,666	$ 117,402	$ 473,900	$ 1,774,968	$ 541,000	$ (1,233,968)	10.0
2011	$ 1,292,666	$ 230,038	$ 397,700	$ 1,920,404	$ 837,000	$ (1,083,404)	27.0
2012	$ 1,302,833	$ 199,793	$ 1,187,500	$ 2,690,126	$ 1,055,000	$ (1,635,126)	23.8
2013	$ 1,302,833	$ 146,743	$ 780,700	$ 2,230,276	$ 1,607,000	$ (623,276)	20.0
2014	$ 1,302,835	$ 91,599	$ 693,700	$ 2,088,134	$ 1,608,000	$ (480,134)	30.0
2015	$ 853,002	$ 36,454	$ 1,164,114	$ 2,053,570	$ 1,142,000	$ (911,570)	30.0
2016	$ 119,167	$ 4,790	$ 620,500	$ 744,457	$ 684,375	$ (60,082)	0.0
2017	$ 10,165	$ 349	$ -	$ 10,514	$ -	$ (10,514)	0.0
2018	$ -	$ -	$ -	$ -	$ -	$ -	0.0
2019	$ -	$ -	$ -	$ -	$ -	$ -	0.0
2020	$ -	$ -	$ -	$ -	$ -	$ -	0.0
2021	$ -	$ -	$ -	$ -	$ -	$ -	0.0
2022	$ -	$ -	$ -	$ -	$ -	$ -	0.0
2023	$ -	$ -	$ -	$ -	$ -	$ -	0.0
2024	$ -	$ -	$ -	$ -	$ -	$ -	0.0
2025	$ -	$ -	$ -	$ -	$ -	$ -	0.0
2026	$ -	$ -	$ -	$ -	$ -	$ -	0.0
2027	$ -	$ -	$ -	$ -	$ -	$ -	0.0
2028	$ -	$ -	$ -	$ -	$ -	$ -	0.0
2029	$ -	$ -	$ -	$ -	$ -	$ -	0.0
			Total	$ 14,618,282	$ 7,687,375		
			Net Present Value	$10,963,334	$5,521,563		
			All In Cost / Benefit Ratio		**0.50**		

* 2009 through 2014 reflect actual expense and revenue data

Attachment B

Projected Program Results under Scenario of Continued Operation with Existing Participants

Projected IDER Expenses & PJM Nomination

Assumptions	**2016/2017**	**2017/2018**
Days	365	365
MW	14.5	13
$/MW-Day BRA value	$ 119.13	$ 106.02
MW $ Value	$ 630,495.53	$ 503,064.90
Contracted Services (12 months full EY)	$ 660,000.00	$ 660,000.00
Internal Labor	$ 65,000.00	$ 65,000.00

	EY 2016/2017	**EY 2017/2018**
MW Capability	14.5	13
Value of MW PJM Capability	$ 630,496	$ 503,065
Contractor Costs	$ (660,000)	$ (660,000)
Internal Labor	$ (65,000)	$ (65,000)
Value of Projected MW capability	$ 630,496	$ 503,065
Net Program (Expense)/Revenue	$ (94,504)	$ (221,935)

Attachment C

JCP&L IDER Program
Program Termination Following 2015/2016 Energy Year
Summary Budget

Estimate of Program Costs	**2016**
Contracted Services	$206,000
Misc Minor Claims	$6,000
Postage/Supplies for customer notifications	$15,000
Labor	$102,000
Totals	$329,000

Attachment D

Jersey Central Power & Light
A FirstEnergy Company

EasyGreen

EasyGreen® Participant
[MAILING OR SERVICE ADDRESS]
[CITY], [STATE] [ZIP]

[DATE]

Dear EasyGreen® Participant:

Thank you for participating in the Jersey Central Power & Light (JCP&L) EasyGreen® Program. Your participation during the EasyGreen Program's cooling season reduced peak demand for electricity, which both improved reliability and reduced costs for customers.

After September 30, 2015, your air conditioner will no longer be cycled, and the EasyGreen® Program will be concluded by May 31, 2016. While the program has provided some benefit to JCP&L customers, changes in the power markets and declining customer enrollment have lessened the effectiveness of the program, requiring less intrusive approaches to manage peak demand. Your participation has been vital to the evaluation of advanced technology and its role in the reduction of energy usage.

You do not need to take any action. The switch installed on your air conditioner can remain in place, and will not impact its normal operation. If in the future you replace your air conditioning condenser, your contractor can simply remove the switch with removal of the outdoor condensing unit and dispose of it. You do not need to return the removed switch to JCP&L.

If you have questions or would like additional information about this matter, please contact us at 1-800-662-3115, weekdays between 8 a.m. and 6 p.m.

Thank you for your participation in this program.

Sincerely,

EasyGreen® Program Manager