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BOARD OF PUBLIC UTILITIES
TRENTON, NJ



February 18, 2020

Gregory Eisenstark
Direct Phone 973-200-7411
Direct Fax 973-200-7465
geisenstark@cozen.com

VIA HAND DELIVERY

Ms. Aida Camacho-Welch
Secretary
NJ Board of Public Utilities
44 South Clinton Street, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

Re: In the Matter of the Verified Petition of Jersey Central Power & Light Company for Review and Approval of Increases in and Other Adjustments to Its Rates and Charges For Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith ("2020 Base Rate Filing")
BPU Docket No. ER20020146

Dear Secretary Camacho-Welch:

On behalf of the Petitioner, Jersey Central Power & Light Company ("JCP&L"), enclosed herewith for filing with the Board of Public Utilities ("Board") are the original and 10 copies of JCP&L's Verified Petition and appendices, direct testimony, schedules and exhibits thereto, in its above-captioned "2020 Base Rate Filing."

Please note that certain of the schedules to Exhibit JC-11 (Direct Testimony of Stephanie R. Zieger) contain confidential information. Accordingly, JCP&L is requesting confidential treatment of such information and has included herewith an Affidavit of Confidentiality in support of this request. JCP&L is filing both Confidential and Redacted (Public) versions of Exhibit JC-11 with the Board. A copy of the Confidential version of JC-11 will be provided to the Division of Rate Counsel upon the execution of the standard form of non-disclosure agreement for this matter.

I hereby confirm that copies each of this letter and the enclosed Verified Petition and supporting documents are on this day being duly served by hand delivery upon the Director, Division of Rate Counsel, and upon the Department of Law & Public Safety, Division of Law, as set forth in ¶26 of the Verified Petition. Copies of all such documents are also being transmitted by hand delivery or regular United States mail to the balance of the persons named in the attached Service List for this proceeding.

Kindly stamp the enclosed additional copy of this filing letter with the date and time of receipt by your office, and with the docket number assigned, and return same to the undersigned in the self-addressed postage prepaid return envelope provided.

LEGAL447857551

ims
ezel
DAG
RFA

Economist Energy (4)
P. Flanagan
S. Peterson

Ms. Aida Camacho-Welch, Secretary
February 18, 2020
Page 2

Your anticipated courtesies and cooperation are deeply appreciated.

Very truly yours,

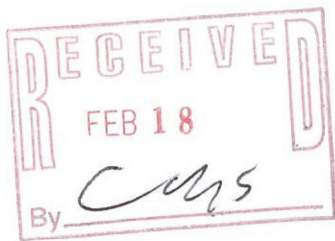
COZEN O'CONNOR, P.C.



By: Gregory Eisenstark

GE:lg
Enclosures

cc: Service List w/enclosures by hand delivery or US Regular Mail



STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

In the Matter of the Verified Petition of **Jersey Central Power & Light Company** For Review and Approval of Increases in, and Other Adjustments to, Its Rates and Charges For Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith ("**2020 Base Rate Filing**") :
: BPU Docket No.
: **VERIFIED PETITION**

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

Petitioner, Jersey Central Power & Light Company (the "Petitioner", the "Company" or "JCP&L"), an electric public utility company of the State of New Jersey subject to the regulatory jurisdiction of the Board of Public Utilities (the "Board"), and maintaining offices at 101 Crawford Corner Rd. Building #1, Suite 1-511, Holmdel, New Jersey 07733 and at 300 Madison Avenue, Morristown, New Jersey 07962-1911, in support of its above-captioned Verified Petition, respectfully shows:

1. JCP&L is a New Jersey electric public utility primarily engaged in the purchase, transmission, distribution, and sale of electric energy and related utility services to more than 1,000,000 residential, commercial and industrial customers located within 13 counties and 236 municipalities of the State of New Jersey.

