



Agenda Date: 3/20/24
Agenda Item: 2A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu

ENERGY

IN THE MATTER OF THE PETITION OF JERSEY)
CENTRAL POWER & LIGHT COMPANY FOR)
APPROVAL TO EXTEND PARTICIPATION IN A)
SUBSCRIPTION AGREEMENT AND MULTI-)
SUBSCRIBER ADDENDUM FOR SPARE)
TRANSMISSION EQUIPMENT SERVICES AS)
PROVIDED BY AN AFFILIATED ENTITY, GRID)
ASSURANCE, LLC PURSUANT TO N.J.S.A. 48:3-7.1)
AND N.J.A.C. 14:4-3.1 ET SEQ.)

DECISION AND ORDER
EXTENDING SUBSCRIPTION
AGREEMENT ON AN INTERIM
BASIS

DOCKET NO. EM24010018

Parties of Record:

Tori L. Giesler, Esq., on behalf of Jersey Central Power & Light Company
Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

BACKGROUND

On January 9, 2024, Jersey Central Power & Light Company (“JCP&L” or the “Company”) filed a petition with the New Jersey Board of Public Utilities (“Board”) seeking approval to extend its participation in a subscription agreement (“Subscription Agreement” or “Agreement”) with Grid Assurance, LLC (“Grid Assurance”) for spare transmission equipment services (“Sparing Services”) for an additional five (5) year term, with automatic renewals (“Petition”). Additionally, the Company requested that the Board issue an interim Order authorizing the Company to continue operating under the Agreement until the Board issues a final Order on the Petition.

On September 12, 2018, JCP&L filed a petition with the Board seeking approval, pursuant to N.J.S.A. 48:3-7.1 and the Board's Affiliate Standards, to enter into the Subscription Agreement. Pursuant to the Subscription Agreement, upon occurrence of a qualifying event, JCP&L may acquire spare transmission equipment at Grid Assurance's original cost.¹

Grid Assurance is a Delaware limited liability company organized to address critical and foreseeable grid resilience needs by providing emergency equipment supply services to transmission-owning electric utilities. Grid Assurance offers subscribing utilities access to an optimized inventory of large power transformers and other critical long-lead-time transmission equipment to assist transmission-owning, electric utilities that execute subscription agreements in recovering from grid emergencies. Specifically, Grid Assurance seeks to facilitate transmission-owning electric utilities' prompt restoration of the bulk power system in the wake of catastrophic events such as natural disasters, weather-related outages, or physical and cyber-attacks.

The Subscription Agreement is a standardized agreement containing the terms and conditions under which the Sparing Service will be provided to subscribers. The Subscription Agreement contains 1) rules and procedures to determine the optimal quantities of each type of spare equipment that Grid Assurance will maintain and 2) the deployment protocols governing the priority and manner by which Grid Assurance will sell inventoried spares. The Subscription Agreement's initial term was five (5) years from execution.

The Board approved the initial five (5)-year Subscription Agreement term by Order dated February 27, 2019, with the Subscription Agreement set to expire in March 2024, subject to certain conditions including that the Company must seek separate Board approval for any Agreement term extensions beyond the initial five (5) years and must notify the Board of any changes to the Agreement.²

On May 22, 2019, the Company notified the Board of certain changes to the Subscription Agreement ("May 2019 Notice"). JCP&L stated most of the revisions to the original agreement were administrative or clarifying in nature and other changes will function to reduce risk and costs for subscribers and their utility customers. Specifically, the Company noted that the Subscription Agreement included a modification that will reduce the sparing fee subscribers pay for services, by deferring up to 50% of Grid Assurance's start-up costs until new spares may be added to inventory. In addition, JCP&L stated that the start-up costs would be amortized over a 10 year period, instead of the five (5) year period specified in the original version.

¹ A qualifying event ("Qualifying Event") is defined as damage, destruction, or other material impairment of the safe operation of the electric transmission system of a subscriber caused by, or resulting from: an act of war, terrorism, rebellion, sabotage, or a public enemy, or any other physical attack; a cyber-attack, whether or not in connection with an act of war, terrorism or a public enemy; an electromagnetic pulse or intentional electromagnetic interference; or an act of God, a catastrophic event (natural or otherwise) or a severe weather condition, including a solar storm, earthquake, volcanic eruption, hurricane, tornado, derecho, windstorm or ice storm.

² In re Jersey Central Power & Light Company for Approval to Enter Into a Subscription Agreement and Multi-Subscriber Addendum for Spare Transmission Equipment Services to be Provided by an Affiliated Entity, Grid Assurance LLC, BPU Docket No. EM18090985, Order dated February 27, 2019 ("February 2019 Order").

PETITION

By the Petition, the Company requested Board authority to extend the Subscription Agreement period for a further five (5) years with automatic five (5)-year renewals thereafter and, in the interim, allow JCP&L to temporarily operate under its terms past the expiration until the Board issues a final Order on the Petition. JCP&L noted that extending the term of the Agreement would enable the Company to continue to provide safe, adequate, and proper service to its customers. The Company noted that the Agreement's terms have not materially changed following the May 2019 Notice and that the changes present in the May 2019 Notice do not affect the Board's findings in the February 2019 Order.

