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January 9, 2023

VIA ELECTRONIC MAIL

Sherri L. Golden, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
Board.secretary@bpu.nj.gov

Re: In the Matter of the Verified 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. 48:3-71 and N.J.A.C. 14:4-3.1 *et seq.*, Docket No. _____

Dear Secretary Golden:

On behalf of Jersey Central Power & Light Company (“**JCP&L**” or the “**Company**”), attached please find for filing with the Board of Public Utilities (the “**Board**”) JCP&L’s Verified Petition in the above-referenced matter seeking approval to extend its participation in the Subscription Agreement (“**Subscription Agreement**” or “**Agreement**”) with Grid Assurance LLC (“**Grid Assurance**”), for spare transmission equipment services (“**Sparing Service**”), which the Board approved as in the public interest on February 27, 2019, in Docket No. EM18090985, for a term of five years (the “**2019 Approval Order**”).¹ This initial term will expire in March 2024. Therefore, while this matter is pending, the Company also respectfully requests that the Board issue an interim Order authorizing JCP&L to continue operating under the Subscription Agreement until the Board issues a final Order on the Verified Petition.

Given that at the time of the Board’s approval FirstEnergy Transmission, LLC (“**FET**”), an affiliate of JCP&L, had a non-controlling, minority ownership interest in Grid Assurance, the Board concluded that the Subscription Agreement and the proposed transactions under the Agreement would not violate the Board’s affiliate standards governing transactions between an electric (or gas) utility and its affiliates.

¹ *In the Matter of 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 (Feb. 27, 2019).*

Nothing regarding the nature and status of those transactions, or the relationship between FET and JCP&L or FET and Grid Assurance, has changed for the purpose of this Verified Petition.

JCP&L now seeks to extend the Board's approval of the Subscription Agreement and Multi-Subscriber Addendum, under its current terms and conditions, for an additional five years, with automatic renewal of future five-year terms thereafter. This Agreement is subject to several notice and reporting conditions imposed by the Board under the 2019 Approval Order. On approval of the instant Verified Petition, JCP&L does not object to abiding by those requirements.

As described in the Company's original petition filed in 2018,² JCP&L continues to believe that, given its holistic benefits, subscribing to the Grid Assurance Sparing Service remains prudent as part of the Company's reliability contingency strategy and consistent with the Company's participation in the Spare Transformer Equipment Program sponsored by the Edison Electric Institute, which the Board approved by Order dated July 11, 2007 in BPU Docket No. EM06110802.³ Moreover, allowing JCP&L to extend its participation in the Agreement will enable the Company to continue to provide safe, adequate and proper service to its customers by further protecting the Company's electric transmission system by increasing its large power transformer supply options and resources available to mitigate the risks of long-term outages associated with both catastrophic and non-catastrophic events.

JCP&L respectfully seeks the Board's review and approval of the Petition during the first quarter of 2024. Given the set expiration of the Company's initial term in March 2024, the Company also respectfully requests an interim order to temporarily allow JCP&L to continue to operate under the Subscription Agreement to ensure no gap in coverage while this matter is pending before the Board.

The Company looks forward to working with the Board and its Staff on this important initiative. Thank you for your consideration and courtesies.

Respectfully submitted,



Tori L. Giesler, Esq.

cc: Service List

² See *In the Matter of 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, Jersey Central Power & Light Company's Verified Petition (Sept. 11, 2018).

³ *In the Matter of the Joint Verified Petition of Atlantic City Electric Company, Jersey Central Power & Light Company, Public Service Electric and Gas Company & Rockland Electric Company For the Approval of the Sale of Transformers Pursuant to a Spare Transformer Sharing Agreement & Associated Matters*, BPU Docket No. EM06110802 (July 11, 2007).

**In the Matter of 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. _____ --Service List**

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**STATE OF NEW JERSEY
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
ASSUARANCE, LLC PURSUANT TO N.J.S.A. 48:3-7.1
AND N.J.A.C. 14:4.-3.1.

**VERIFIED
PETITION**

BPU DOCKET NO.

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

Jersey Central Power & Light Company (the “*Company*” or “*JCP&L*”), a New Jersey electric public utility subject to the regulatory jurisdiction of the New Jersey Board of Public Utilities (the “*Board*” or “*BPU*”), and maintaining offices at 300 Madison Avenue, Morristown, New Jersey 07962 and 101 Crawfords Corner Road, Building #1, Suite 1-511, Holmdel, New Jersey 07733, in support of the within Verified Petition, respectfully shows:

1. JCP&L, a wholly-owned subsidiary of FirstEnergy Corp., is primarily engaged in the purchase, transmission, distribution, and sale of electric energy and related utility services to more than 1,100,000 residential, commercial, and industrial customers located within 13 counties and 236 municipalities of the State of New Jersey.

2. Among other things, JCP&L owns, operates and maintains 2,569 circuit miles of transmission lines, substations and other transmission facilities in Northern and Central New Jersey. JCP&L provides transmission service pursuant to the terms of PJM Interconnection,

LLC's Open-Access Transmission Tariff approved by the Federal Energy Regulatory Commission (*“FERC”*).

3. Copies of all correspondence and other communications related to this proceeding should be addressed to:

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I. SUMMARY OF REQUESTED RELIEF

4. In this filing, JCP&L respectfully requests an extension of the Board's February 27, 2019 approval of a Subscription Agreement and Multi-Subscriber Addendum (together the *“Subscription Agreement”* or *“Agreement”*) for spare transmission equipment services (*“Sparing Service”*) as provided by Grid Assurance LLC (*“Grid Assurance”*), in BPU Docket No. EM18090985. Specifically, the Company asks to extend this approval for another five-year term, with automatic renewals thereafter.

5. The Board previously reviewed and approved the Subscription Agreement by Order on February 27, 2019, pursuant to N.J.S.A. 48:3-7.1, for an initial term of five years (the “**2019 Approval Order**”). The 2019 Approval Order is attached hereto as Exhibit A. Given the Company’s initial five-year term is set to expire in March 2024, JCP&L respectfully requests an interim order authorizing it to continue operating under the Subscription Agreement, on a temporary basis, until the Board issues a final order on the instant Petition.

6. There are no new issues for the Board to consider with this extension request. With minor exception, the material terms of the Subscription Agreement remain unchanged since the Board’s approval in 2019. A clean copy of the revised Agreement is attached hereto as Exhibit B; an redline version reflecting the changes made to the original Agreement is attached hereto as Exhibit C. The affiliate relationship between JCP&L and Grid Assurance is also the same, thus preserving the Board’s previous findings of compliance with its Affiliate Standards under N.J.A.C. 14:4-3.1 *et seq.* Lastly, the same cost-effective reliability and recovery benefits arising under the Agreement not only hold true today but carry greater importance in view of the Company’s planned investments in transmission infrastructure to enable the State’s robust clean energy goals.

