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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

Jersey Central Power & Light
A FirstEnergy Company

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October 4, 2019

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BOARD OF PUBLIC UTILITIES
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VIA UPS OVERNIGHT DELIVERY

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Re: In the Matter of the Verified Petition of Jersey Central Power & Light Company For the Review and Approval of Costs Incurred For Environmental Remediation of Manufactured Gas Plant Sites Pursuant to the Remediation Adjustment Clause of Its Filed Tariff ("2018 RAC Filing")
BPU Docket No. ER19101332

Dear Secretary Camacho-Welch:

On behalf of the Petitioner, Jersey Central Power & Light Company ("JCP&L" or the "Company"), enclosed herewith for filing with the Board of Public Utilities ("Board") are the original and ten (10) copies of JCP&L's Verified Petition and supporting Attachments in its above-captioned "2018 RAC Filing", relating to the Company's Remediation Adjustment Clause ("RAC"), which is a component of the Societal Benefits Charge ("SBC") of JCP&L's filed Tariff. Consistent with the practice established in connection with the 2005 Annual RAC Filing, also enclosed is one paper set of the voluminous Minimum Filing Requirements ("MFRs") required by the 2004 RAC Filing Stipulation dated as of November 15, 2005, as modified by the 2006-2008 RAC Filing Stipulation dated February 8, 2011. (electronic sets of the MFRs on CD are also being delivered to DAG Alex Moreau, Stacy Peterson of Board Staff, and Henry M. Odgen of Rate Counsel.) Please note that MFR-7, MFR-10 and MRF-16, which contain confidential information, have been omitted from this filing, pending execution of an appropriate confidentiality agreement.

As noted in the Verified Petition (at ¶3), the purpose of this filing is to provide the Board, its Staff and the Division of Rate Counsel with the opportunity to conduct a review of all actual costs and expenditures incurred by JCP&L relating to the period from January 1, 2018 through December 31, 2018.

CMS
Legal/C. Artale
DAG
RPA
S. Peterson Attachments
S. Sumliner
A. Hart
Energy (4)
B. Tyndell

As noted in ¶32 of the Verified Petition, the Company proposes to defer costs related to Natural Resource Damage ("NRD") issues and incentive compensation costs for 2018, but not to recover such NRD-related and incentive compensation costs until there is a final resolution of the issue concerning the appropriateness of recovery thereof.

As noted in ¶¶ 32 and 33 of the Verified Petition, the incremental expenses incurred in connection with JC&L's MGP remediation program in the 2018 period are $17.709 million. Carrying costs accrued during the 2018 period are $1.975 million, leaving a net balance of unrecovered 2018 MGP costs at December 31, 2018 of $19.684 million. After applying the SBC over-recovery and subtracting the deferred NRD-related and incentive compensation costs, the total recoverable MGP remediation expense for the 2018 period is $2.42 million. When combined with the 2018 over-recovered deferred RAC balance of $(1.08) million (Attachment A-1, line 47) and the remaining amortization of prior RAC expenditures previously approved for recovery, the resultant increase to JCP&L's Rider RAC charge is $0.000214 kWh (before SUT), which would recover an additional $4.3 million in revenues annually. *See* Attachment A-1, line 55. However, the Company is proposing that no change be made to the Rider RAC Tariff Rate beyond the increased proposed in the 2017 Rider RAC Filing, which is still pending before the Board.

I hereby confirm that three copies each of this letter and of the enclosed Verified Petition and supporting Attachments are this day being duly served by hand delivery or overnight express delivery upon the Director, Division of Rate Counsel, and upon the Department of Law & Public Safety, Division of Law, as set forth in ¶35 of the Verified Petition. Copies of all such documents are also being transmitted by hand delivery, overnight express delivery or regular Untied States mail to the balance of the persons name in the attached Service List for this proceeding.

Please return a time-stamped copy to me for our records, which includes the docket number assigned to the above-captioned matter, using the enclosed stamped, self-addressed envelope. If you have any questions, please feel free to contact me.

