



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) DOCKET NO. EM24010018
AND N.J.A.C. 14:4-3.1)

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:

By this decision and Order, the New Jersey Board of Public Utilities ("Board") considers Jersey Central Power & Light Company's ("JCP&L" or "Company") request to extend its participation in a subscription agreement and multi-subscriber addendum ("Subscription Agreement" or "Agreement") for spare transmission equipment service ("Sparing Service") as provided by its affiliated entity, Grid Assurance, LLC ("Grid Assurance") pursuant to N.J.S.A. 48:3-7.1 and N.J.A.C. 14:4-3.1 *et seq.* ("Affiliate Standards") ("Petition").

BACKGROUND

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 Affiliate Standards, to enter into the Subscription Agreement. Pursuant to the Subscription Agreement, JCP&L may acquire spare transmission equipment at Grid Assurance's original cost upon occurrence of a qualifying event.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. Because a JCP&L affiliate, FirstEnergy Transmission LLC ("FET"), has a non-controlling, minority ownership stake in Grid Assurance, the Subscription Agreement may constitute a management, advisory service, construction, or engineering contract with an affiliate and therefore requires Board approval under N.J.S.A. 48:3-7.1.

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 identified that 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 would reduce the sparing fee subscribers

¹ A "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 ("Qualifying Event").

² In re the Verified Petition of 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").

pay for services, by deferring up to fifty percent (50%) of Grid Assurance's start-up costs until new spares may be added to inventory. In addition, JCP&L noted that the start-up costs would be amortized over a ten (10)-year period, instead of the five (5)-year period specified in the Subscription Agreement.

PETITION

On January 9, 2024, JCP&L filed the Petition with the Board seeking approval to extend the term of the Subscription Agreement for an additional five (5)-year term, with automatic renewals. 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. 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 further 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.

By Order dated March 20, 2024, the Board authorized JCP&L to continue to operate under the terms of the Subscription Agreement unless and until the Board issued a final decision and Order disposing of the Petition.³

Comments

On October 3, 2024, the New Jersey Division of Rate Counsel ("Rate Counsel") filed comments agreeing that the Subscription Agreement provides the Company access to transformer equipment during low-likelihood, high-impact scenarios. In addition, Rate Counsel identified that the Subscription Agreement removes the need for the Company to purchase and maintain inventory of transformer equipment. Therefore, Rate Counsel concluded that, as long as the carrying cost of the Subscription Agreement continues to be less than the self-supply option and Grid Assurance maintains an adequate inventory, then it is reasonable and prudent to extend the subscription service for the next five (5) years. However, Rate Counsel noted it is opposed to an automatic renewal of the Subscription Agreement in 2029 because the program may no longer

³ In re 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., BPU Docket No. EM24010018, Order dated March 20, 2024 ("March 2024 Order").

be the most cost-effective solution for the Company and ratepayers at that time and there will be no Board review to confirm the renewed Subscription Agreement's cost-effectiveness. Rate Counsel recommended that the Company provide the Board and Rate Counsel with updated terms and costs for the five (5)-year period starting in 2034 well in advance of the end of the contract period.

On November 13, 2024, Rate Counsel filed amended comments modifying their recommendation that the Company provide the Board and Rate Counsel with updated terms and costs for the five (5) year period starting in 2029 well in advance of the end of the contract period.

DISCUSSION AND FINDINGS

The Board, having reviewed the record in this matter, including the Petition, the terms of the Subscription Agreement, and Rate Counsel's comments, **HEREBY FINDS** that the Agreement, and any transaction undertaken pursuant to the Agreement, continues to be in the public interest and compliant with the Board's Affiliate Standards, and should be allowed to continue for a period of five (5) years. Accordingly, the Board **HEREBY ORDERS** that JCP&L may extend participation in the Subscription Agreement for a five (5)-year period, subject to the conditions outlined below and consistent with the February 2019 Order. Additionally, JCP&L shall file with the Board the renewed Subscription Agreement.

