



Agenda Date: 5/19/21
Agenda Item: IIA

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
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 AND LIGHT COMPANY) ORDER
FOR AUTHORITY TO ISSUE AND SELL UP TO)
\$500,000,000 AGGREGATE PRINCIPAL AMOUNT OF)
SENIOR NOTES IN ONE OR MORE SERIES AND TO)
MAKE, EXECUTE AND DELIVER ONE OR MORE)
SUPPLEMENTAL INDENTURES IN CONNECTION)
THEREWITH) DOCKET NO. EF20120759

Parties of Record:

Stephanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Gregory Eisenstark, Esq., Cozen O'Connor

BY THE BOARD:

On December 22, 2020, Jersey Central Power and Light Company ("Petitioner" or "Company"), a public utility of the State of New Jersey, filed a petition with the New Jersey Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9, seeking authority to issue and sell, in one or more series from time to time through October 30, 2022, notes ("New Senior Notes") in an aggregate principal amount not to exceed \$500,000,000, and to make, execute and deliver to The Bank of New York Mellon, as successor trustee ("Senior Note Trustee"), one or more supplemental indentures to the indenture ("Senior Note Indenture") between the Company and the Senior Note Trustee, dated as of July 1, 1999, as amended from time to time for the purpose, among other things, of describing the terms of the New Senior Notes.

By Orders of the Board dated (i) March 18, 1999, October 26, 2000, April 25, 2001, and November 22, 2002, in Docket No. EF98121419; (ii) April 5, 2004, in Docket No. EF03100838; (iii) April 27, 2006, in Docket No. EF06020085; (iv) April 13, 2007, in Docket No. EF07010015 (the "2007 Order"); (v) December 9, 2008, in Docket No. EF08090719 ("2008 Order"); (vi) February 20, 2013 in Docket No. EF12111053 ("2013 Order"); and (vii) January 17, 2019 in Docket No. EF18090979 ("2019 Order" and, together with the other Orders referred to above, the "Prior Orders"), the Petitioner was granted authority to issue and sell, and issued and sold, among other things, \$2,950,000,000 aggregate principal amount of senior notes (collectively, the "Prior Senior Notes") under the Senior Note Indenture.

According to the Petitioner, the Prior Senior Notes, excluding the senior notes authorized under the 2008, 2013 and 2019 Orders, were initially secured by a corresponding principal amount of so-called "mirror" first mortgage bonds issued under the Company's mortgage Indenture dated as of March 1, 1946, as supplemented and amended (the "Mortgage"). However, following the application of the proceeds of the Prior Senior Notes that were issued and sold in 2007 pursuant to the 2007 Order, consistent with the terms of the Note Indenture and the Prior Senior Notes and as contemplated by the 2007 Order, all of the "mirror" first mortgage bonds securing all of the Prior Senior Notes were cancelled and ceased to secure the Prior Senior Notes, which became unsecured general obligations of the Company. In addition, the Mortgage was satisfied, and the lien cancelled and discharged, on September 14, 2007. As a result, and as recognized by the Prior Orders, including the 2007 Order and 2008 Order, the Company cannot issue any additional first mortgage bonds, and no "mirror" first mortgage bonds will be issued to secure the New Senior Notes.

The Petitioner desires to maintain the flexibility to issue and sell the New Senior Notes in one or more transactions, publicly, through either competitive biddings or negotiated underwritings, or privately, through direct placements. The Petitioner states that the New Senior Notes will be sold primarily based on their own credit ratings as unsecured general obligations of the Company, and that these and similar securities should be treated by investors as relatively fungible as between issuers. The Petitioner asserts that securities such as the New Senior Notes are typically sold with interest rates negotiated at the time of sale based upon spreads over comparable maturities of U.S. Treasury securities. Based upon past experience with its prior issuances and sales of the Prior Senior Notes, the Petitioner expects that there will be competition, not only among the institutional investors seeking to purchase the New Senior Notes within a given maturity range and credit rating, but also among the underwriters seeking to place the issue on behalf of the Petitioner, with the underwriters competing primarily in the areas of the "quality" of the investor base and investor pricing requirements. The Petitioner requests that, should it determine, based upon existing market conditions and other relevant factors, to issue and sell the New Senior Notes, it should be authorized to do so on a negotiated basis in a manner similar to that authorized in the past by the Board in the Prior Orders. The Company proposes that New Senior Notes will have maturity dates of not less than one year nor more than thirty-one years from the date of issuance.