Very truly yours,

Lauren M. Lepkoski

kbw
Enclosures
cc: Certificate of Service

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In the Matter of the Verified Petition of **Jersey Central Power & Light Company** for the Review and Approval of Costs Incurred for Environmental Remediation of Manufactured Gas Plant Sites Pursuant to the Remediation Adjustment Clause of Its Filed Tariff ("**2018 RAC 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 300 Madison Avenue, Morristown, New Jersey 07962-1911, and 101 Crawford Corners Road, Building 1, Suite 1-511, Holmdel, New Jersey 07733, 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:

Lauren Lepkoski, Esq.
FirstEnergy Service Company
Legal Department
2800 Pottsville Pike
Reading, PA 19612-6001
- and -

Mark A. Mader
James O'Toole
Frank D. Lawson
Jennifer Spricigo
Jersey Central Power & Light Company
300 Madison Avenue
Morristown, New Jersey 07962-1911

Purpose of Filing

3. The purpose of this 2018 RAC Filing is to provide the Board, the Board's Staff ("Staff") and the Division of Rate Counsel ("Rate Counsel"), with the opportunity to conduct a review of all actual costs and expenditures incurred by JCP&L relating to the environmental remediation of its former manufactured gas plant ("MGP") sites for the period from January 1, 2018 through December 31, 2018, pursuant to the Remediation Adjustment Clause ("RAC") of JCP&L's filed Tariff. As explained in detail in this Petition, JCP&L is requesting no change in its Rider RAC charge.

Procedural History

4. By Order dated July 30, 1997 in Docket No. ER95120634 (the "1997 RAC Order"), the Board adopted in its entirety a Stipulation of Settlement dated June 24, 1997 among JCP&L, Staff and Rate Counsel. The 1997 RAC Order established Rider RAC to JCP&L's filed tariff, which was intended to allow JCP&L to recover all prudently incurred costs and expenses, including associated transaction and carrying costs and net of insurance and other third-party

recoveries, related to the environmental remediation of various former MGP sites. That Order also approved the scope and reasonableness of all such MGP remediation costs and expenses previously incurred by JCP&L through December 31, 1995.

5. The Board's Final Decision and Order dated March 7, 2001, in Docket Nos. EO97070458, EO97070459, EO97070460 (the "Restructuring Order"), which concluded JCP&L's rate unbundling, stranded costs and restructuring filings, established a new Tariff Rider designated as the Societal Benefits Charge ("SBC"). The SBC, as approved by the Board, is designed to include Rider RAC for the recovery of costs related to MGP remediation.

6. On March 13, 2002, JCP&L filed with the Board a Verified Petition, under Docket No. ER02030173 (the "2002 RAC Filing"), in order to provide the Board, its Staff and Rate Counsel with the opportunity to conduct a review of all actual and projected MGP-related costs and expenditures, including related insurance recoveries, incurred by JCP&L for the period from January 1, 1996 through July 31, 2003. Following extensive discovery and both public and evidentiary hearings thereon, the 2002 RAC Filing was resolved by a Stipulation of Settlement of Remediation Adjustment Clause dated June 10, 2003 (the "2002 RAC Filing Stipulation") by and among JCP&L, Staff and Rate Counsel (collectively, the "Parties"). The 2002 RAC Filing Stipulation was approved by the Board at its July 25, 2003 Agenda Meeting, as reflected in both the Board's Summary Order dated August 1, 2003 (at 3) and its Final Order dated May 17, 2004 (at 14-15), which were issued in several consolidated dockets including Docket No. ER02030173.

7. Among other things, the 2002 RAC Filing Stipulation, as approved by the Board, resolved all issues relating to JCP&L's MGP costs and related insurance recoveries for the period from January 1, 1996 through December 31, 2002. The 2002 RAC Filing Stipulation determined that JCP&L had a net unrecovered deferred RAC balance of $678.396 as of

December 31, 2002, which was to be carried forward by JCP&L for future recovery without any immediate adjustment to its RAC factor, but subject to the agreed-upon subsequent write-off by JCP&L of $2.5 million in principal amount from the deferred RAC account balance. The 2002 RAC Filing Stipulation also prospectively modified the interest rate and changed the method and timing of the interest calculation for deferred RAC balances, including the annual compounding of interest thereon.