II. BACKGROUND

7. On September 12, 2018, JCP&L filed a verified petition seeking Board approval pursuant to N.J.S.A. 48:3-7.1 to enter into the Subscription Agreement with Grid Assurance (the “**2018 Petition**”).¹ The Agreement allowed the Company to access a spare transmission equipment inventory maintained by Grid Assurance upon the occurrence of a

¹ *In the Matter of 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, Jersey Central Power & Light Company’s Verified Petition (Sept. 11, 2018) (the “**2018 Petition**”).

“Qualifying Event”.² On such an occurrence, JCP&L could acquire spare transmission equipment—including but not limited to large power transformers (“*LPTs*”), which have long procurement lead times (*e.g.*, one to two years) under ordinary circumstances—at Grid Assurance’s original cost. As a result, the Sparing Service would help facilitate more cost-effective, enhanced resilience and more rapid recovery of electric system function and restoration of customers following a catastrophic Qualifying Event.³

8. Because JCP&L’s affiliate, FirstEnergy Transmission, LLC (“*FET*”), had a non-controlling, minority ownership interest in Grid Assurance, thus creating an affiliate relationship between JCP&L and Grid Assurance, JCP&L sought a determination by the Board that the Subscription Agreement as well as any equipment purchase by JCP&L under the Agreement be deemed to be in compliance with the Board’s Affiliate Standards under N.J.A.C. 14:4-3.1 *et seq.*⁴

9. By Order dated February 27, 2019, the Board approved JCP&L’s request to enter into the Subscription Agreement, finding it to be in the public interest, and that it would not

² A “Qualifying Event” is defined in the Subscription Agreement as damage, destruction or other material impairment of the safe operation of the electric transmission system of a subscriber caused by, or resulting from:

(a) an act of war, terrorism, rebellion, sabotage or a public enemy, or any other physical attack (whether or not such physical attack is conducted in connection with an act of war, terrorism or a public enemy); (b) a cyber-attack, whether or not in connection with an act of war, terrorism or a public enemy; (c) an electromagnetic pulse or intentional electromagnetic interference; or (d) 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.

Id. at 10 n.12.

³ The details of the Subscription Agreement and the Sparing Service were discussed in depth in the 2018 Petition, see pages 8-14, and a copy of the Subscription Agreement was included as Exhibit A to the 2018 Petition. For brevity, JCP&L will not restate the discussion in the 2018 Petition. Instead, the Company incorporates that document herein by reference.

⁴ See 2018 Petition at 16.

negatively impact JCP&L's ability to render safe, adequate and proper service.⁵ The Board observed that participation in the Sparing Service would create "a streamlined process to quickly acquire transmission equipment in the event of a catastrophic Qualifying Event, which would not otherwise be possible without the existence of the Agreement." 2019 Approval Order at 8. Addressing FET's non-controlling, minority ownership stake in Grid Assurance, the Board determined that the Subscription Agreement and the proposed transactions undertaken pursuant to the Agreement did not violate the Affiliate Standards.⁶

10. The Board conditioned its approval on seven provisions, including certain notice and reporting requirements.⁷ Among these conditions, the Board set its approval for an initial term of five years and required that the Company seek separate Board approval for any further term extensions. Meanwhile, JCP&L was required, among other things, to submit annual filings to the Board (with copies to Rate Counsel) disclosing specific information such as changes to the Subscription Agreement and/or the Multi-Subscriber Addendum, changes to JCP&L's required obligations, and a breakdown of JCP&L's Grid Assurance-related costs. JCP&L was also required to notify the Board (with copies to Rate Counsel) of any transactions undertaken per the Subscription Agreement, any changes to the material terms of the Agreement, and any filing by JCP&L of a rate application with FERC to recover Grid Assurance-related costs through transmission rates.⁸

⁵ *In the Matter of 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 (Feb. 27, 2019) (the "**2019 Approval Order**").

⁶ *Id.* at 8.

⁷ *See id.* at 8-9. For brevity, those conditional provisions are incorporated herein by reference.

⁸ *See id.*

11. From 2019 to present, JCP&L made filings with the Board consistent with the 2019 Approval Order. On May 22, 2019, JCP&L provided Notice to the Board of minor changes to the terms of the Subscription Agreement at the request of new subscribers (“**May 2019 Notice**”).⁹ Most of the revisions were administrative or clarifying in nature while others functioned to reduce subscriber risk and costs.¹⁰ From December 2020 through December 2023, JCP&L filed three annual reports—one for each calendar year in 2020 and 2021, and a combined report for 2022 and 2023.¹¹ In each of these submissions, JCP&L reported no additional changes to the Subscription Agreement or Multi-Subscriber Addendum (since the May 2019 Notice); no changes to the Company’s required obligations; and no equipment transfers, acquisitions, sales, or purchases under the Agreement. Most recently, on December 22, 2023, JCP&L filed an informational notice with an explanation of how the Company’s transmission rates have been adjusted since 2020 to include expenses related to the Grid Assurance Subscriber Agreement.¹²

⁹ *In the Matter of 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, JCP&L Notice of Changes to the Subscription Agreement (May 22, 2019).

¹⁰ May 2019 Notice at 1-2. The material changes aimed at reducing subscriber risk and costs pertained to Grid Assurance’s start-up costs. See Exhibit B, Schedule 5.1 (Sparing Service Fee).

¹¹ *In the Matter of 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, JCP&L Annual Submission for 2020 (Dec. 23, 2020); *In the Matter of 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, JCP&L Annual Submission for 2021 (Dec. 16, 2021); *In the Matter of 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, JCP&L Annual Submission for 2022-2023 (Dec. 22, 2023) (“**2022-2023 Annual Report**”). JCP&L inadvertently omitted its 2022 annual report due to unexpected personnel departures, which resulted in an oversight to coordinate the 2022 submission. 2022-2023 Annual Report at 1. JCP&L filed the combined report on December 22, 2023, and included separate data for calendar years 2022 and 2022 to rectify the omission.

¹² *In the Matter of 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, JCP&L Notice of Revenue Requirement Adjustment (Dec. 22, 2023) (“**Informational Notice**”). Although the 2019 Approval Order directed JCP&L to provide

III. STATUTORY AND REGULATORY BASIS FOR REQUESTED RELIEF

12. This Petition to extend the Board’s approval of the Subscription Agreement is filed pursuant to N.J.S.A. 48:3-7.1 and N.J.A.C. 14:4-3.1 *et seq.* and in accordance with the Board’s February 27, 2019 Order, which directed as follows:

This Approval of the Subscription Agreement and Multi-Subscriber Addendum is for its initial five-year term. Board review and approval of further term extensions is required. This shall be separate and apart from the annual filings made by JCP&L[.]