2. Copies of all correspondence and other communications relating to this proceeding should be addressed to:

**Gregory Eisenstark, Esq.
Michael J. Connolly, Esq.
Cozen O'Connor, P.C.
One Gateway Center
Suite 910
Newark, New Jersey 07102**

- and -

**Mark A. Mader
James O'Toole
Joshua Eckert
Jersey Central Power & Light Company
300 Madison Avenue
Morristown, New Jersey 07962-1911**

- and -

**Carol A. Pittavino
FirstEnergy Service Company
800 Cabin Hill Drive
Greensburg, PA 15601**

- and -

**Lauren Lepkoski, Esq.
Teresa Harrold, Esq.
FirstEnergy Corp.
2800 Pottsville Pike
P.O. Box 16001
Reading, PA 19612-6001**

INTRODUCTION

3. JCP&L's current base electric distribution rates ("base rates") were established by the Board's December 12, 2016 Order in Docket No. ER16040384, effective January 1, 2017.¹ Since then, JCP&L has not increased its distribution rates for more than three

¹ *I/M/O the Verified Petition of Jersey Central Power & Light Company for Review and Approval of an Increase in and Adjustments to Its Unbundled Rates and Charges for Electric Service, and for Approval of Other Proposed Tariff Revisions in Connection Therewith, et al.*, BPU Docket No. ER16040384, Order dated December 12, 2016 ("2016 Rate Case Order").

years, and customers have enjoyed rates well below those of other New Jersey electric distribution companies (“EDCs”).

4. During this time JCP&L has made, and continues to make, significant investments in its system in order to enhance its resiliency, service, and reliability for its customers. JCP&L has, and will have, invested \$1.028 billion over the last four years, from January 1, 2016 through June 30, 2020, including approximately \$162.9 million related to capitalized storm costs and approximately \$63.8 million related to JCP&L’s Reliability Plus Infrastructure Investment Program (“JCP&L Reliability Plus”). The Company also plans to spend approximately \$35 million from June 2019 through June 2020 for additional enhancements, including trimming trees along nearly 3,300 miles of power lines as part of routine operations and maintenance (“O&M”) to reduce vegetation-related outages. JCP&L will continue to invest in its system to provide customers with safe and reliable service, and the requested rate increase will help provide the necessary financial support for JCP&L to continue this investment and provide its customers with the level of electric service they have come to expect.

5. JCP&L has also been recognized for its storm restoration efforts in New Jersey over the past three years, as FirstEnergy Corp. (“FirstEnergy”) has been awarded the Emergency Recovery Award a total of seven times by the Edison Electric Institute for its emergency response efforts – including JCP&L’s restoration efforts following the severe thunderstorms that impacted JCP&L’s service territory in May 2018. These commendable storm restoration efforts have occurred in spite of an increasing trend in the number and severity of weather events since the conclusion of the Company’s last base rate case in 2016. Specifically, forty percent, or \$77 million, of the Company’s requested rate relief herein is due to storms and their corresponding costs. As both Governor Murphy and the Board have observed, New Jersey

has been experiencing more severe weather events over the years due to the phenomena of climate change. That, coupled with the configuration of the Company's service territory, which includes both the heavily-forested northwestern area and the central coastal region of the State, has caused JCP&L to have been affected by these severe weather events more than the other utilities in New Jersey.

6. Furthermore, JCP&L has taken steps to financially strengthen its balance sheet. Specifically, FirstEnergy contributed \$645 million of equity to JCP&L between 2016 and 2018, allowing JCP&L to redeem \$700 million of long-term debt over this period. JCP&L did not pay a dividend to FirstEnergy during the period of 2014 to 2018. In addition, JCP&L's qualified pension plan received contributions of \$222 million since December 2016, thus helping to reduce its unfunded liability. These credit-supportive actions strengthened JCP&L's financial position and resulted in positive rating actions by all three credit rating agencies (Moody's, S&P, and Fitch).

7. As a result of JCP&L's extensive storm-related work and capital investments, its current base rates are not sufficient for the Company to earn an appropriate rate of return on its rate base or to recover its annual O&M expense. As a result, JCP&L is proposing a rate increase of \$186.9 million on an annual basis, representing an overall average increase in JCP&L rates of 7.8%. This base rate proceeding will provide an opportunity for JCP&L's rates to be properly adjusted to allow the Company to attract the necessary capital resources to continue to provide its customers with safe and reliable electric distribution service, as well as recover previously-incurred storm costs. Importantly, following this necessary increase in rates, JCP&L's residential rates (RS) will continue to be the lowest compared to other New Jersey's other EDCs.

2020 BASE RATE FILING

8. This filing uses a test year of the twelve months ending June 30, 2020. The filing includes six months of actual data (July 1, 2019 through December 31, 2019) and six months of forecasted data (January 1, 2020 through June 30, 2020), along with certain post-test year adjustments in accord with the Board's long-standing *Elizabethtown Water*² standards. JCP&L plans to file "9 + 3" and "12 + 0" updates during the course of this proceeding.