The Petitioner proposes entering into underwriting agreements with one or more established underwriters from time to time and intends to offer the New Senior Notes for sale to purchasers through those underwriters or directly to underwriters as principals. According to the Company, underwriters will utilize the competitive forces of the marketplace to sell the New Senior Notes at rates and on terms favorable to the Petitioner. In essence, the underwriters will solicit indications of interest for the purchase of the New Senior Notes so as to create the greatest demand practicable for the securities. To take advantage of the competition, new issues are typically announced with no price guidelines while the underwriter leads build an oversubscribed order book. The Petitioner maintains that this demand will generate competition among the potential purchasers so as to achieve the most aggressive pricing levels. The Petitioner also requested authority to utilize competitive bidding and direct private placement as flexibility of use of these methods of sale will allow the Petitioner to get the best possible rates and terms and satisfies the competitive bidding requirements of the Board. The price of the securities will be based on a competitive process.

On the basis of current and historical market conditions, including consideration of current U.S. Treasury securities rates and market all-in yield rates for comparable securities, the Petitioner anticipates that the maximum coupon spread over U.S. Treasury securities for the New Senior Notes will be as follows:

Range of Maturities	Maximum Coupon Spread Over U.S. Treasury Securities Basis Points
Up to 5 years	320
From 5 years to 10 years	340
From 10 years to 30 years	360

These proposed coupon spreads are based upon the difference between market yield of unsecured corporate debt securities having ratings comparable to the Petitioner's senior notes and U.S. Treasury securities with like maturities. These maximum coupon spreads are designed to allow for differences in redemption provisions as well as for ordinary market volatility. If market conditions change materially, the Petitioner will deliver an updated yield spread schedule to the Board.

According to the petition, the purpose of the issuance of the New Senior Notes is to provide a portion of the permanent financing required by the Company to provide safe, adequate and proper service to the public. The Company expects to apply the net proceeds of the sale of the New Senior Notes to the repayment of outstanding short-term debt, to address storm recovery and restoration costs and expenses, capital expenditures, working capital requirements and for other general corporate purposes, including to reimburse the Company's treasury for funds previously expended therefrom for the above purposes. The Company notes that it may also use such net proceeds to repurchase senior notes in the open market.

The Petitioner represents that it will not repurchase outstanding senior notes at a premium, i.e., at a price above par or stated value, unless the estimated present value savings derived from the difference between interest or dividend payments on a new issue of comparable securities and those securities refunded is on an after-tax basis greater than the estimated present value of all redemption, tendering and issuing costs, assuming an appropriate discount rate ("Repurchase Savings").

The Division of Rate Counsel ("Rate Counsel") reviewed this matter and, by letter dated April 27, 2021, is not opposed to Board approval subject to the provisions below.

DISCUSSION AND FINDINGS

The Board, having considered the record and exhibits submitted in this proceeding, is satisfied that the action proposed to be taken by the Petitioner will improve the Petitioner's capital structure, reduce risk associated with fluctuations in short-term interest rates, provide a portion of the permanent financing required by the Company to provide safe, adequate and proper service to the public, and, through the reduction of common equity, the most expensive component of the capital structure, should result in savings which will be passed on to customers in the form of lower capital costs. Moreover, the proposed financing is consistent with the Board's policy that

utilities engage in competition sales of debt financing. Accordingly, the Board **HEREBY FINDS** that the proposed transaction is in accordance with law, is in the public interest, and approving the purposes thereof **HEREBY ORDERS** that the Petitioner be and is **HEREBY AUTHORIZED**, from time to time through October 30, 2022:

1. Without further Order of the Board, to issue and sell, in one or more series through October 30, 2022, New Senior Notes in an aggregate principal amount not to exceed \$500,000,000 and, in connection therewith, to make, execute and deliver to the Senior Note Trustee one or more supplemental indentures to the Senior Note Indenture for the purpose, among other things, of providing for the issuance of such New Senior Notes in series and describing the terms of the New Senior Notes; and
2. Without further Order of the Board, to repurchase senior notes at a premium, if such action yields Repurchase Savings.