8. On December 22, 2003, JCP&L filed its 2003 Annual RAC Filing under Docket No. ER03121020, seeking the review and approval of its actual MGP remediation costs and expenditures incurred for the period of January 1 through December 31, 2003. Following extensive discovery and conferences, the 2003 RAC proceeding was resolved by a Stipulation of Settlement of Remediation Adjustment Clause dated September 10, 2004 (the "2003 RAC Filing Stipulation"), by and among JCP&L, Staff and Rate Counsel. In the 2003 RAC Filing Stipulation, the Parties agreed and recommended to the Board that, subject to the application of the previously agreed-upon $2.5 million write-off, JCP&L's deferred RAC balance at December 31, 2003, of $5,765,342, be approved by the Board for future recovery through Rider RAC of the Company's Tariff. The Parties also agreed upon certain prospective modifications, namely, to move the effective date for interest compounding and interest rate resetting to January 1 (instead of August 1) of each year, commencing January 1, 2005. The 2003 RAC Filing Stipulation was approved by the Board's Decision and Order Approving Stipulation, dated October 5, 2004.

9. At its Agenda meeting held on September 13, 2004, under Docket No. EM02060377, the Board approved the proposed transfer of certain MGP-related properties pursuant to a Separation Agreement dated September 22, 2000, by and between JCP&L and New Jersey Natural Gas Company ("NJNG"), in order to achieve certain efficiencies with respect to the

remediation of MGP sites for which responsibility had previously been shared by those two companies. As a result of the Separation Agreement, JCP&L no longer shares in the remediation costs for the Long Branch and Toms River MGP sites, but now has full financial responsibility for the continued remediation of the remaining eight sites previously shared with NJNG.

10. On December 28, 2004, JCP&L filed its 2004 Annual RAC Filing under Docket No. ER04121758, seeking the review and approval of its actual MGP remediation costs and expenditures incurred for the period of January 1 through December 31, 2004. Following extensive discovery and conferences, the 2004 Annual RAC proceeding was resolved by a Stipulation of Settlement of 2004 Remediation Adjustment Clause Filing dated as of November 15, 2005 (the "2004 RAC Filing Stipulation"), by and among JCP&L, Staff and Rate Counsel. In paragraph 3(b) of the 2004 RAC Filing Stipulation, the Parties agreed and recommended to the Board that JCP&L's deferred RAC net balance at December 31, 2004, of $6,257,042, be approved by the Board as eligible for future recovery through Rider RAC and/or through current application of other provisions of Rider SBC of the Company's Tariff. The Parties also agreed in the 2004 RAC Filing Stipulation upon various additional record-keeping requirements and information to be provided in future annual RAC filings and to provide specific responses in such annual filings to the agreed-upon minimum filing requirements as set forth in Exhibit A thereto. The Parties further agreed to have the Staff's Audit Division perform a RAC audit to review the Company's RAC-related transactions and to verify that the Company has followed all applicable Board-approved RAC procedures and related Board Orders. The 2004 RAC Filing Stipulation was approved by the Board at its March 16, 2006 Agenda Meeting.

11. On March 31, 2006, JCP&L filed its 2005 Annual RAC Filing under Docket No. ER06030258, seeking the review and approval of its actual MGP remediation costs and

expenditures incurred for the period of January 1 through December 31, 2005. This filing had been delayed from its anticipated filing in December 2005 pending Board approval of the 2004 RAC Filing Stipulation, which, as noted above, occurred on March 16, 2006. Following extensive discovery and conferences, the 2005 Annual RAC proceeding was resolved by a Stipulation of Settlement of 2005 Remediation Adjustment Clause Filing dated as of April 2, 2009 (the "2005 RAC Filing Stipulation"), by and among JCP&L, Staff and Rate Counsel. In paragraph 3(b) of the 2005 RAC Filing Stipulation, the Parties agreed and recommended to the Board that JCP&L's deferred RAC net balance at December 31, 2005 of $2,576,903, be approved by the Board as eligible for future recovery through Rider RAC and/or through current application of other provisions of Rider SBC of the Company's Tariff. The 2005 RAC Filing Stipulation also acknowledged that JCP&L had deferred an additional $62,856 of costs related to Natural Resource Damage ("NRD") issues from 2005. The Parties agreed in the 2005 RAC Filing Stipulation that, while it was appropriate for JCP&L to defer these NRD-related costs, they should not be recovered until there was a final Board determination as to whether NRD-related costs are within the scope of the Board's RAC recovery authorization. The Parties reserved all of their respective rights with respect to the issue of whether it is appropriate for JCP&L to recover these 2005 NRD-related costs, as well as a total of approximately $76,000 of NRD-related costs from 2003 and 2004. The 2005 RAC Filing Stipulation was approved by Board Order dated April 27, 2009.