9. In its Order of Approval dated October 9, 2001 in Docket No. EM00110870 (the "GPU Merger Order"), the Board approved (with certain modifications) a Stipulation of Settlement regarding the merger of JCP&L's then parent company, GPU, Inc., and FirstEnergy Corp. ("FirstEnergy"). With respect to JCP&L's capital structure for ratemaking purposes, the GPU Merger Order provides (at p. 23, ¶16):

JCP&L shall file, in all future base rate cases, its case using two alternative capital structures. One of the alternatives shall be a consolidated capital structure based on the capital structure that is maintained by FirstEnergy (the holding company). The second alternative shall be a stand-alone JCP&L capital structure. The parties to future base rate cases shall be free to argue for the benefits of using either capital structure for ratemaking purposes or another alternative.

The GPU Merger Order (at p. 23, ¶17) also directed that:

JCP&L shall maintain a capital structure, dividend policy, and use its best efforts to achieve financial target ratios consistent with investment grade debt ratings as reported by Moody's Investors Service and Standard & Poor's.

JCP&L's 2020 Base Rate Filing complies with these directives.

² *In re Elizabethtown Water Company*, BPU Docket No. WR850433085 (Order dated May 23, 1985), at 2.

10. JCP&L's 2020 Base Rate Filing further complies with all other provisions of the Board's GPU Merger Order, more particularly including those provisions relating to the potential impact of the merger on JCP&L's rates (see Merger Order at 22-23, ¶¶12-22).

11. In an Order dated February 10, 2011 in Docket No. EM11010012 (the "Allegheny Merger Order"), the Board accepted a Stipulation ("January 18, 2011 Stipulation") relating to the proposed acquisition by FirstEnergy Corp., the parent company of JCP&L, of Allegheny Energy, Inc. The January 18, 2011 Stipulation (at ¶11) provides, among other things, that:

If in future rate proceedings involving determinations of return on equity ("ROE") JCP&L files ROE testimony that includes a "comparables" analysis as has been the general practice in rate proceedings, JCP&L will, to the extent reasonable, include in the "comparables" group "distribution only" utilities or utilities with the majority of their assets under regulation, but may include other types of "comparables" as deemed appropriate by its expert ROE witness.

JCP&L's 2020 Base Rate Filing complies with this directive.

12. Furthermore, the Board Order approving JCP&L's Reliability Plus³ requires that the Company file a base rate case no later than June 1, 2024. This filing satisfies that requirement.

13. Despite the increase approved as a result of the 2016 base rate case, JCP&L's residential rates (delivery and total including basic generation service ("BGS"))⁴, continue to be the lowest among the State's four electric distribution companies. At the same time, the Company continues to invest in its distribution system to provide safe, adequate and reliable

³ *I/M/O the Verified Petition of Jersey Central Power & Light Company for Approval of an Infrastructure Investment Program (JCP&L Reliability Plus)*, BPU Docket No. EO18070728, Order dated May 8, 2019.

⁴ "Delivery" refers to the distribution rate plus the non-bypassable rate charges and taxes; "total" refers to the delivery rate plus BGS charges.

service. Indeed, as JCP&L witnesses Dennis Pavagadhi explains in his direct testimony (Exhibit JC-7), the Company's distribution system reliability performance continues to satisfy all applicable BPU service reliability standards. The rate relief requested in this filing will allow JCP&L to continue to provide the level of electric distribution service its customers demand.

SUMMARY OF PROPOSED RATE ADJUSTMENTS

14. Based upon JCP&L's current base rates, the new rates proposed herein would result in an overall average increase in JCP&L's rates of approximately \$186.9 million annually, or an overall average increase in JCP&L rates of 7.8%.

15. A typical residential customer using 766 kWh per month currently pays \$102.29 per month for electricity, on average. The implementation of the requested rate adjustments would increase that typical residential monthly bill by \$8.73 or 8.5%, resulting in an average monthly payment of \$111.02.

OTHER PROPOSED TARIFF REVISIONS

16. JCP&L proposes to revise certain of the terms and conditions of its existing tariff for electric service, as currently set forth in its Tariff For Service, BPU No. 12 – ELECTRIC. Copies of the proposed revised tariff sheets are included as Schedule YP-5 to the Direct Testimony of Yongmei Peng (Exhibit JC-12). Explanations of the manner in which the proposed tariff revisions differ from JCP&L's existing tariff and a summary of the reasons for the proposed changes are set forth in Ms. Peng's testimony and in the Direct Testimony of Thomas R. Donadio (Exhibit JC-13).

