



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

ENERGY

IN THE MATTER OF THE VERIFIED PETITION OF) ORDER
JERSEY CENTRAL POWER & LIGHT COMPANY FOR)
AUTHORIZATION PURSUANT TO N.J.S.A. 48:3-7.2)
FOR APPROVAL TO PARTICIPATE IN THE)
FIRSTENERGY CORPORATION INTRA SYSTEM)
MONEY POOL - AMENDMENT NO. 11) DOCKET NO. EF02030185

Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Gregory Eisenstark, Esq., Cozen O'Connor, P.C. on behalf of Petitioner

BY THE BOARD:

On November 17, 2023, Jersey Central Power & Light Company ("JCP&L" or "Company"), a public utility subject to the jurisdiction of the New Jersey Board of Public Utilities ("Board"), filed an amendment ("Amendment 11") to JCP&L's March 19, 2002 petition ("Original Petition") requesting that the Board: 1) approve the Third Revised and Restated Utility Money Pool Agreement ("Revised Agreement"); and 2) authorize the Company to continue to participate in the FirstEnergy Intersystem Utility Money Pool ("Money Pool") maintained for the benefit of various public utility subsidiaries of FirstEnergy Corp. ("FirstEnergy"), including the Company, under the Revised Agreement through December 31, 2025.

BACKGROUND AND PROCEDURAL HISTORY

The Money Pool, which JCP&L was first approved to participate in by Board Order dated July 24, 2002, consists of various FirstEnergy public utility subsidiaries that invest money to loan to other participating FirstEnergy public utility subsidiaries for their short-term operating needs.¹ The money may come from surplus short-term funds (“Internal Funds”), and/or, proceeds from bank borrowings or other forms of short-term indebtedness (“External Funds”). As approved by the July 2002 Order, and all subsequent amendments, JCP&L is prohibited from contributing External Funds.

By additional Orders dated April 11, 2003, April 20, 2005, December 21, 2007, December 17, 2009, September 22, 2011, March 20, 2013, January 25, 2017, December 6, 2019, and December 21, 2022 (collectively, “Money Pool Orders”), the Board authorized JCP&L, subject to certain conditions, to participate in the Money Pool through December 31, 2025, and to borrow an aggregate principal amount not to exceed \$500 million outstanding at any one (1) time. The Money Pool Orders were all approved under BPU Docket No. EF02030185.

According to the Original Petition, subsidiaries that borrow through the Money Pool do so pro rata from each lending subsidiary in proportion to the total amount loaned. If only Internal Funds comprise the Money Pool, the applicable interest rate is the greater of the thirty (30)-day London Inter-Bank Offered Rate (“LIBOR”) as quoted in *The Wall Street Journal*, or the money market rate that a lending subsidiary could have obtained if it placed its excess cash in such an investment. If only External Funds comprise the Money Pool, the interest rate applicable to loans of such External Funds are equal to the lending subsidiary’s cost for such External Funds. If both Internal and External Funds comprise the Money Pool, appropriate “blending” and prorating will be used, provided that loans may be made exclusively from Internal Funds or External Funds, rather than from a “blend” of these funds to the extent it is expected that these loans would result in a lower cost of borrowing.

As explained in the Original Petition, funds not required by the Money Pool to make loans (with the exception of funds required to satisfy the Money Pool’s liquidity requirements) are ordinarily invested in one (1) or more short-term investments, including: i) interest bearing accounts with banks; ii) obligations issued or guaranteed by the U.S. government or its agencies and instrumentalities, including obligations under repurchase agreements; iii) obligations issued or guaranteed by any state or political subdivision of a state, provided that these obligations are rated not less than “A” by a nationally recognized rating agency; iv) commercial paper rated not less than “A-1” or “P-1” or their equivalent by a nationally recognized rating agency; v) money market funds; vi) bank certificates of deposit; and vii) Eurodollar funds. The interest income and other investment income earned by the Money Pool on loans and investment of surplus funds is allocated among the participating subsidiaries proportionally to each participating subsidiary’s contribution of funds to the total amount of funds in the Money Pool and the cost of any External Funds provided to the Money Pool by such participating subsidiary. Interest and other investment earnings are computed on a daily basis and settled once per month.