12. On March 9, 2009, JCP&L filed its 2006-2008 RAC Filing under Docket No. ER09030194, seeking the review and approval of its actual MGP remediation costs and expenditures incurred for the period of January 1, 2006 through December 31, 2008, i.e., covering calendar years 2006, 2007 and 2008. Following extensive discovery and conferences, the 2006-2008 RAC Filing was resolved by a Stipulation of Settlement of 2006-2008 Remediation

Adjustment Clause Filing dated as of February 8, 2011 (the "2006-2008 RAC Filing Stipulation"), by and among JCP&L, Staff and Rate Counsel. The 2006-2008 RAC Filing Stipulation was approved by a Board Order dated March 9, 2011.

13. On February 19, 2010, JCP&L filed its 2009 SBC/SCC and RAC Filing under Docket No. ER10020130, the RAC portion of which sought the review and approval of its actual MGP remediation costs and expenditures incurred for the period of January 1, 2009 through December 31, 2009 ("2009 RAC Filing"). In the RAC portion of that filing, the Company requested an increase in its Rider RAC charge to recover an additional $1.8 million annually. Although there was extensive discovery and numerous conferences among JCP&L, Staff and Rate Counsel in connection with the 2009 RAC Filing, the matter remained pending in early March 2011.

14. On March 15, 2011, the Company filed its 2010 RAC Petition ("2010 RAC Filing") even though the 2009 RAC Filing remained pending. The 2010 RAC Filing, which was assigned Docket No. ER11030141, sought an increase in JCP&L's Rider RAC charge to recover an additional $1.1 million annually. On June 15, 2011, the Board issued an order approving a Stipulation of Settlement for the 2009 RAC Filing, and the Company implemented the revised rates effective July 1, 2011.

15. On March 12, 2012, the Board issued an order approving a Stipulation of Settlement resolving the Company's 2010 RAC Filing. In that Stipulation of Settlement, the parties agreed that the Company's ending recoverable deferred RAC balance at December 31, 2010 was an under-recovered balance of $20,379,454, after application of over-recoveries of $7,847,211 from other components of Rider SBC, subject to the Parties' reservation of their rights to challenge the recovery of expenditures that might be found to have been recorded in error or

improperly accounted for in the pending Board Staff audit of RAC expenditures for 2005. In addition to the deferred RAC net balance at December 31, 2010 of $20,379,454 referred to above, the parties agreed that JCP&L has deferred (i) $435,073 of costs related to NRD issues from 2005 through 2010, and (ii) $103,751 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2010. The Parties agreed that it is appropriate for such NRD-related and incentive compensation costs to be deferred. The Parties also agreed that the Board should make no determination in the 2010 RAC Filing as to the reasonableness, or the recoverability under the Company's RAC filings, of NRD damages or related costs or of incentive compensation amounts, if any. The Parties reserved all of their respective rights with respect to the issue of whether such recovery is appropriate. On April 1, 2012, JCP&L implemented the revised Rider RAC rates.

16. On August 15, 2012, the Company filed its 2011 RAC Petition ("2011 RAC Filing"). The 2011 RAC Filing, which was assigned Docket No. ER12080751, the Verified Petition demonstrated a calculated increase to JCP&L's Rider RAC charge of 0.062 mills/kWh, which would have recovered an additional $1.32 million annually. However, rather than implementing a small Rider RAC charge increase, JCP&L proposed to leave the current rate (0.130 mills/kWh not including sales and use tax ("SUT")) in place.

17. On November 21, 2014, the Board issued an order approving a Stipulation of Settlement resolving the Company's 2011 RAC Filing. In that Stipulation, the parties agreed that the Company's ending recoverable deferred RAC balance at December 31, 2011 was an under-recovered balance of $28,510,182, subject to the Parties' reservation of their rights to challenge the recovery of expenditures that might be found to have been recorded in error or improperly accounted for in the pending Board Staff audit of RAC expenditures for 2005. The parties also

agreed that JCP&L's Rider RAC would remain $0.000130 per kWh (not including SUT). In addition to the deferred RAC net balance at December 31, 2011 of $28,510,182 referred to above, the parties agreed that JCP&L has deferred (i) $468,477 of costs related to NRD issues from 2005 through 2011, and (ii) $114,625 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2011. The Parties agreed that it is appropriate for such NRD-related and incentive compensation costs to be deferred. The Parties also agreed that the Board should make no determination in this proceeding as to the reasonableness, or the recoverability under the Company's RAC filings, of NRD damages or related costs or of incentive compensation amounts, if any. The Parties reserved all of their respective rights with respect to the issue of whether such recovery is appropriate.