17. In addition, JCP&L proposes certain revisions to its LED Street Lighting tariff. Mark A. Mader explains the reasons for the proposed changes in his Direct Testimony (Exhibit JC-3).

DEPRECIATION RATES

18. The Company is filing a new depreciation study and proposing modifications to its depreciation accrual rates. John J. Spanos is sponsoring the depreciation study and related Direct Testimony (Exhibit JC-14).

ROLL-IN OF JCP&L RELIABILITY PLUS INVESTEMENTS INTO BASE RATES

19. The Company is requesting that all of the capital investments under the JCP&L Reliability Plus program that will be placed into service by December 31, 2020 be rolled into base rates. Mark A. Mader provides an explanation and the justification for this proposal in his Direct Testimony (Exhibit JC-3).

RATE EFFECTIVE DATE

20. JCP&L is proposing a rate effective date of March 19, 2020, which is not less than 30 days after the filing of this Petition. JCP&L expects that the Board will follow its normal procedures for issuing the two statutory suspension orders, which would result in the Company's revised base rates becoming effective at the end of the second suspension period, in late November 2020.

PREFILED TESTIMONY, SCHEDULES AND EXHIBITS

21. Attached hereto and made a part of this Verified Petition are the following prefiled testimony, schedules and exhibits thereto:

<u>Witness</u>	<u>Exhibit No.</u>	<u>Topics</u>
James V. Fakult	JC-2	Overview of the Company and the Filing
Mark A. Mader	JC-3	Revenue Normalization Adjustment, Consolidated Tax Adjustment, LED Street Lighting Tariff Changes, Storm

		Expense Amortization, and JCP&L Reliability Plus
Carol A. Pittavino	JC-4	Revenue Requirements and Adjustments
Jennifer Spricigo	JC-5	Certain Revenue Adjustments
Tracy Ashton	JC-6	Pension and OPEB Expenses
Dennis Pavagadhi	JC-7	Distribution Operations, Vegetation Management, Capital Expenditures and O&M Expenses
Thomas Workoff	JC-8	Meteorological Aspects of the JCP&L Service Territory
Joseph Dipre	JC-9	Capital Structure, Embedded Cost of Debt, and Cost of Capital
Dylan M. D'Ascendis	JC-10	Return on Equity
Stephanie R. Zieger	JC-11	Cost of Service Study
Yongmei Peng	JC-12	Rate Design/Tariff Issues, Proof of Revenues/Customer Impacts
Thomas R. Donadio	JC-13	Proposed Tariff Changes
John J. Spanos	JC-14	Depreciation Study and Proposed Depreciation Accrual Rates
Olenger L. Pannell	JC-15	Service Company Charges and Allocations
James E. O'Toole	JC-16	Cash Working Capital/Lead-Lag Study

REQUEST FOR CONFIDENTIAL TREATMENT

22. The Direct Testimony of Stephanie R. Zieger (Exhibit JC-11) contains five supporting schedules. Four of these schedules contains confidential information. Accordingly, JCP&L is filing both confidential and redacted (public) versions of Ms. Zieger's testimony. The

body of Ms. Zieger's testimony contains no confidential information. The redacted version of Ms. Zieger's testimony contains redacted versions of Schedules SRZ-1, SRZ-2, SRZ-3 and SRZ-4. The Company's request for confidential treatment is fully-explained and supported in Ms. Zieger's Affidavit of Confidentiality that is being filed herewith.

PUBLIC NOTICE AND SERVICE OF FILING

23. Notice of this 2020 Base Rate Filing, including a statement of the overall effect thereof on customers of the Company, which will be combined with notice of the dates, times and places of the public hearings to be scheduled thereon, will be served by mail upon the municipal clerks, the clerks of the Boards of Chosen Freeholders and, where appropriate, the County Executive Officers of all counties and municipalities located in the Company's service territory, in accordance with the regulations of the Board as set forth in N.J.A.C. 14:1-5.12(b)1. Such notice will be duly mailed following the scheduling of the dates, times and places of the hearings thereon, as discussed below. Listings of the aforementioned public officials are contained in Appendices A-1, A-2 and A-3 which are annexed hereto. Such notice will be substantially in the form of the notice annexed hereto as Appendix A.