This Order is issued subject to the following conditions:

1. With respect to each issue of New Senior Notes, the Petitioner shall provide the following material for informational purposes as soon as it is available and in no event later than 24 hours prior to the anticipated time for the pricing (which materials may be provided by facsimile transmission or by hand delivery to the Office of the Chief Economist and confirmed by mail to the Board and are deemed provided upon dispatch):
 - (a) a statement with respect to the indicative pricing for the New Senior Notes and the terms thereof which shall specify:
 - (i) the anticipated date and time for the pricing of the New Senior Notes,
 - (ii) the aggregate principal amount of the New Senior Notes,
 - (iii) the terms and conditions upon which the New Senior Notes may be redeemed, whether at the option of the Petitioner, pursuant to any mandatory provision, or otherwise, and
 - (iv) such other provisions as may be established by the Petitioner with respect to the terms and conditions of the New Senior Notes and the pricing therefore; and
 - (b) an assessment of the then current financial markets applicable to the New Senior Notes which shall include:
 - (i) data with respect to recent sales of comparable securities of other utilities, if any,
 - (ii) data with respect to current yields on certain outstanding long-term notes of the Petitioner,
 - (iii) anticipated compensation to and the names of the underwriters for the New Senior Notes,
 - (iv) the anticipated range of the yield of the New Senior Notes based upon current market conditions, and
 - (v) such other information the Petitioner deems relevant to assess the expected sale of the New Senior Notes and the reasonableness of the effective cost of money rate thereof.
2. If (a) the interest rate on any series of New Senior Notes, in relation to U.S. Treasury securities, does not exceed the range set forth in the table above, and (b) the

compensation to the underwriters with respect to any series does not exceed 1.0% of the aggregate principal amount of the New Senior Notes to be issued and sold, the Petitioner may effect New Senior Notes transactions without further Order of the Board. If either the interest rate or the compensation to the underwriters exceeds such amounts, the proposed issuance and sale of such New Senior Notes shall not be consummated without further Order of the Board.


3. The Petitioner shall, as promptly as is practical after acceptance of an offer for, and the pricing of, any New Senior Notes, notify the Office of the Chief Economist and Rate Counsel in writing, of the action to be taken and include a statement setting forth the compensation to and names of the underwriters, and, as applicable, the aggregate principal amount of New Senior Notes, the interest rate of the New Senior Notes and any other material provision with respect to the terms and conditions of the New Senior Notes.
4. The Petitioner shall furnish the Board with copies of executed documents filed with other regulatory agencies relating to the New Senior Notes.
5. The New Senior Notes authorized herein shall not be redeemed at a premium prior to maturity without further Board approval, unless the estimated present value savings derived from the difference between interest or dividend payments on a new issue of comparable securities and those securities refunded is on an after-tax basis greater than the estimated present value of all redemption, tendering and issuing costs, assuming an appropriate discount rate.
6. The approval by the Board of JCP&L's petition shall not constitute pre-approval for any costs or authorization for rate recovery. All capital costs are subject to review in the Company's next base rate proceeding.
7. The approval by the Board of JCP&L's petition shall not be construed as a certification that the securities authorized to be offered for sale will be represented by tangible or intangible assets of commensurate value or investment costs.
8. The Petitioner shall furnish the Board with copies of all executed supplements to the Senior Note Indenture.
9. The approval by the Board of JCP&L's petition shall not affect nor in any way limit the exercise of the authority of this Board or of this state, in any future petition or any proceedings with respect to rates, franchises, services, financing (including method of sale of securities), accounting, capitalization, depreciation, or in any other matters affecting the Petitioner.
10. The approval by the Board of JCP&L's petition shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by the Petitioner.
11. The Petitioner shall semi-annually file reports required in N.J.A.C. 14:1-5.9 (b) describing the terms and conditions of all the New Senior Notes issued during that period together with a calculation of the cumulative principal amount, and the manner in which the proceeds thereof have been disbursed.