18. On April 30, 2015, JCP&L filed its 2012-2014 RAC Petition with the Board ("2012-2014 RAC Filing"). The 2012-2014 RAC Filing requested a calculated increase to JCP&L's Rider RAC charge of $0.000306/kWh (not including SUT), which would recover an additional $6.457 million annually. The Company proposed that the new rate become effective on October 1, 2015. The matter was transmitted to the Office of Administrative Law and assigned to ALJ Richard McGill.

19. On July 29, 2016, the Board issued an Order approving an Initial Decision-Settlement, which in turn had recommended approval of a Stipulation of Settlement among the parties to the 2012-2014 RAC Filing. In that Stipulation, the Parties agreed that the Company's ending recoverable deferred RAC balance at December 31, 2014 was an under-recovered balance of $64,428,766, subject to the Parties' reservation of their rights to challenge the recovery of expenditures that might be found to have been recorded in error or improperly accounted for in the pending Board Staff audit of RAC expenditures for 2005. In addition, the Parties also agreed that

JCP&L has deferred (i) $651,070 of costs related to NRD issues from 2005 through 2014, and (ii) $143,077 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2014. The Parties agreed that it is appropriate for such NRD-related and incentive compensation costs to be deferred. The Parties also agreed that the Board should make no determination in this proceeding as to the reasonableness, or the recoverability under the Company's RAC filings, of NRD damages or related costs or of incentive compensation amounts, if any. The Parties reserved all of their respective rights with respect to the issue of whether such recovery is appropriate. Pursuant to the Board's July 29, 2016 Order, the Company's Rider RAC was increased by $0.000306 per kWh (not including SUT) to $0.000436 per kWh (not including SUT), effective for service rendered on and after August 8, 2016. As a result of this rate change, the Company's revenues under it RAC are expected to increase by approximately $6.457 million annually.

20. On September 30, 2016, JCP&L filed its 2015 RAC Petition with the Board ("2015 RAC Filing"). The 2015 RAC Filing requested a calculated increase to JCP&L's Rider RAC charge of $0.000080/kWh (not including SUT), which would recover an additional $1.617 million annually. The Company proposed that the new rate become effective on January 1, 2017.

21. On October 6, 2017, JCP&L filed a fully-executed Stipulation of Settlement with the Board to resolve the 2015 RAC Filing. In that Stipulation, the Parties agreed that the Company's ending recoverable deferred RAC balance at December 31, 2015 was an under-recovered balance of $73,052,760, subject to the Parties' reservation of their rights to challenge the recovery of expenditures that might be found to have been recorded in error or improperly accounted for in the pending Board Staff audit of RAC expenditures for 2005. In addition, the Parties also agreed that JCP&L has deferred (i) $749,686 of costs related to NRD issues from 2005

through 2015, and (ii) $156,325 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2015. The Parties agreed that it is appropriate for such NRD-related and incentive compensation costs to be deferred. The Parties also agreed that the Board should make no determination in this proceeding as to the reasonableness, or the recoverability under the Company's RAC filings, of NRD damages or related costs or of incentive compensation amounts, if any. The Parties reserved all of their respective rights with respect to the issue of whether such recovery is appropriate. On November 21, 2017, the Board issued an Order approving the October 6, 2017 Stipulation. Pursuant to the Board's November 21, 2017 Order, the Company's Rider RAC was increased by $0.000080/kWh (not including SUT) to $0.000516 per kWh (not including SUT), effective for service rendered on and after December 1, 2017. As a result of this rate change, the Company's revenues under its RAC were increased by approximately $1.617 million annually.

22. On November 28, 2017, JCP&L filed its 2016 RAC Petition with the Board ("2016 RAC Filing"). The 2016 RAC Filing requested a calculated increase to JCP&L's Rider RAC charge of $0.000100 per kilowatt-hour ("kWh") (before SUT), which would recover an additional $2.031 million annually. The Company proposed that the new rate become effective on March 1, 2018.