24. Public notice of this 2020 Base Rate Filing, including a statement of the overall effect thereof on customers of the Company, and which will be combined with notice of the dates, times and places of the public hearings to be scheduled thereon, substantially in the form of the notice set forth in Appendix A annexed hereto, will also be published in daily and weekly newspapers published and/or circulated in the Company's service areas, after the dates, times and places of all such public hearings thereon have been scheduled by the Board or by the Office of Administrative Law, in compliance with N.J.A.C. 14:1-5.12(b)3, (c) and (d).

ADDITIONAL INFORMATION

25. In compliance with N.J.A.C. 14:1-5.12, annexed hereto are the following additional information and financial statements:

- Appendix B - Comparative Balance Sheets at December 31, 2016, 2017 & 2018⁵
- Appendix C - Comparative Income Statements For the Calendar Years Ending December 31, 2016, 2017 & 2018
- Appendix D - Balance Sheet at December 31, 2018
- Appendix E - Statement of the Amount of Revenue Derived in Calendar Year 2018 From Intrastate Sales and Services at Current Rates
- Appendix F - Pro Forma Income Statement Reflecting Operating Income at Present and Proposed Rates, With Explanation of All Adjustments Thereon and Calculation of Indicated Rates of Return on Pro Forma Rate Base. Note that the information specified in this filing requirement is provided in Schedules CAP-1 and CAP-4 to the Direct Testimony of Carol A. Pittavino (Exhibit JC-4).
- Appendix G - Itemized Schedule of Payments or Accruals to Affiliates
- Appendix H - Proposed Revised Tariff Sheets. Note that Appendix H is provided as Schedule YP-5 to the Direct Testimony of Yongmei Peng (Exhibit JC-12).

SERVICE OF PETITION

26. Copies of this Verified Petition and of all appendices, supporting testimony, schedules and exhibits thereto have been or will be duly served by hand delivery at the time of the filing hereof upon the Department of Law and Public Safety, Richard J. Hughes Justice Complex,

⁵ The financial statements as of December 31, 2019 (for Appendices B, C, D and E) are not yet available, and will be filed with the Board as soon as they are available.

P.O. Box 080, Trenton, N.J. 08625-0080, and upon the Director, Division of Rate Counsel, 140 East Front Street, 4th Floor, P.O. Box 003, Trenton, N.J. 08625-0003, in compliance with N.J.A.C. 14:1-5.12(b)2.

CONCLUSION

WHEREFORE, the Petitioner, Jersey Central Power & Light Company, respectfully requests that the Board issue a final decision and order:

- (1) approving and accepting the revised rates and charges for electric service as proposed herein, to become effective for service rendered on and after March 19, 2020;
- (2) approving and accepting the attached revised tariff sheets for inclusion in JCP&L's Tariff For Service, BPU No. 13 – ELECTRIC, effective for service rendered on and after March 19, 2020; and
- (3) granting such other and further relief as the Board shall deem just, lawful and proper.

Respectfully submitted,

Dated: February 18, 2020

COZEN O'CONNOR, P.C.
Attorneys for Petitioner,
Jersey Central Power & Light Company



By: _____
Gregory Eisenstark

One Gateway Center
Suite 910
Newark, NJ 07102
(973) 200-7411

AFFIDAVIT
OF
VERIFICATION

Mark A. Mader, being duly sworn upon his oath, deposes and says:

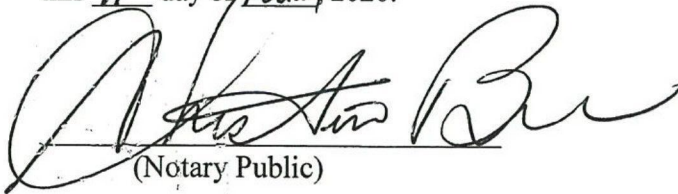
1. I am Director of Rates & Regulatory Affairs – New Jersey for First Energy Service Company, and I am duly authorized to make this Affidavit of Verification on behalf of Jersey Central Power & Light Company ("JCP&L"), the Petitioner named in the foregoing Verified Petition.

2. I have read the contents of the foregoing Verified Petition by JCP&L for review and approval of the proposed increases in and other adjustments to its rates and charges for electric service and for approval of other proposed tariff revisions in connection therewith, and I hereby verify that the statements of fact and other information contained therein are true and correct to the best of my knowledge, information and belief.



Mark A. Mader

Sworn to and subscribed before me
this 11th day of February 2020.



(Notary Public)

CHRISTINE R. BROWN
NOTARY PUBLIC OF NEW JERSEY
MY COMMISSION EXPIRES SEPTEMBER 11, 2020