The Board's approval is subject to the following provisions:

1. Notice shall be provided to the Board of transfer/acquisitions, sales/purchases under the Subscription Agreement, within thirty (30) days after the transaction, with copy to Rate Counsel;
2. This Approval to extend participation in the Subscription Agreement is for the five (5)-year term ending in March 2029. Board review and approval of further term extensions is required. This approval shall be separate and apart from the annual filings made by JCP&L;
3. JCP&L shall submit annual filings to the Board, with copies to Rate Counsel, that include: a description of any changes to the Agreement; JCP&L's required obligations and any changes thereto; as well as a break-down of JCP&L's Grid Assurance related costs, together with supporting documentation. The annual filings will also include supporting documentation for all transactions reported under Condition 1 above, including competition prices and lead times for all transactions;
4. Notice shall be provided to the Board upon revision, change or modification of any of the terms, conditions, requirements and obligations to any of the terms under the Subscription Agreement, with copy to Rate Counsel. This information shall be included in the annual reports set forth in Condition 3, above;
5. JCP&L shall continue its ongoing obligations under N.J.A.C. 14:4-3.7 to file its compliance plan with the Board at least once in every twelve (12)-month period or upon changes to the plan, and thereafter, within twelve (12) months of the revised plan, and provide a copy of that plan to the Rate Counsel;

6. The Board retains the right to examine the books and records of JCP&L and any affiliate in connection with the approvals granted in this case, whether or not such affiliate is regulated by the Board; and
7. Notice must be provided to the Board upon filing a rate application with the Federal Energy Regulatory Commission seeking to modify its transmission rates to recover Grid Assurance costs, together with copies of all such filings with copy to Rate Counsel.

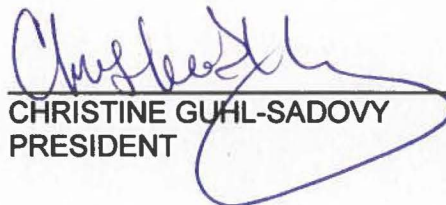
Furthermore, the Board **FURTHER FINDS** JCP&L's request for approval to automatically renew participation in the Subscription Agreement is not in the public interest because it does not provide the opportunity to review the costs associated with the renewal period and **HEREBY DENIES** this request. The Board **FURTHER ORDERS** JCP&L to file a subsequent petition with the Board no later than one (1) year before the expiration of the renewal term for the new Subscription Agreement period, should the Company seek approval for any extension of the Subscription Agreement. At that time, JCP&L shall include updated terms and costs in their petition.

The Company's costs remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions deemed to be appropriate as a result of any such audit.

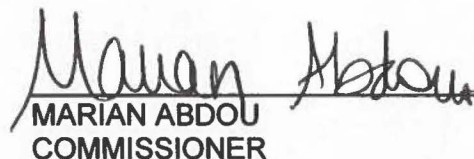
This Order shall be effective December 26, 2024.

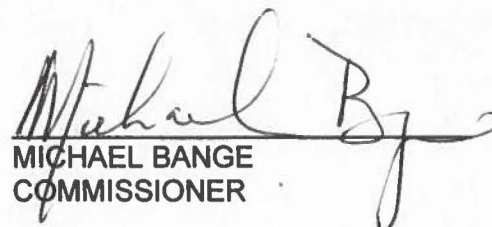
DATED: December 18, 2024

BOARD OF PUBLIC UTILITIES
BY:

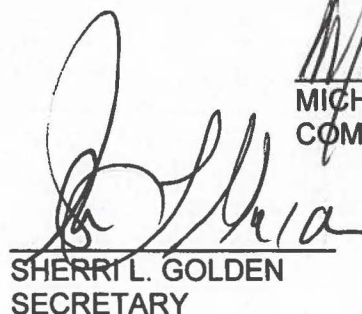

CHRISTINE GUHL-SADOVY
PRESIDENT


DR. ZENON CHRISTODOULOU
COMMISSIONER


MARIAN ABDOU
COMMISSIONER


MICHAEL BANGE
COMMISSIONER

ATTEST:


SHERRIL L. GOLDEN
SECRETARY

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

Robert Brabston, Acting General Counsel
robert.brabston@bpu.nj.gov

Colin Emerle, Deputy General Counsel
colin.emerle@bpu.nj.gov

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

Division of Engineering

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

John Masiello, Deputy Director
john.masiello@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