23. On June 4, 2018, JCP&L filed a fully-executed Stipulation of Settlement with the Board to resolve the 2016 RAC Filing. In that Stipulation, the Parties agreed that the Company's ending recoverable deferred RAC balance at December 31, 2016 was an under-recovered balance of $87,624,589, subject to the Parties' reservation of their rights to challenge the recovery of expenditures that might be found to have been recorded in error or improperly accounted for in the pending Board Staff audit of RAC expenditures for 2005. In addition, the Parties also agreed that JCP&L has deferred (i) $801,633 of costs related to NRD issues from 2005

through 2016, and (ii) $169,876 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2016. The Parties agreed that it is appropriate for such NRD-related and incentive compensation costs to be deferred. The Parties also agreed that the Board should make no determination in this proceeding as to the reasonableness, or the recoverability under the Company's RAC filings, of NRD damages or related costs or of incentive compensation amounts, if any. The Parties reserved all of their respective rights with respect to the issue of whether such recovery is appropriate. On June 22, 2018, the Board issued an Order approving the June 4, 2018 Stipulation. Pursuant to the Board's June 22, 2018 Order, the Company's Rider RAC was increased by $0.000100 per kWh (not including SUT) to $0.000616 per kWh (not including SUT), effective for service rendered on and after July 1, 2018. As a result of this rate change, the Company's revenues under its RAC were increased by approximately $2.031 million annually.

24. On August 29, 2018, JCP&L filed its 2017 RAC Petition with the Board ("2017 RAC Filing"). The 2017 RAC Filing requested a calculated increase to JCP&L's Rider RAC charge of $0.000195/kWh (before SUT), which would recover an additional $3.95 million annually. The Company proposed that the new rate become effective on December 1, 2018.

25. On October 2, 2019, Board Staff and JCP&L executed a Stipulation of Settlement to resolve the 2017 RAC Filing.[1] In that Stipulation, the Parties agreed that the Company's ending recoverable deferred RAC balance at December 31, 2017 was an under-recovered balance of $115,039,883, subject to the Parties' reservation of their rights to challenge the recovery of expenditures that might be found to have been recorded in error or improperly accounted for in the pending Board Staff audit of RAC expenditures for 2005. In addition, the Parties also agreed that JCP&L has deferred (i) $804,850 of costs related to NRD issues from 2005

[1] The Company anticipates that Rate Counsel will execute the Stipulation in the near future.

through 2017, and (ii) $182,598 of incentive compensation paid to personnel who worked on RAC matters from 2006 through 2017. The Parties agreed that it is appropriate for such NRD-related and incentive compensation costs to be deferred. The Parties also agreed that the Board should make no determination in this proceeding as to the reasonableness, or the recoverability under the Company's RAC filings, of NRD damages or related costs or of incentive compensation amounts, if any. The Parties reserved all of their respective rights with respect to the issue of whether such recovery is appropriate. Furthermore, the Parties agreed that the Company would file its next annual RAC Filing for the period January 1, 2018 through December 31, 2018 no later than October 4, 2019.

2018 RAC Review

26. During calendar year 2018, JCP&L has continued to perform its MGP remediation activities in compliance with the regulatory requirements established pursuant to the Site Remediation Reform Act ("SRRA") and, Administrative Consent Orders ("ACOs") or Memorandums of Agreement ("MOAs") executed with the New Jersey Department of Environmental Protection ("NJDEP") for these sites. All such activities were conducted in accordance with those controlling NJDEP documents and other governing regulatory and environmental rules, regulations and guidance.

27. A summary of some of the remediation activities performed during the 2018 period is presented below:

a. Remedial investigation activities were performed at the following sites:

- Asbury Park, Boonton, Lambertville, Newton I, Ocean City, and Phillipsburg.

b. Remedial action selection-related activities were performed at the following sites:

- Asbury Park, Boonton, Lambertville, Newton I, Ocean City, and Phillipsburg.

c. Remedial action work plan and design-related activities were performed at the following sites:

- Asbury Park, Boonton, Lambertville, Newton I, Ocean City, and Phillipsburg.

d. Remedial implementation activities were performed at the following sites:

- Asbury Park, Boonton, Lambertville, Newton I, Ocean City, and Phillipsburg.