2019 Approval Order at 8.

13. N.J.S.A. 48:3-7.1 applies to New Jersey public utility affiliate contracts with respect to “management, advisory, construction or engineering” services for “a sum exceeding twenty-five thousand dollars,” which require the written approval of the Board. Such contracts can be disapproved by the Board, if the Board “determines that such contract violates the laws of [New Jersey] or of the United States, or that the price or compensation thereby fixed exceeds the fair price or fair compensation for the property to be furnished or the work to be done or the services rendered thereunder or is contrary to the public interest” N.J.S.A. 48:3-7.1.

14. N.J.A.C. 14:4-3.1 *et seq.* comprise the Board’s regulations pertaining to affiliate relations. JCP&L previously sought and obtained Board approval that the Sparing Service and any purchase by the Company under the Subscription Agreement were deemed compliant with subsections (t) and (u) of N.J.A.C. 14:4-3.5 (Separation), which contain certain requirements regarding the pricing of services provided by, or assets transferred from, a related competitive

Notice to the Board “upon filing a rate application with the FERC seeking to modify its transmission rates to recover Grid Assurance costs,” JCP&L explained that FERC does not require a subscribing utility under the Subscription Agreement to file a separate rate application to recover any Grid Assurance-related costs. *Id.* at 1. Rather, JCP&L provided the Informational Notice to explain how its transmission rates have been adjusted since 2020 to include the Grid-Assurance costs. *Id.* at 2.

business segment of the utility affiliate's public utility holding company to the utility affiliate.¹³ N.J.A.C. 14:4-3.5(t), (u).

IV. EXTENSION OF THE SUBSCRIPTION AGREEMENT

A. Sparing Service and Affiliate Circumstances Unchanged

15. JCP&L seeks to extend the Board's 2019 approval of the Grid Assurance Subscriber Agreement and Multi-Subscriber Addendum for another term of five years, with automatic five-year renewals thereafter. Apart from minor changes to the Subscriber Agreement, nothing about the Subscriber Agreement, the Sparing Service, or the affiliate transactions has changed since 2019. Accordingly, JCP&L's extension request presents no new issues for the Board to resolve.

16. The Board previously approved, pursuant to N.J.S.A. 48:3-7.1, JCP&L's request to engage in the affiliate transaction of subscribing to and utilizing the Sparing Service under the Subscription Agreement, finding that the proposed transactions do not violate its Affiliate Standards. Similarly, after a full review of the record, the Board deemed the Subscription Agreement to be in compliance with the Affiliate Standards under N.J.A.C. 14:4-3.1 *et seq.*¹⁴ Both of these findings are not disturbed by the instant request for extension as there have been no changes to the affiliate relationship created by FET's non-controlling, minority ownership interest in Grid Assurance. FET's ownership stake in Grid Assurance remains the same as in 2019.

17. Likewise, the narrow modifications made to the Subscription Agreement in 2019 do not affect the Board's prior findings. The Company apprised the Board and Rate Counsel of the mostly administrative and clarifying changes to the Subscription Agreement in the May

¹³ See 2018 Petition at 16 n.20.

¹⁴ See 2019 Approval Order at 8.

2019 Notice. Of these changes, two were material and functioned to reduce overall risk and costs for all subscribers and their utility customers (see Exhibit C, Schedule 5.1 (Sparing Service Fee)). Specifically, one modification reduced the amount of the subscription or sparing fee that subscribers pay for service by deferring up to fifty percent of Grid Assurance's start-up costs until new spares may be added to the inventory. The second modification increased the amortization period for start-up costs from five years to ten years.¹⁵ These changes help ensure that new and future subscribers to Grid Assurance also bear these start-up costs, thereby reducing the overall costs to current subscribers, such as JCP&L. While favorable to subscribers and their utility customers, these changes do not alter the design or core terms of the Subscription Agreement or the Sparing Service.

18. JCP&L's rights and obligations as a subscriber under the Subscription Agreement also have not changed. For each of the Company's annual submissions from 2020 through 2023, the Company reported no changes to its required obligations under the Agreement. It follows, therefore, that the premise for granting approval in the 2019 Approval Order pursuant to N.J.S.A. 48:3-7.1 and N.J.A.C. 14:4-3.1 *et seq.* continues to exist, and the Board should extend its approval of the Subscription Agreement and the Multi-Subscriber Addendum.

19. To protect ratepayers' interests, the Board established certain notice and reporting requirements in the 2019 Approval Order. Should the Board find it appropriate and in the public interest to condition its approval on the continuation of the same notice and reporting provisions, JCP&L does not object.

¹⁵ May 2019 Notice at 1-2; *see also* Exhibit C, Schedule 5.1 (Sparing Service Fee) under "Start-Up Costs".

B. Other Equipment-Sharing Services

20. The Company is aware of other equipment-sharing or sparing services in the electric utility industry. These other services, however, do not offer the same comprehensive services as Grid Assurance. Grid Assurance currently has 31 utilities, covering 23 of the lower 48 mainland states, as subscribers to its programs.

21. The 2018 Petition discussed Edison Electric Institute's Spare Transformer Equipment Program ("**STEP**") and explained that the Grid Assurance Sparing Service builds upon and complements STEP by "backstopping a wider variety of equipment, and by responding to a broader set of threats to resiliency." 2018 Petition at 5-6. Where STEP is triggered by an act of terrorism,¹⁶ the Grid Assurance Subscription Agreement defines a Qualifying Event more broadly to include, *inter alia*, acts of war, any physical attack, cyber-attack, electromagnetic pulse, an act of God, severe weather condition, earthquake, hurricane, tornado, derecho, or ice storm.¹⁷

22. JCP&L already participates in STEP. In response to federal policy makers' growing concerns over increased threats to the electric grid from multiple types of events that would result in a complete loss of electric facilities, JCP&L decided to pursue additional options beyond STEP and the Company's internal operational spares.

23. The Company is also aware of the Regional Equipment Sharing for Transmission Outage Restoration program ("**RESTORE**"), which is a regionally-focused, mutual assistance initiative for critical spare equipment involving the use of existing assets that are collocated with utility assets already in service. Participants identify existing spare transformers from their operational inventory as well as other transmission equipment that would be made

¹⁶ See 2018 Petition at 3 n.3.