According to the Original Petition, participating subsidiaries have discretion to lend their Internal and External Funds, if any, to, or borrow moneys from, the Money Pool at any time. The

¹ In re the Petition of Jersey Central Power & Light Company for Authorization Pursuant to N.J.S.A. 48:3-7.2 for Approval to Participate in the FirstEnergy Corporation Intra System Money Pool, BPU Docket No. EF02030185, Order dated July 24, 2002 (“July 2002 Order”).

determination as to whether a participating subsidiary has surplus funds to lend to the Money Pool or shall lend funds to the Money Pool is made by such participating subsidiary's chief financial officer or treasurer, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in such participating subsidiary's sole discretion. Each participating subsidiary may withdraw any of its funds from the Money Pool at any time upon notice to the administrator of the Money Pool, FirstEnergy Service Company ("ServeCo"). Similarly, all borrowings from the Money Pool shall be authorized by the borrowing subsidiary's chief financial officer or treasurer, or by a designee thereof. A participating subsidiary will not be required to borrow from the Money Pool if it is determined that the participating subsidiary will be able to obtain funds at lower costs through direct bank borrowing.

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

AMENDMENT 11

In Amendment 11, JCP&L requested approval of the Revised Agreement. While the key terms of the Money Pool track the key terms of the Money Pool set forth in the Revised Agreement, JCP&L noted that recent structural and corporate reorganizations of certain of FirstEnergy's operating utilities have necessitated limited changes to the terms of the Money Pool. Consequently, the Revised Agreement adds several new entities as signatories, including FirstEnergy Transmission, LLC ("FET") as a lender but not a borrower, and Allegheny Generating Company, Keystone Appalachian Transmission Company, and FirstEnergy Pennsylvania Electric Company ("FE PA"), as both lenders and borrowers. With respect to FE PA, the Revised Agreement recognizes that, due a consolidation, FE PA will effectively take the place of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company.

JCP&L also requested authorization for continued participation in the Money Pool pursuant to the Revised Agreement through December 31, 2025, with the right to borrow an aggregate principal amount not to exceed \$500 million outstanding at any one (1) time. JCP&L represented that its continued participation in in the Money Pool, under the terms set forth in the Revised Agreement, is in compliance with all of the provisions of the money pool-related regulations, N.J.A.C. 14:4-4.7(f), (g), and (h). JCP&L acknowledged that, if continued participation is approved, the Company will make its surplus short-term funds available to the Money Pool so long as all borrowers in the Money Pool have, at a minimum, investment grade credit ratings from all applicable nationally recognized statistical organization. Therefore, any participating subsidiary that does not meet the applicable credit rating standard would not be allowed to borrow from the Money Pool so long as JCP&L is contributing funds to the Money Pool. If such a participating subsidiary were to have an outstanding loan from the Money Pool at a time when JCP&L is deemed to be a lender (because JCP&L had contributed funds to the Money Pool that were deemed included in such outstanding loan), such participating subsidiary would be required to repay that loan within three (3) business days upon no longer meeting the applicable credit rating standard.

As provided in Amendment 11, ServeCo will continue to administer the Money Pool. Under the

Revised Agreement, ServeCo will continue to do so on an “at cost” basis and continue to maintain separate records for the Money Pool and any other money pool it administers. The Revised Agreement also provides ServeCo with the option to separately administer the Money Pool as two sub-pools, a distribution sub-pool and a transmission sub-pool. In the case of such election, ServeCo will manage the sub-pools so that: i) FirstEnergy would exclusively provide loans to participants in the distribution sub-pool; ii) FET would exclusively provide loans to participants in the transmission sub-pool; and iii) the respective participants in each sub-pool would exclusively limit their investment and borrowing activities within their respective sub-pools.

RATE COUNSEL COMMENTS

By letter dated July 17, 2024, the New Jersey Division of Rate Counsel (“Rate Counsel”) recommended approval of JCP&L’s Money Pool participation, subject to certain conditions.