28. In addition to engineering and environmental services provided by remedial consultants and contractors, other activities directly supporting the MGP remediation program included specialized communication and legal services. Henry & Germann Public Affairs, L.L.C. ("Henry & Germann") provided services such as: direct communications with affected property owners; conducting site visits; attending meetings with key stakeholders (e.g., municipal officials); preparing written work products such as project updates; coordinating community outreach open house events; and strategic planning assistance. The law firm Schenck, Price, Smith & King ("SPSK") provided legal services such as: negotiation of access and deed notice agreements; acquisition of impacted properties; assisting with settlement of natural resource damage liabilities alleged by NJDEP; and preparation of property transfers pursuant to the September 22, 2000 Separation Agreement between JCP&L and NJNG. A by-site listing of charges for the services of Henry & Germann and SPSK are included in Attachment D.

29. The Company has continued to apply various budget development and expenditure tracking mechanisms to all its MGP activities. MGP budgets are developed by the Company project managers and Supervisor of Site Remediation, based on information provided by environmental engineering consultants. All remediation expenses are processed through the

Company's formal accounting system of record. Unique orders are established for each MGP site and for general program management. Charges are captured by cost element to distinguish the nature of the charges (e.g., outside contractor, professional). Expenditures are reviewed and tracked on an ongoing basis and, if needed, correcting journal entries are made. Attachment B summarizes the actual expenses from January 1, 2018 through December 31, 2018. Attachment C provides a detailed breakdown of expenses by quarter. A listing of expenditures by vendor, and a description of the services provided, is included in Attachment D. The 2018 budget and the actual expenses through December 31, 2018, together with variances from budget, are presented in Attachment E. A summary of all actual expenses to date for the MGP program and the estimated future expenses are presented in Attachment F.

30. The Company requires monthly submittals from the primary consultants, including progress reports, invoices and a budget and expenditure analysis broken down on a per-task basis. These submittals are reviewed by the Company project managers on a regular basis. The Company requires that invoice submittals include detailed supporting documentation, including (but not limited to) time records, expense records, subcontractor invoices and other relevant and supporting data. The Company has established surcharge rates with the consultants for subcontracted services, and these surcharges are clearly identified in the invoice package. The nature of these projects requires that the Company must be flexible to ensure that contracted services can quickly respond to unforeseeable changes, such as new field conditions. Competitive unit rates are established for repetitive tasks during the bidding process and undergo periodic comparisons with other firms. The invoices identify these unit costs to facilitate comparison to the contract rate structure. Where changes in the work scope are required, the primary consultants are required to promptly bring such matters to the attention of the assigned Company project

manager. The consultant then documents the work scope changes and related costs in the monthly progress reports and other written correspondence. Change orders to the contract contain documentation prepared by the Company project manager. The primary consultants and remediation contractors have been pre-qualified via competitive bidding, taking into consideration the relevant technical, cost and commercial factors. Individual projects are also subject to bidding based on consideration of various factors including regulatory deadlines and other emergency considerations, economies of scale that take into account the institutional knowledge of the incumbent contractor and project-specific demands, and the unique requirements of the work scope required. The Company pursues joint procurement of remediation services with other utilities, as with the sites shared between the Company and Elizabethtown Gas Company. The Company maintains documentation for all expenses, which is available for review by Staff and Rate Counsel.

Results of 2018 RAC Review

31. As discussed in paragraph 25 above, the Stipulation in the 2017 RAC Filing established that JCP&L's ending recoverable deferred RAC balance at December 31, 2017 was an under-recovered balance of $115,039,883 million exclusive of NRD-related and incentive compensation costs. This 2018 RAC Filing includes actual MGP data for the period from January 1, 2018 through December 31, 2018.

32. As set forth in greater detail in certain of the Attachments hereto, the incremental expenses incurred in connection with JCP&L's MGP remediation program during calendar year 2018 are $17.709 million (*see* Attachment A-1, line 38). As shown in Attachment A-1, line 39 and Attachment G, carrying costs accrued in 2018 are $1.975 million, leaving a net balance of unrecovered MGP costs including carrying costs at December 31, 2018 of $19.684 million (before application of over-recoveries from other components of Rider SBC). *See*

Attachment A-1, lines 38 and 39. After application of over-recoveries of $17.256 million (*see* Attachment A-1, line 40) from other components of Rider SBC, the resulting net incremental MGP costs incurred during calendar year 2018 are $2.428 million. *See* Attachment A-1, line 41. The above-identified incremental expense amounts for 2018 include $(1,196) credit to costs related to NRD issues and charges of $9,922 related to incentive compensation. *See* Attachment A-1, lines 42 and 43, respectively). JCP&L proposes to continue to defer NRD-related and incentive compensation costs, but not to recover such NRD-related and incentive compensation costs until there is a final resolution of the issue concerning the appropriateness of recovery thereof.