¹⁷ See *id.* at 10 n.12.

available for purchase by other participants in the event that participant experiences a widespread disaster or physical attack within its service territory. Although RESTORE allows for a wider scope of triggering events than STEP, the program is based on the participating utilities' existing spare equipment. Neither RESTORE nor STEP increases the inventory of spare equipment and, thus, neither can guarantee full recovery of operational function beyond the assets made available through the participating utilities. There is no certainty at the time of need whether there will be an asset available, the condition of the asset, when it would be available, what kind of warranty would apply to the asset, and its cost.

24. By contrast, Grid Assurance procures spare LPTs and other transmission equipment and stores the spares in undisclosed, secure locations that protect the equipment in controlled environments under strict maintenance standards. Grid Assurance stores the inventoried equipment under these standards for a period of up to 25 years from the date of manufacture, with transferrable original equipment manufacturer warranties upon sale. Moreover, to facilitate expedited delivery of needed equipment, Grid Assurance provides preplanned transportation logistics with route and clearances approved by railroad companies.¹⁸ JCP&L continues to believe that Grid Assurance is a cost-effective, holistic solution that provides incremental benefits consistent with those identified in the 2017 U.S. Department of Energy Report on a Strategic Transformer Reserve.¹⁹

¹⁸ See *Subscriber Benefits*, GridAssurance.com, <https://gridassurance.com/grid-resilience-solution/subscriber-benefits/> (last visited Jan. 6, 2024).

¹⁹ U.S. Department of Energy, Strategic Transformer Reserve Report to Congress (March 2017) at pp. 19-20. Available at: <https://energy.gov/sites/prod/files/2017/04/f34/Strategic%20Transformer%20Reserve%20Report%20-%20FINAL.pdf> (last visited Jan. 6, 2024).

C. Benefits of Continued Subscription

25. Granting the requested approval will allow JCP&L to continue participating in what the Board has identified as “a streamlined process” to quickly acquire transmission equipment under extraordinary circumstances at the lowest possible cost to ratepayers—a process not otherwise possible without the Agreement.²⁰ Since 2019, JCP&L has relied on the Grid Assurance Sparing Service as an emergency procurement means to hedge against long lead times, higher equipment costs, and logistical uncertainties associated with procuring large power transformers in the unlikely occurrence of a catastrophic, Qualifying Event. Fortunately, no such event has occurred in the nearly five years of the Company’s first term. Nevertheless, the same benefits from entering into the Subscription Agreement that persuaded the Board to approve JCP&L’s entry into the Agreement five years ago still apply today. Those benefits—which include enhanced resilience, enhanced cost-effectiveness, more rapid recovery of the electric system, and enhanced support of high confidence restoration plans—are described in greater detail in the 2018 Petition.²¹ JCP&L incorporates that discussion herein by reference.

26. The critical importance of enhanced resilience and faster recovery of the electric system and the restoration of customers to service is further augmented in view of New Jersey’s ambitious clean energy goals and JCP&L’s planned investment of \$910 million in transmission infrastructure to enable the delivery of offshore wind energy in the state. JCP&L therefore reaffirms its belief that subscribing to the Grid Assurance Sparing Service, given its benefits, is prudent as part of the Company’s reliability contingency strategy.

²⁰ See 2019 Approval Order at 8.

²¹ 2018 Petition at 13-14.

27. Continued participation in the Subscription Agreement will allow JCP&L 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.²² The only difference in such cases would be the asset price, as the Company would purchase the spare equipment from Grid Assurance at its replacement cost, akin to purchasing from a third-party vendor. But unlike a normal third-party vendor transaction, JCP&L would have the benefit of acquiring the spare equipment more quickly from Grid Assurance and avoid manufacturer lead-time delays, which can be up to two years in length. Extending JCP&L’s participation in the Grid Assurance Sparing Service will help JCP&L ensure system reliability and protect its future transmission investments while providing safe, adequate and proper service to its customers.

V. REQUESTED INTERIM ORDER

28. The current five-year term of the Board’s 2019 Approval Order is set to expire in March 2024. As indicated above and explained more fully in the 2018 Petition, the Grid Assurance Sparing Service offers a streamlined process for JCP&L to quickly (and cost-effectively) acquire critical spare transmission equipment upon occurrence of a catastrophic event and avoid the burdensome long-lead time delays that the Company would otherwise be forced to endure before it can recover its system and restore customers to service.

29. To facilitate protection of JCP&L’s system so it can continue to provide safe, adequate, and proper service to its customers, it is in the public interest to allow JCP&L to continue to operate under the Subscription Agreement—even on a temporary basis, subject to the

²² See *id.* at 12. Under Article 4 of the Subscription Agreement, Grid Assurance has the right to make a Discretionary Sale of Inventoried Spares “for (a) the purpose of mitigating the risk of technological or physical obsolescence, or a surplus of Inventoried Spares; or (b) to address specific requests from any Person whether or not related to a Qualifying Event.” *Id.*

aforementioned conditional provisions in the 2019 Approval Order—without any gap in coverage should a catastrophic Qualifying Event occur. Therefore, the Company respectfully asks the Board to issue an interim order authorizing JCPL to continue participating in the Sparing Service until the Board issues a final order on the instant Petition. The Company believes this is a reasonable request under the circumstances presented.

VI. SERVICE OF PETITION

30. Copies of this Verified Petition, and of all supporting Exhibits thereto, have been or will be duly served electronically upon the Board's Staff; the Director, Division of Rate Counsel; and upon the Department of Law & Public Safety, Division of Law.

VII. CONCLUSION

WHEREFORE, the Petitioner, Jersey Central Power & Light Company, respectfully requests that the Board grant this Petition and issue a final decision and order during the first quarter of 2024:

- 1) Finding that the Board's February 27, 2019 approval of the Subscription Agreement and Multi-Subscriber Addendum continues to remain in the public interest, and the Company is authorized to continue its participation in the Grid Assurance Sparing Service for another five years, with automatic renewal of future five-year terms thereafter;
- 2) Affirming that the Subscription Agreement as narrowly modified in 2019 continues to be in compliance with the Board's Affiliate Standards under N.J.A.C. 14:4-3.1 *et seq.*;
- 3) Affirming, to the extent necessary, that any transaction undertaken pursuant to the Subscription Agreement continues to be in compliance with the Affiliate Standards; and

4) Granting the Company such other relief as the Board deems just and reasonable.

THEREFORE, the Company further requests that while this matter is pending, the Board issue an interim order finding it is in the public interest to allow JCP&L to continue to participate in the Subscription Agreement with Grid Assurance on a temporary basis, and subject to the conditions set forth in the Board's February 27, 2019 Order approving the Subscription Agreement, until such time as the Board issues a final order on the instant Petition.