The Company noted that its continued operation under the terms of the Subscription Agreement would protect JCP&L's electric transmission system by increasing its large-power transformer supply options and resources available to mitigate the risks of long-term outages. Additionally, the Company identified that continued participation in the Agreement would allow JCP&L continued access to Grid Assurance's inventory of long-lead time transmission equipment, such as large power transformers, under a "Discretionary Sale of Inventoried Spares," even in the absence of a "qualifying event" as defined in the Agreement. The only difference in such cases would be the asset price because the spare equipment from Grid Assurance would be purchased at its replacement cost, akin to purchasing from a third-party vendor. However, JCP&L indicated that the Company would receive the added benefit of acquiring spare equipment more quickly from Grid Assurance and could avoid manufacturer lead-time delays, which could last up to two (2) years. The Company asserted that extending the Subscription Agreement would help JCP&L ensure system reliability and protect its future transmission investments.


DISCUSSION AND FINDINGS

The Board is currently reviewing the Petition and the terms of the Subscription Agreement, completion of which will not occur prior to the expiration of the Subscription Agreement. Accordingly, after review of the record to date, including the Petition, the Board **HEREBY FINDS** it is appropriate to maintain the Subscription Agreement approved in the February 2019 Order, and including the modifications present in the May 2019 Notice, until the Board renders a final decision and Order disposing of the Petition. Accordingly, the Board **HEREBY ORDERS** that JCP&L may continue to operate under the terms of the Subscription Agreement unless and until the Board issues a final decision and Order disposing of the Petition.

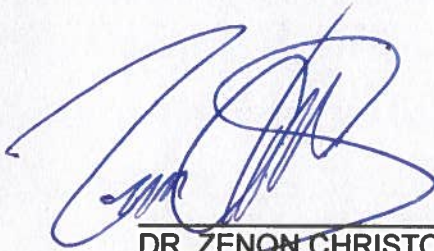
This Order shall be effective March 20, 2024.

DATED: March 20, 2024

BOARD OF PUBLIC UTILITIES
BY:



CHRISTINE GUHL-SADOVY
PRESIDENT



DR. ZENON CHRISTODOULOU
COMMISSIONER




MARIAN ABDOU
COMMISSIONER



MICHAEL BANGE
COMMISSIONER

ATTEST:



SHERRIL L. GOLDEN
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public Utilities.

IN THE MATTER OF THE PETITION OF JERSEY CENTRAL POWER & LIGHT COMPANY
FOR APPROVAL TO EXTEND PARTICIPATION IN A SUBSCRIPTION AGREEMENT AND
MULTI-SUBSCRIBER ADDENDUM FOR SPARE TRANSMISSION EQUIPMENT SERVICES
AS PROVIDED BY AN AFFILIATED ENTITY, GRID ASSURANCE, LLC, PURSUANT TO
N.J.S.A. 48:3-7.1 AND N.J.A.C. 14:4-3.1 ET SEQ.

DOCKET NO. EM24010018

SERVICE LIST

JCP&L

300 Madison Ave
Morristown, NJ 07962-1911

Mark A. Mader
mamader@firstenergycorp.com

Carol Pittavino
cpittavino@firstenergycorp.com

Yongmei Peng
ypeng@firstenergycorp.com

Thomas Donadio
tdonadio@firstenergycorp.com

James E. O'Toole
jotoole@firstenergycorp.com

FirstEnergy Service Company
2800 Pottsville Pike
P.O. Box 16001
Reading, PA 19612-6001

Joey T Chen, Esq.
jchen@firstenergycorp.com

Tori Giesler, Esq.
tgiesler@firstenergycorp.com

FirstEnergy Service Company
76 S Main Street
Akron OH 44305

Milorod Pokrajac
mpokraj@firstenergycorp.com

Carl Bridenbaugh
cbridenbaugh@firstenergycorp.com

New Jersey Board of Public Utilities

44 South Clinton Avenue, 1st Floor
Trenton, NJ 08625-0350

Sherri Golden, Board Secretary
board.secretary@bpu.nj.gov

Stacy Peterson, Deputy Executive Director
stacy.peterson@bpu.nj.gov

Counsel's Office

Michael Beck, General Counsel
michael.beck@bpu.nj.gov

Carol Artale, Deputy General Counsel
carol.artale@bpu.nj.gov

Michael Hunter, Regulatory Officer
michael.hunter@bpu.nj.gov

Division of Engineering

Dean Taklif, Director
dean.taklif@bpu.nj.gov

Christopher Oprysk
christopher.oprysk@bpu.nj.gov

Nisa Rizvi
nisa.rizvi@bpu.nj.gov

New Jersey Division of Rate Counsel

140 East Front Street, 4th Floor
Trenton, NJ 08625-0003

Brian O. Lipman, Esq., Director
blipman@rpa.nj.gov

T. David Wand, Esq., Managing Attorney
dwand@rpa.nj.gov

Bethany Rocque-Romaine, Esq.
bromaine@rpa.nj.gov

Brian Weeks, Esq
bweeks@rpa.nj.gov

New Jersey Division of Law

NJ Department of Law and Public Safety
Richard J. Hughes Justice Complex
Public Utilities Section
25 Market Street, P.O. Box 112
Trenton, NJ 08625

Pamela Owen, ASC, DAG
pamela.owen@law.njoag.gov

Steven Chaplar, DAG
steven.chaplar@law.njoag.gov

Matko Ilic, DAG
matko.ilic@law.njoag.gov

Daren Eppley, SC, DAG
daren.eppley@law.njoag.gov