



Agenda Date: 12/21/22
Agenda Item: IIA

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE VERIFIED PETITION OF)
JERSEY CENTRAL POWER & LIGHT COMPANY FOR)
AUTHORIZATION PURSUANT TO N.J.S.A. 48:3-7.2)
FOR APPROVAL TO PARTICIPATE IN THE)
FIRSTENERGY CORPORATION INTRA SYSTEM)
MONEY POOL AMENDMENT NO. 10 TO THE PETITION)

ORDER
DOCKET NO. EF02030185

Parties of Record:

Brian O. Lipman, Esq, Director, New Jersey Division of Rate Counsel
Joshua R. Eckert, Esq., Jersey Central Power & Light Company

BY THE BOARD:

On August 22, 2022, Jersey Central Power & Light Company (“Company”, “JCP&L”, or “Petitioner”), a public utility corporation of the State of New Jersey, having offices in Morristown, New Jersey and Holmdel, New Jersey, filed a petition with the New Jersey Board of Public Utilities (“Board”) seeking (1) a 10th extension of the time during which JCP&L may participate in the FirstEnergy Intra System Utility Money Pool (“Money Pool”), through December 31, 2025, and (2) authorization to increase the limitation on its Money Pool borrowings to an aggregate principal amount not to exceed \$500 million outstanding at any one time (“Petition”).

BACKGROUND AND PROCEDURAL HISTORY

By Orders dated July 24, 2002, April 11, 2003, April 20, 2005, December 21, 2007, March 18, 2011, March 20, 2013, January 25, 2017 and December 6, 2019 (collectively, “Money Pool Orders”), the Board authorized the Company, subject to certain conditions specified in the Money Pool Orders, to periodically participate in the Money Pool maintained for the benefit of various public utility subsidiaries of FirstEnergy Corp. (“FirstEnergy”) through December 31, 2022.¹ The Money Pool is comprised of various FirstEnergy public utility subsidiaries which invest available cash in the Money Pool, to then be loaned to other participating FirstEnergy utility subsidiaries to meet their short-term operating needs.

JCP&L noted that, if continued participation is authorized, it will periodically make available to the

¹ The Money Pool Orders were all filed under BPU Docket No. EF02030185.

Money Pool, through December 31, 2025, surplus short-term funds in accordance with the Money Pool's terms. Other participating subsidiaries may also contribute surplus short-term funds to the Money Pool.² Other participating subsidiaries may also make proceeds from bank borrowings or other forms of short-term indebtedness by other participating subsidiaries ("External Funds") available to the Money Pool.

The Company described, in its petition filed March 19, 2002 ("March 2002 Petition"), that participating companies that borrow through the Money Pool would borrow pro rata from each company that lends, in the proportion that the total amount loaned by each such lending company bears to the total amount then loaned through the Money Pool. On any day when more than one(1) fund source (e.g., Internal and External Funds) with different rates of interest are used to fund loans through the Money Pool, borrowers would each borrow pro rata from each such fund source in the Money Pool in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available to the Money Pool.

The March 2002 Petition further provided that, if only Internal Funds comprise the Money Pool, the interest rate applicable and payable to or by the participating subsidiaries for all loans of these Internal Funds will be the greater of the 30-Day LIBOR (London Inter-Bank Offered Rate) rate as quoted in The Wall Street Journal or the money market rate that a lending participating subsidiary could have obtained if it placed its excess cash in such an investment.

According to the March 2002 Petition, if only External Funds comprise the Money Pool, the interest rate applicable to loans of such External Funds would be equal to the lending company's cost for such External Funds. Appropriate "blending" and pro-rating will be used if more than one (1) participating subsidiary made funds available to the Money Pool or both Internal and External Funds are available in the Money Pool, provided that loans may be made exclusively from Internal Funds or External Funds, rather than from a "blend" of these funds, to the extent it is expected that these loans would result in a lower cost of borrowing. As stated above, JCP&L may make Internal Funds available to the Money Pool but shall not make External Funds available to the Money Pool for the specific purpose of lending to the Money Pool. Further, JCP&L may borrow both Internal and External Funds provided by other participating subsidiaries, provided this is the least costly borrowing alternative available to JCP&L.

The March 2002 Petition further provided that funds not required by the Money Pool to make loans (with the exception of funds required to satisfy the Money Pool's liquidity requirements) are ordinarily invested in one (1) or more short-term investments, including: 1) interest bearing accounts with banks; 2) obligations issued or guaranteed by the U.S. government or its agencies and instrumentalities, including obligations under repurchase agreements; 3) obligations issued or guaranteed by any state or political subdivision of a state, provided that these obligations are rated not less than "A" by a nationally recognized rating agency; 4) commercial paper rated not less than "A-1" or "P-1" or their equivalent by a nationally recognized rating agency; 5) money market funds; 6) bank certificates of deposit; and 7) Eurodollar funds.