Dated: January 9, 2024

Respectfully submitted,



Tori L. Giesler, Esq.
Jersey Central Power & Light Company
2800 Pottsville Pike
Reading, PA 19612-6001
tgiesler@firstenergycorp.com

Counsel for
Jersey Central Power & Light Company

AFFIDAVIT
OF
VERIFICATION

**M.Mader Grid Assurance Affidavit of Verification 1.8.2024.docx**

DocVerify ID: 1701F54F-C266-4668-BFA8-D7AEF09F445E
Created: January 08, 2024 12:48:36 -5:00
Pages: 1
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E-Signature Summary**E-Signature 1: Mark A Mader (MAM)**

January 08, 2024 12:57:00 -5:00 [12431B54E6A7] [69.118.65.26]
mamader@firstenergycorp.com (Principal) (Personally Known)

E-Signature Notary: Kori Rebecca Auman-Krebs (KRK)

January 08, 2024 12:57:00 -5:00 [5E06E43F8828] [98.237.82.177]
kauman@firstenergycorp.com

I, Kori Rebecca Auman-Krebs, did witness the participants named above electronically sign this document.



AFFIDAVIT
OF
VERIFICATION

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

1. I am Director of Rates and 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 extending its participation in the Subscription Agreement with Grid Assurance, in which JCP&L’s affiliate, FirstEnergy Transmission, LLC, has a non-controlling, minority, ownership interest, and I hereby verify that the statements of fact and other information contained therein, including the information marked as confidential and proprietary, are true and correct to the best of my knowledge, information and belief.

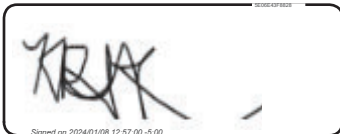
Mark A. Mader

Mark A. Mader

COMMONWEALTH OF PENNSYLVANIA:

COUNTY OF YORK :

Sworn to (or affirmed) and subscribed before me
this 8th day of January 2024, by Mark A. Mader.



Kori Rebecca Auman-Krebs

Commonwealth of Pennsylvania - Notary Seal
Kori Rebecca Auman-Krebs, Notary Public
Berks County
My Commission Expires Feb 14, 2027
Commission Number 1345524

Notary Stamp 2024/01/08 10:57:00 PST

0E06E43F8B29

Notarial act performed by audio-visual communication

EXHIBIT A



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STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF 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)

DECISION AND ORDER

DOCKET NO. EM18090985

Parties of Record:

Michael J. Connolly, Esq., Windels Marx Lane & Mittendorf, LLP on behalf of Jersey Central Power and Light Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

BACKGROUND

By Order¹ dated July 12, 2007, the New Jersey Board of Public Utilities ("Board" or "BPU") approved participation by three of the State's four electric public utilities, including Jersey Central Power and Light Company ("JCP&L" or "Company"), in the Spare Transformer Equipment Program ("STEP") sponsored by the Edison Electric Institute ("EEI").² The STEP created a national pool of spare transformers among participating electric utilities. The Board deemed that participation in the STEP was in the public interest and did not negatively impact the utilities' ability to render safe, adequate and proper service. The Board also deemed such sales to be in compliance with the Board's Affiliate Relations, Fair Competition and Accounting and Related Reporting Requirements at N.J.A.C. 14:4-3.1 et seq. ("Affiliate Standards").

¹ In re the Joint Verified Petition of Atlantic City Electric Company, Jersey Central Power and Light Company, Public Service Electric and Gas Company, and Rockland Electric Company for the Approval of the Sale of Transformers Pursuant to a Spare Transformer Sharing Agreement and Associated Matters, BPU Docket No. EM06110802 (July 12, 2007). ("STEP Order")

² The Board did not grant any approval to Rockland Electric Company ("RECO"), in so far as RECO was not a signatory to the Agreement.

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JCP&L September 2018 Filing

On September 12, 2018, JCP&L filed the instant 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 a Subscription Agreement ("Subscription Agreement" or "Agreement") with Grid Assurance LLC ("Grid Assurance"), for spare transmission equipment service ("Sparing Service") offered by Grid Assurance. Per the agreement, upon occurrence of a qualifying event,³ JCP&L could acquire spare transmission equipment at Grid Assurance's original cost. According to the petition, the Sparing Service will not duplicate or replace the benefits of the STEP, but instead will take into account each subscriber's existing arrangements to provide 'incremental benefits' to STEP participants.

Grid Assurance LLC

Grid Assurance, a Delaware company, was launched in May 2016 to address an increasingly critical and foreseeable grid resilience need facing transmission owning electric utilities. Grid Assurance will offer subscribing utilities access to an optimized inventory of large power transformers and other critical long-lead time transmission equipment to assist transmission owning electric subscribing utilities in recovering from grid emergencies. Specifically, Grid Assurance was designed to provide an increased ability for transmission electric utilities to ensure prompt restoration of the bulk power system in the wake of a catastrophic event such as a natural disaster, weather-related outages, or a physical or cyber-attack. Over the next five years, Grid Assurance expects to be fully capitalized and is expected to have a capital structure of approximately fifty percent debt and fifty percent equity. Its return on equity ("ROE") will be based on the average of the then-current ROE of the subscribing affiliates of the then-current investor owners of Grid Assurance with transmission formula rates on file at the Federal Energy Regulatory Commission ("FERC"). According to the petition, Grid Assurance is nearing the completion of its initial subscriber enrollment period and expects to place initial orders for equipment inventory during the fourth quarter of 2018, making inventory available to subscribers through its Sparing Service in 2019.

Subscription Agreement

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 rules and procedures to determine the optimal quantities of each type of spare equipment that Grid Assurance will maintain and deployment protocols providing rules and procedures governing the priority and manner in which Grid Assurance will sell inventoried spares. The Subscription Agreement has an initial term of five years from execution, with automatic five year renewal terms thereafter.

For JCP&L, the Sparing Service fee for the first annual period is projected to be \$729,238 based on its currently planned participation in two of the four equipment classes. JCP&L anticipates

³ 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.

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that the benefits from entering into the Subscription Agreement include cost effective enhanced resilience resulting in more rapid recovery of electric system function and restoration of customers to service in the event of a Qualifying Event.