33. After subtracting the deferred NRD-related and incentive compensation costs, the total recoverable MGP remediation expense for 2018 is $2.42 million. *See* Attachment A-1, Line 44. When combined with the 2018 over-recovered deferred RAC balance of $(1.08) million (Attachment A-1, line 47) and the remaining amortization of prior RAC expenditures previously approved for recovery, the resultant increase to JCP&L's Rider RAC charge is $0.000214 kWh (before SUT), which would recover an additional $4.3 million in revenues annually. *See* Attachment A-1, line 55. However, the Company is proposing that no change be made to the Rider RAC Tariff Rate beyond the increased proposed in the 2017 Rider RAC Filing, which is still pending before the BPU.

Attachments

34. Attached hereto and made a part of this Verified Petition are the following Attachments:

- Attachment A-1 Derivation of MGP Remediation Adjustment Charge
- Attachment A-2 Manufactured Gas Plant Remediation Adjustment Deferred Accounting
- Attachment B Summary of MGP Incremental Remediation Expenses for 2018

- Attachment C JCP&L MGP Sites – Quarterly Reports for 2018 – Summary by Site
- Attachment D JCP&L MGP Sites – Summary of Vendor Charges By Site – 1/1/18 through 12/31/18
- Attachment E 2018 Remediation Expenditures – Summary vs. Budget
- Attachment F Summary of Actual and Estimated Remediation Expenses - Total Project Cost
- Attachment G Calculation of Interest on Deferred MGP Remediation Expenses Under/(Over) Recovery
- Attachment H Current Tariff Sheet for Rider RAC

Service of Petition

35. Copies of this Verified Petition and of all supporting Attachments thereto have been or will be duly served by either overnight express delivery or hand delivery at the time of the filing hereof upon the Director, Division of Rate Counsel, 140 East Front Street, 4th Floor, P.O. Box 003, Trenton, New Jersey 08625-0003, and upon the Department of Law & Public Safety, Division of Law, 124 Halsey Street, 5th Floor, P.O. Box 45029, Newark, New Jersey 07101.

AFFIDAVIT
OF
VERIFICATION

Frank D. Lawson, being duly sworn upon his oath, deposes and says:

1. I am employed by FirstEnergy Service Company as Supervisor – Remediation and New Jersey Environmental Services in the Remediation, Beneficial Use and Environmental Services Group in the Environment Department and support Jersey Central Power & Light Company ("JCP&L"), the Petitioner named in the foregoing Verified Petition, and I am duly authorized to make this Affidavit of Verification on its behalf.

2. I have read the contents of the foregoing Verified Petition by JCP&L for review and approval of costs and expenses incurred in 2018 for the environmental remediation of manufactured gas plant ("MGP") sites, and I hereby verify that the statements of fact and other information contained therein, other than the data and calculations set forth in Attachments A and G thereto, are true and correct to the best of my knowledge, information and belief.

3. I hereby further attest and verify that all costs and expenses summarized in the foregoing Verified Petition, and more particularly as set forth in Attachments B, C, D, E and F thereto, are all related to the remediation of MGP sites.

Frank D Lawson

Frank D. Lawson

Sworn to and subscribed before me
this 2 day of October, 2019.

Brenda S. Beauford

(Notary Public)

Brenda S Beauford
Notary Public
New Jersey
My Commission Expires 11-1-2023
No. 2306518

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AFFIDAVIT OF VERIFICATION

Jennifer Spricigo, being duly sworn upon her oath, deposes and says:

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

2. I have read the contents of the foregoing Verified Petition by JCP&L for review and approval of costs and expenses incurred in 2018 for the environmental remediation of manufactured gas plant sites, and I hereby verify that the data and calculations set forth in Attachments A, G and H thereto are true and correct to the best of my knowledge, information and belief.

Jennifer Spricigo

Jennifer Spricigo

Sworn to and subscribed before me
this 3 day of October, 2019.

Brenda S. Beauford

(Notary Public)

Brenda S Beauford
Notary Public
New Jersey
My Commission Expires 11-1-2023
No. 2306518

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