DISCUSSION AND FINDINGS

The Board, after a thorough investigation and review of Amendment 11, the Revised Agreement appended thereto, the record, and all submissions in this matter, and after consideration of the recommendations of Rate Counsel, **HEREBY FINDS** that JCP&L’s continued participation in the Money Pool under the Revised Agreement through December 31, 2025, on the conditions specified below and in the Money Pool Orders is in compliance with the law.

Accordingly, the Board **HEREBY APPROVES** the Revised Agreement and Amendment 11 and **HEREBY AUTHORIZES** JCP&L’s continued participation in the Money Pool under the Revised Agreement through December 31, 2025, subject to the following conditions:


1. JCP&L’s borrowing through the Money Pool shall not exceed \$500 million.
2. JCP&L shall not make any bank borrowings or issue commercial paper for the sole purpose of lending the proceeds to the Money Pool.
3. JCP&L shall not borrow from the Money Pool if it will be able to obtain funds at lower costs either through a direct bank borrowing or issuance of commercial paper.
4. JCP&L’s chief financial officer or treasurer, or designee thereof, shall render Money Pool-related short term financing decisions based on what is in the best interests of JCP&L’s ratepayers.
5. JCP&L shall only deposit such Internal Funds (*i.e.*, surplus cash) in the Money Pool as it would otherwise have available for investment in short-term money markets or other short-term investments instruments.
6. JCP&L shall not borrow any sum from the Money Pool for a period of greater than 364 days.
7. JCP&L shall file with the Board quarterly comparative statements indicating the interest rate imposed for borrowing/investing with the Money Pool and the prevailing market rate at the time for similarly situated utilities.
8. JCP&L shall comply with the requirements of N.J.A.C. 14:4-4.7(f), (g) and (h), and the provisions of all other applicable statutes, regulations, and Orders.

9. JCP&L shall inform the Board and Rate Counsel within three (3) business days of any participating subsidiary not meeting the applicable credit rating standard as described in the Revised Agreement.
10. The proceeds from the Money Pool borrowings shall be used only for JCP&L's utility operations and shall not be used for purposes of funding the Company's or its affiliates' non-regulated operations.
11. Nothing in this Order authorizes rate recovery from customers, or the capital structure to be used in any future base rate case.
12. JCP&L is obligated to utilize a prudent and cost-effective capital structure and mix of capital to finance its utility operations at lowest reasonable cost.
13. Any petition requesting authorization to extend the time within which JCP&L may participate in the Money Pool (*i.e.*, for Amendment No. 12) shall be filed no later than September 1, 2025.
14. JCP&L shall review the need for and merits of a commercial paper program as a supplement to or (on occasion) substitute for Money Pool borrowings based on the availability and costs of those borrowings, and provide such information to Rate Counsel and Board Staff on an annual basis and at the time of filing any future extension request.
15. The appropriateness of any sanctions for JCP&L's violation of N.J.A.C 14:4-4.7(f)(4) and N.J.A.C. 14:4-4.7(h) between October 30, 2020 and November 8, 2021 has not been determined by the Board and may be considered at a future date as part of this or another appropriate proceeding.

The effective date of this Order is August 21, 2024.

DATED: August 14, 2024

BOARD OF PUBLIC UTILITIES
BY:


CHRISTINE GUHL-SADOVY
PRESIDENT


DR. ZENON CHRISTODOULOU
COMMISSIONER


MARIAN ABDOU
COMMISSIONER


MICHAEL BANGE
COMMISSIONER

ATTEST: 
DAWN A. GRAY
EXECUTIVE ASSISTANT

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 VERIFIED PETITION OF JERSEY CENTRAL POWER & LIGHT COMPANY FOR
AUTHORIZATION PURSUANT TO N.J.S.A. 48:3-7.2 FOR APPROVAL TO PARTICIPATE IN THE FIRSTENERGY
CORPORATION INTRA SYSTEM MONEY POOL - AMENDMENT NO. 11

DOCKET NO. EF02030185

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