A JCP&L affiliate, FirstEnergy Transmission LLC ("FET"), has, or will have, a non-controlling, minority, ownership stake in Grid Assurance. FET's subsidiaries include American Transmission Systems, Inc., Trans-Allegheny Interstate Line Company and Mid-Atlantic Interstate Transmission, LLC. In addition, other FirstEnergy transmission owning affiliates of JCP&L are expected to become subscribers as well, including Monogahela Power Company and Potomac Edison Company. As a result of FET's minority ownership interest, Grid Assurance is, or will become, an affiliate of JCP&L. Consequently, the Subscription Agreement constitutes, or may constitute, a management advisory service, construction or engineering contract, with an affiliate, which requires Board approval under N.J.S.A. 48:3-7.1. Similarly, JCP&L also seeks a determination that transactions undertaken pursuant to the Subscription Agreement, involving a payment of a Sparing Service fee and payment for purchases of transmission equipment are deemed in compliance with the Affiliate Standards.

Positions of Parties

Rate Counsel

On December 17, 2018, the New Jersey Division of Rate Counsel ("Rate Counsel") submitted written comments on the petition. In its comments, Rate Counsel indicated that, subject to certain conditions, it does not object to the Board granting the approvals sought by JCP&L with respect to: 1) the advanced pre-approval of the sale/purchase of large power transformers and other transmission equipment anticipated to occur pursuant to the Subscription Agreement between JCP&L and Grid Assurance; and 2) a finding that said anticipated sales/purchases and transfers between affiliates JCP&L and Grid Assurance are in compliance with the Board's Affiliate Relations Standards. In addition, Rate Counsel reserved its right to challenge any related federal or state rate recovery filing before the FERC or the Board. (Rate Counsel December 17 Comments at 8).

Rate Counsel stated that it recognized that a Declaratory Order granting the approvals sought by JCP&L is an extraordinary measure, but believes it is appropriate here. Special consideration should be afforded to a plan that adequately prepares and assists JCP&L's resiliency to quickly restore power to customers under a catastrophic triggering Qualified Event since such a plan fulfills the overarching goals that the federal STEP program was designed to address. (*Id.* at 8 to 9).

From an operational perspective, Rate Counsel asserted that the Subscription Agreements will likely improve JCP&L's ability to meet its resiliency requirements, enabling the Company to quickly and effectively respond and recover from a triggering Qualifying Event. In addition, sections in the Subscription Agreement mitigate against equipment obsolescence and ensure quick access to a one-stop shop that should enable a much shorter response time to provide transmission equipment to JCP&L if a triggering Qualified Event were to occur in New Jersey. The procedural safeguards set forth in the Subscription Agreement and the conditions for approval recommended by Rate Counsel will serve to protect ratepayers. (*Id.* at 9).

Rate Counsel argued the Subscription Agreement stated that the Inventoried Spare transmission equipment will be sold upon a triggering Qualifying Event at the original cost (as defined under the Subscription Agreement, Part 1, Defined Terms, at page 5) of the inventoried

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spare, which includes the cost of the equipment plus delivery, taxes, assessments, fees and other procurement charges (Subscription Agreement, Part 2, Article 4.1 and 4.5). Rate Counsel recommended that the Board require that such sales and/or purchases of the replacement transmission equipment be obtained at the lowest possible total cost to ratepayers. Rate Counsel also recommended that the Board impose specific reporting requirements. (*Id.* at 9 to 10).

JCP&L and Grid Assurance are, or will be, utility affiliates and upon the occurrence of a triggering Qualified Event, JCP&L will purchase from, and Grid Assurance will sell, a transformer(s) under the Subscription Agreement. The Subscription Agreement sets forth the method to determine the purchase price of transmission equipment transferred pursuant to a triggering Qualifying Event. Although, the Subscription Agreement sets forth how the sale price of the transferred power transformers and other transmission equipment will be determined, the petition notes that the Federal Power Act ("FPA") does not require authorization to transfer equipment to a transmission owner following a qualifying triggering event and that separate Section 205 filings at FERC for Grid Assurance's costs would not be required.

Rate Counsel noted that while FERC has the exclusive authority to review the rates, terms and conditions of "sales," reviews of "purchases" remain the sole province of state commissions. Accordingly, Rate Counsel recommended the Board affirm commitments that equipment under the Subscription Agreement be obtained at the lowest possible cost to ratepayers and impose specific reporting requirements. (*Id.* at 11). Rate Counsel asserted that these safeguards, together with Rate Counsel's other recommended conditions of approval, will mitigate against any exercise of anti-competitive behavior and cross-subsidization that the Affiliate Standards address. For these reasons, Rate Counsel does not object a Board finding that the advance/pre-approval of the sales/purchases of power transformers and other transmission equipment by and between affiliates JCP&L and Grid Assurance pursuant to the Subscription Agreement is appropriate and in compliance under the Board's Affiliate Standards. (*Ibid.*)

Rate Counsel further stated that any approval of the requested relief should be subject to certain conditions affecting Board oversight, ongoing reporting requirements, and post-transfer reporting.

Rate Counsel requested that the Board require JCP&L to provide simultaneous notice to the Board and Rate Counsel upon filing a rate application with FERC seeking to modify its transmission rates to recover costs associated with its agreements with Grid Assurance, together with copies of all such filings. In addition, notice should be provided simultaneously to the Board and Rate Counsel upon revision, change or modification of any of the terms, conditions, requirements and obligations under the Subscription Agreement. Rate Counsel asserted that the Board should reaffirm JCP&L's ongoing obligation to submit annual filings to the Board, with copies to Rate Counsel, that include a description of: any changes to the Grid Assurance Subscription Agreement; JCP&L's required obligations and any changes thereto; as well as a break-down of its Grid Assurance costs, together with supporting documentation. (*Id.* at 12).

Rate Counsel noted that the Sparing Service fee is not fixed, (as each component of cost described in Schedule 5.1 of the Subscription Agreement may increase or decrease as Grid Assurance's expenses increase or decrease along with changes to Grid Assurance's subscribership), and maintained that it is imperative the Board impose a reporting requirement. Therefore, in order to provide similar safeguards to those imposed by FERC, Rate Counsel requested that similar reporting requirements, including providing notice to the Board and Rate

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Counsel of any transfer or acquisition under the Subscription Agreement, together with the supporting documentation, should be required within thirty days after the transaction. (Id. at 13).