The interest income and other investment income earned by the Money Pool on loans and investment of surplus funds will be allocated among the participating companies proportionally to each participating company's contribution of funds to the total amount of funds in the Money Pool and the cost of any External Funds provided to the Money Pool by a participating company.

² Surplus short-term funds, whether provided by JCP&L or other subsidiaries, are hereinafter referred to as "Internal Funds."

Interest and other investment earnings will be computed on a daily basis and settled once per month.

JCP&L represented that FirstEnergy Service Company (“ServeCo”) will continue to administer the Money Pool on an “at cost” basis in accordance with the rules previously adopted by the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935, which the Federal Energy Regulatory Commission has accepted for continued use under the Public Utility Holding Company Act of 2005. ServeCo is required to maintain separate records for the proposed Money Pool and any other money pool it administers.

If continued participation is approved, JCP&L noted it will make its surplus short term funds available to the Money Pool so long as all borrowers in the Money Pool have, at a minimum, investment grade credit ratings from all applicable nationally recognized rating agencies from which ratings are obtained. Therefore, any participating subsidiary that does not meet the applicable credit rating standard would not be allowed to borrow from the Money Pool so long as JCP&L is contributing funds to the Money Pool. If a participating subsidiary has an outstanding loan from the Money Pool at a time when JCP&L is deemed to be a lender (because JCP&L had contributed funds to the Money Pool that were deemed included in such outstanding loan), such participating subsidiary would be required to repay that loan immediately upon no longer meeting the applicable credit rating standard.

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

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

Under Amendment 10 of the March 2002 Petition, Petitioner agreed that its borrowing through the Money Pool shall not exceed \$500 million.

The Company represented that its continued participation in the Money Pool, on the terms discussed herein and in the petition, is in compliance with all of the provisions of the money pool-related regulations. N.J.A.C. 14:4-4.7(f), (g) and (h).

In a letter dated November 30, 2022, the New Jersey Division of Rate Counsel (“Rate Counsel”)

stated that it does not object to the Company's extension and borrowing limit requests, subject to the limitations and clarifications included in this order. Rate Counsel also reserved its rights to take appropriate positions in current and future Board proceedings involving JCP&L.

DISCUSSION AND FINDINGS

The Board, after a thorough investigation and review of the Petition, the record, and all of the submissions in this matter, and after consideration of the recommendations of Rate Counsel and Board Staff, **HEREBY FINDS** that JCP&L's participation in the Money Pool on the conditions specified below and in the Money Pool Orders is in compliance with the law.

The Board **FURTHER FINDS** JCP&L's requested borrowing limit of \$500 million and extension of time during which Petitioner may participate in the Money Pool are necessary and proper.

As such, the Board **HEREBY AUTHORIZES** JCP&L to continue to participate in the Money Pool through December 31, 2025, subject to the conditions of the initial Order except as modified herein. The Board **FURTHER AUTHORIZES** JCP&L to increase the limitation on its Money Pool borrowings to an aggregate principal amount not to exceed \$500 million outstanding at any one time.

This Order is subject to the following provisions:


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

10. The proceeds from the Money Pool borrowings shall be used only for JCP&L's utility operations and shall not be used for purposes of funding the company's or its affiliates' non-regulated operations.
11. Nothing in this Order authorizes rate recovery from customers, or the capital structure to be used in any future base rate case.
12. The Company is obligated to utilize a prudent and cost effective capital structure and mix of capital to finance its utility operations at lowest reasonable cost.
13. Any petition requesting authorization to extend the time within which JCP&L may participate in the Money Pool (i.e. for Amendment No. 11) shall be filed no later than September 1, 2025.
14. Petitioner shall review the need for and merits of a commercial paper program as a supplement to or (on occasion) substitute for Money Pool borrowings based on the availability and costs of those borrowings, and provide such information to Rate Counsel and Board Staff on an annual basis and at the time of filing any future extension request.
15. The appropriateness of any sanctions for JCP&L's violation of N.J.A.C 14:4-4.7(f)(4) and N.J.A.C. 14:4-4.7(h) between November 23, 2020 and March 21, 2021 has not been determined by the Board and may be considered at a future date as part of this or another appropriate proceeding.

This Order shall become effective on December 28, 2022.

DATED: December 21, 2022

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER



DR. ZENON CHRISTODOULOU
COMMISSIONER

ATTEST: 

CARMEN D. DIAZ
ACTING SECRETARY

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

IN THE MATTER OF THE VERIFIED PETITION OF JERSEY CENTRAL POWER & LIGHT
COMPANY FOR AUTHORIZATION PURSUANT TO N.J.S.A. 48:3-7.2 FOR APPROVAL TO
PARTICIPATE IN THE FIRSTENERGY CORPORATION INTRA SYSTEM MONEY POOL
AMENDMENT NO. 10 TO THE PETITION

DOCKET NO. EF02030185

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