12. The debt issuance authority granted by the Board in this docket is to be used to fund utility operations and investments only, not to fund unregulated entities.
13. The Company shall endeavor to issue its planned long-term debt at lowest reasonable cost.
14. The Company shall utilize a prudent and cost-effective capital structure and mix of capital to finance its utility rate base at lowest reasonable cost.
15. The authority granted in this order shall become null and void and of no effect with respect to any portion which is not exercised on or before October 30, 2022.
16. Rate Counsel reserves all rights to take appropriate positions in future Board proceedings involving the Company, including any such proceeding pending before the Board at this time.

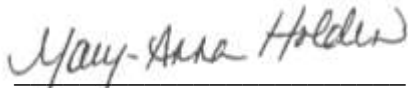
This Order shall become effective on May 24, 2021.

DATED: May 19, 2021

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

IN THE MATTER OF THE VERIFIED PETITION OF JERSEY CENTRAL POWER AND LIGHT
COMPANY FOR AUTHORITY TO ISSUE AND SELL UP TO \$500,000,000 AGGREGATE
PRINCIPAL AMOUNT OF SENIOR NOTES IN ONE OR MORE SERIES AND TO MAKE,
EXECUTE AND DELIVER ONE OR MORE SUPPLEMENTAL INDENTURES IN CONNECTION
THEREWITH - DOCKET NO. EF20120759

SERVICE LIST

Division of Rate Counsel
Post Office Box 003
Trenton, NJ 08625-0003

Stefanie A. Brand, Esq., Director
sbrand@rpa.nj.gov

Brian Lipman, Deputy Rate Counsel
blipman@rpa.nj.gov

David Wand, Esq.
dwand@rpa.nj.gov

Robert M. Glover, Esq.
rglover@rpa.nj.gov

Debora Layugan
dlayugan@rpa.nj.gov

Tylise Hyman
NJ Division of Rate Counsel
thyman@rpa.nj.gov

Matthew I. Kahal
Exeter Associates, Inc.
1108 Pheasant Crossing
Charlottesville, VA 22901
mkahal@exeterassociates.com

Lauren Lepkoski, Esq.
FirstEnergy Service Company
2800 Pottsville Pke
Reading, PA 19612
llepkoski@firstenergycorp.com

Mark Mader
Jersey Central Power and Light Company
300 Madison Avenue
Post Office Box 1911
Morristown, NJ 07960-1911
mamader@firstenergycorp.com

Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Aida Camacho-Welch, Secretary
Board.secretary@bpu.nj.gov

Paul Flanagan, Esq.
Executive Director
Paul.flanagan@bpu.nj.gov

Robert Brabston, Deputy Executive Director
Robert.Brabston@bpu.nj.gov

Benjamin Witherell, Chief Economist
Ben.Witherell@bpu.nj.gov

Christine Lin
Christine.Lin@bpu.nj.gov

Jacqueline O'Grady
Jacqueline.Ogrady@bpu.nj.gov

Abraham Silverman, Esq.
General Counsel
Abe.Silverman@bpu.nj.gov

Stacy Peterson, Director
Stacy.Peterson@bpu.nj.gov

Department of Law and Public Safety
Division of Law
25 Market Street, Post Office Box 112
Trenton, NJ 08625

Pamela Owen, DAG
Pamela.Owen@law.njoag.gov

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

Stephanie Bencin, Esq.
FirstEnergy Service Company
76 S. Main Street, 15th Floor
Akron, Ohio 44308
sbencin@firstenergycorp.com

Gregory Eisenstark, Esq.
Cozen O'Connor
One Gateway Center, Suite 910
Newark, NJ 07102
geisensentark@cozen.com