In addition, Rate Counsel submitted that Board approval of the petition should be conditioned upon the Board:

- 1) Affirming that approval of sales/purchases be limited to only "required transfers" under the Subscription Agreement necessitated by a triggering Qualifying Event;
- 2) Requiring that sales/purchases of replacement transformer and transmission equipment be obtained at the lowest possible total cost to ratepayers;
- 3) Requiring notice be provided to the Board of transfers/acquisitions, sales/purchases under the Subscription Agreement, together with supporting documentation, within thirty days after the transaction, with copy to Rate Counsel;
- 4) Approval of the Subscription Agreement and Multi-Subscriber Addendum for a five-year term, requiring Board review and approval on further term extensions;
- 5) Requiring notice 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 and Multi-Subscriber Addendum, with copy to Rate Counsel;
- 6) Reaffirming JCP&L's ongoing obligation under N.J.A.C. 14:4-3.7 to file its compliance plan with the Board at least once in every 12-month period or upon changes to the plan, and thereafter, within 12 months of the revised plan, and provide a copy of said plan to the Rate Counsel;
- 7) Reserving the Board's 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;
- 8) Reaffirming JCP&L's ongoing obligation to: submit annual filings to the Board, with copies to Rate Counsel, that include a description of any changes to the Subscription Agreement, Multi-Subscriber Addendum; JCP&L's required obligations and any changes thereto; as well as a break-down down of JCP&L's Grid Assurance related costs, together with supporting documentation; and
- 9) Requiring notice be provided to the Board upon filing a rate application with the FERC seeking to modify its transmission rates to recover Grid Assurance costs, together with copies of all such filings with copy to Rate Counsel.
- 10) Provide any other relief the Board may deem appropriate and necessary.

(Id. at 13 to 14).

JCP&L

On December 20, 2018, JCP&L filed reply comments in this matter. In its Reply Comments, JCP&L took issue with some of Rate Counsel's suggested conditions.

JCP&L asserted that Rate Counsel's Condition No. 1 should be rejected because it appears intended to unnecessarily restrict the Company's ability to take advantage of the timing and potentially competitive pricing associated with Discretionary Sales of Inventoried Spares under the Subscription Agreement. According to JCP&L, this would limit the benefit of avoiding lead-

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time delay for a non-qualifying event or project need, which is typically 12 to 18 months. In addition, Condition No. 1 would forego the potential benefit of competitive pricing under the Subscription Agreement under the then-prevailing circumstances. (JCP&L Reply Comments at 3).

JCP&L maintained that the ability to utilize the option for purchases under the Discretionary Sales' provision of the Subscription Agreement provides similar benefits as using the Subscription Agreement for Qualifying Events, including enhanced cost-effective resilience resulting in the more rapid recovery of electric system function and restoration of customers to service. However, since the Subscription Agreement establishes certain specific conditions regarding the circumstances and the pricing under which Grid Assurance discretionary sales may occur, JCP&L asserted that the Affiliate Standards are not violated. The Company further contended that there is no reason to deprive it, as a subscriber, of one of the potential benefits of the Subscription Agreement – ready access to transmission equipment at a transparent price in a time of non-catastrophic need, which, if and when available, will also allow the Company to quickly and effectively respond and recover from the non-catastrophic event. Since neither the Company, nor any affiliate controls the variables of equipment availability, pricing, or the decision to make a Subscription Agreement discretionary sale, JCP&L stated that none of the concerns that might otherwise support a restriction on such purchases are evident and there is no demonstrable or reasonable need to remove Grid Assurance from the available pool of potential suppliers from which the Company might source the needed equipment. (Id. at 3 to 4).

Additionally, the Company believes that Rate Counsel's Condition No. 2, wherein Rate Counsel acknowledges that under FPA Sections 205 and 206, FERC has the exclusive authority to review the rates, terms and conditions of "sales," while "reviews of "purchases" remain the province of state commissions." The Company does not object to Rate Counsel reserving the rights to challenge any related federal or state rate recovery filing before FERC or the Board, but JCP&L does object to Rate Counsel introducing conditions, which either seek to impose new regulatory requirements beyond general prudent decision-making with respect to such purchases or will merely introduce undefined or ill-defined standards for later argument. (Id. at 5).

JCP&L asserted that Rate Counsel's Condition No. 2 potentially and unnecessarily changes the efficiency and efficacy of the prudent management decision-making process as to whether or not to utilize the Subscription Agreement in a time of possibly extreme need, which may only result in delay in operational recovery and restoration. The Company surmised that Rate Counsel based Condition No. 2 on a similar condition in the STEP Order. JCP&L asserted that in the STEP Order, the Board found that the purchase price of the transformer sold by one participant to another "should adequately compensate New Jersey ratepayers so that a replacement transformer may be obtained at the lowest possible total cost to New Jersey ratepayers." The Board required that the excess of the purchase price over book value should be applied to the cost of purchasing a replacement transformer to meet the utility's required obligation under the STEP Agreement. JCP&L suggested that the Board's determination in the STEP Order allowed the selling utility the option to decide whether to use replacement cost or net book value as the purchase price for the committed spare to be sold thereunder, a term which does not exist under the Grid Assurance Subscription Agreement. Accordingly, JCP&L asserted that the Board does not need to impose such a specific and extraneous standard relative to the Company's decisions to utilize the Subscription Agreement for the purchase of a replacement transformer. (Id. at 5 to 7).

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JCP&L further indicated that, while it had several observations, it did not conceptually object to the remaining Rate Counsel conditions. Specifically, Conditions Nos. 3, 4, 5, 8, and 9 request reasonable reporting from the Company, which could be consolidated into an annual reporting obligation with certain additional notice requirements consistent with the Board's STEP Order. JCP&L asserted that the annual reporting should reflect that the Company maintains accounting records sufficient to separately track all expenses associated with the Grid Assurance Subscription Agreement, the Multi-Subscriber Addendum, and JCP&L's obligations thereunder and any changes thereto, and provide documentation regarding JCP&L purchases during the course of the reporting year, if any. The annual reporting in year four of the initial term of any renewal term would notify the Board and Rate Counsel regarding the Company's intention or decision-making status with respect to a further renewal term, allowing the Board to determine whether there is a need for any application and approval before proceeding with any planned extension. In addition, notice will be provided of related Subscription Agreement purchases within thirty days after the transaction, and timely notice and copies of any rate application with the FERC related to recovering Grid Assurance costs in transmission rates. JCP&L also observed that Conditions Nos. 6 and 7 merely reaffirm existing regulatory obligations which the Company has not sought any relief or exception, and therefore could be eliminated as redundant. (Id. at 7 to 8).

On December 21, 2018, Rate Counsel filed a response to JCP&L's reply comments. In its letter, Rate Counsel reaffirmed all of the recommended conditions as addressed in its initial comments. Rate Counsel noted that neither the Board, nor Rate Counsel, is a party to the Subscription Agreement that will ultimately cost New Jersey ratepayers, and that FERC has the exclusive authority to review the rates, terms and conditions of "sales," review of "purchases" remain the province of the state commissions. Rate Counsel stated that it does not understand how its first two conditions would frustrate the underlying purpose or negate the benefits sought and expected to be derived under the Subscription Agreement or cause a time delay as referenced by the Company in its comments. (Rate Counsel December 21 Letter at 1 to 2).

On December 26, 2018, JCP&L filed a response to Rate Counsel's December 21, 2018 letter. The Company continued to assert that Rate Counsel's Conditions Nos. 1 and 2 should be rejected by the Board. JCP&L noted that the Board and Rate Counsel are never parties to utility equipment procurement arrangements, so there is nothing unusual about this agreement. JCP&L further stated that nothing about JCP&L's entering into the Subscription Agreement upsets the normal boundaries of utility equipment procurement arrangements or the roles played by the Board and Rate Counsel. (JCP&L December 26 Letter at 1 to 2).

JCP&L maintained that Rate Counsel's Condition No. 1 unnecessarily restricts JCP&L's ability to take advantage of the timing and potentially competitive pricing associated with Discretionary Sales of inventoried Spares under the Subscription Agreement. The Subscription Agreement's allowance of discretionary sales provides the Company with additional supply options which typically increase competition and customer choice. Increased competition typically results in more efficient pricing, which is generally seen as a positive benefit. JCP&L stated that imposing Condition No.1 would unnecessarily strip that benefit from the Subscription Agreement. Assuming Grid Assurance can, and is willing to actually make a discretionary sale at the time, the Company would be able to evaluate the available pricing for the Grid Assurance option against other supply options taking into account the immediate availability of the Grid Assurance transformer as compared to other available market options, which, as industry experience reflects, could take between 12-18 months to procure. (Id. at 3 to 4).

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DISCUSSION AND FINDINGS

The Sparing Service fee for the first year is projected to be \$729,238 which covers Inventoried Spares, Warehouse Storage, Sales, Delivery and Logistics. The Agreement is for a five (5) year term and will automatically renew after each period. Participation in this program creates a streamlined process to quickly acquire transmission equipment in the event of a catastrophic Qualifying Event, which would not otherwise be possible without the existence of the Agreement. The Subscription Agreement sets forth a method to determine the fee associated for those interested in partaking in the Subscription Service as well as sale of the equipment at cost. The Board **FINDS** that the proposed Agreement is in the public interest and will not negatively impact JCP&L's ability to render safe, adequate and proper service.

The Board's Affiliate Standards establish standards for transactions between an electric or gas utility and affiliates and are designed to prevent anti-competitive behavior and cross-subsidization. Since JCP&L affiliate, First Energy Transmission LLC, will have 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, requiring Board approval under N.J.S.A. 48:3-7.1. The Company also seeks approval that transactions undertaken pursuant to the Subscription Agreement shall be deemed in compliance with the Affiliate Standards as well. The Board agrees and **FINDS** that the proposed transactions do not violate its Affiliate Standards.

The Subscription Agreement states that JCP&L will be able to purchase transmission equipment and transformers, at cost, from Grid Assurance providing the lowest possible cost to ratepayers. However, the Board agrees with Rate Counsel that several reporting requirements need to be implemented to protect ratepayers' interests.

After a full review of the record in this matter, the Board **HEREBY ORDERS** that the Subscription Agreement be deemed in compliance with the Board's Affiliate Standards under N.J.A.C. 14:4-3. Accordingly, the Board **HEREBY APPROVES** the request to enter into the Subscription Agreement with Grid Assurance.

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 days after the transaction, with copy to Rate Counsel;
2. This Approval of the Subscription Agreement and Multi-Subscriber Addendum is for its initial five-year term. Board review and approval of further term extensions is required. This 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 Subscription Agreement, Multi-Subscriber Addendum; JCP&L's required obligations and any changes thereto; as well as a breakdown 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;

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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 and Multi-Subscriber Addendum, 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 12-month period or upon changes to the plan, and thereafter, within 12 months of the revised plan, and provide a copy of said 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 FERC seeking to modify its transmission rates to recover Grid Assurance costs, together with copies of all such filings with copy to Rate Counsel.

With respect to Rate Counsel's other proposed conditions, the Board notes that nothing in this Order affects nor in any way limits the exercise of the authority of the Board or of this State, in any future petition or in any proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matters affecting JCP&L. The Board and Rate Counsel retain the right to challenge any related federal or state rate recovery filing before the FERC or the Board. The Board believes that, as recognized by Rate Counsel, the Agreement ensures quick access to a one stop shop that should enable a much shorter response time to provide transmission equipment. This benefit should also be available during non-qualifying events. Accordingly, the Board **HEREBY REJECTS** Rate Counsel's recommended conditions to limit only "required transfers" necessitated by a triggering Qualifying Event and emergency repair work that is vital to providing service to ratepayers as well as the requirement that sale/purchase of replacement transformer and transmission equipment be obtained at the lowest possible total cost to ratepayers. Nonetheless, the Board is confident that Board staff and Rate Counsel will continue to monitor purchases made by JCP&L relating to non-qualifying events to ensure that JCP&L is prudently weighing the cost and lead time of purchasing from Grid Assurance versus purchasing from a supplier. Any purchases from Grid Assurance must be prudent.

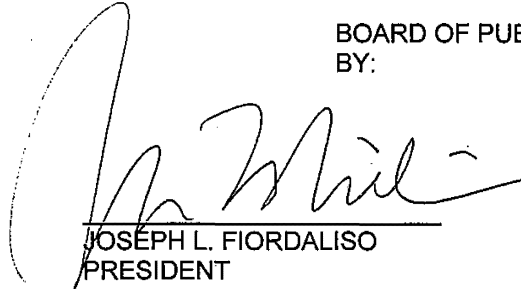
The Company's costs remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

Agenda Date: 2/27/19
Agenda Item: 2K

This Order shall be effective as of March 9, 2019.


DATED: 2/27/19


BOARD OF PUBLIC UTILITIES
BY:


JOSEPH L. FIORDALISO
PRESIDENT

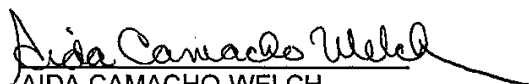

MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER


ROBERT M. GORDON
COMMISSIONER

ATTEST:


AIDA CAMACHO-WELCH
SECRETARY

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

Agenda Date: 2/27/19
Agenda Item: 2K

IN THE MATTER OF 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
DOCKET NO. EM18090985

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Agenda Date: 2/27/19
Agenda Item: 2K

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EXHIBIT B

**[DOCUMENT WITHHELD FROM PUBLIC DISCLOSURE AS CONFIDENTIAL AND
PROPRIETARY IN NATURE.]**

EXHIBIT C

**[DOCUMENT WITHHELD FROM PUBLIC DISCLOSURE AS CONFIDENTIAL AND
PROPRIETARY IN NATURE.]**