



Agenda Date: 3/20/13  
Agenda Item: 2C

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE VERIFIED PETITION OF )  
JERSEY CENTRAL POWER & LIGHT COMPANY ) ORDER MODIFYING  
FOR AUTHORIZATION PURSUANT TO N.J.S.A. ) ORDER DATED JULY 24, 2002  
48:3-7.2 FOR APPROVAL TO PARTICIPATE IN )  
THE FIRSTENERGY CORP. INTRASYSTEM )  
MONEY POOL ) DOCKET NO. EF02030185  
AMENDMENT NO. 7

**Parties of Record:**

**Gregory Eisenstark, Esq.**, Morgan, Lewis & Bockius LLP, for Petitioner  
**Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel

**BY THE BOARD:**

On January 29, 2013, Jersey Central Power & Light ("Company" or "JCP&L"), a public utility corporation of the State of New Jersey having offices in Morristown, New Jersey, filed a petition with the New Jersey Board of Public Utilities ("Board") seeking (i) an extension of the time within which JCP&L may participate in the FirstEnergy Intersystem Utility Money Pool ("Money Pool"), through December 31, 2016, and (ii) authorization to modify the limitations on its Money Pool borrowings on both a temporary and permanent basis. By this Order, the Board considers those requests.

By Orders of the Board dated July 24, 2002, April 11, 2003, April 20, 2005, December 21, 2007, December 17, 2009 and September 22, 2011 (collectively, "Money Pool Orders"), the Board authorized the Company, from time to time through December 31, 2013 and subject to certain conditions specified in the Money Pool Orders, to participate in the Money Pool maintained for the benefit of various public utility subsidiaries of FirstEnergy Corp. ("FirstEnergy"), including the Company. The Money Pool is made up of various FirstEnergy public utility subsidiaries investing available cash in the Money Pool, which may then be loaned by the Money Pool to other participating FirstEnergy utility subsidiaries to meet their short-term operating needs.

According to the petition, if continued participation is authorized, JCP&L will make available to the Money Pool, from time to time through December 31, 2016, surplus short-term funds in accordance with the terms of the Money Pool. Other participating subsidiaries may also make surplus short-term funds available to the Money Pool (surplus short-term funds, whether provided by JCP&L or other subsidiaries, are referred to as "Internal Funds"). Other

participating subsidiaries may also make available to the Money Pool proceeds from bank borrowings or other forms of short-term indebtedness by those other participating subsidiaries (referred to as "External Funds").

As described in the petition, 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 fund source (e.g., Internal and External Funds), with different rates of interest, is used to fund the loans through the Money Pool, each borrower would 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.

If only Internal Funds make up the funds available in 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 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.

If only External Funds comprise the funds available in the Money Pool, the interest rate applicable to loans of these External Funds would be equal to the lending company's cost for the External Funds. Appropriate "blending" and pro-rating will be effected if more than one participating subsidiary has made funds available to the Money Pool and/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. As proposed, 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.

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 or more short-term investments, including: (1) interest bearing accounts with banks; (2) obligations issued or guaranteed by the U.S. government and/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 in accordance with the proportion each participating company's contribution of funds to the Money Pool bears to the total amount of funds in the Money Pool and the cost of any External Funds provided to the Money Pool by such participating company. Interest and other investment earnings will be computed on a daily basis and settled once per month.

JCP&L represents 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 will make available its surplus short term funds 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), that participating subsidiary would be required to repay that loan immediately upon no longer meeting the applicable credit rating standard.

As described in the petition, 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 moneys from the Money Pool at any time. The determination of 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 the 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 the 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 or through the issuance of its commercial paper. No loans will be made available to FirstEnergy, ServeCo or Allegheny Service through the Money Pool.

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.

JCP&L agrees that its borrowing through the Money Pool shall not exceed \$850 million, until such time as JCP&L issues the senior notes authorized by the Board in its Order dated February 20, 2013 in Docket No. EF12111053, and thereafter shall not exceed \$600 million. The Company has stated that the request for the temporary increase in the borrowing limit under the Money Pool is for the purpose of providing the most cost effective short-term financing for repairs to the electric system necessitated by Superstorm Sandy.

The Company represents 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 March 7, 2013, Rate Counsel stated that it does not object to the Company's

extension and borrowing limit expansion requests, subject to the limitations and clarifications included in this order. Rate Counsel reserves its rights to take appropriate positions in future Board proceedings involving JCP&L, including in the Company's pending rate case.

The Board, after investigation and review of the Company's representations and submissions, and after consideration of the recommendations of Rate Counsel and Board Staff, **FINDS** that JCP&L's continued participation in the Money Pool, on the conditions specified below and in the Money Pool Orders, is in compliance with the law, and that the increase in the borrowing limits as more fully described below, and the extension of time within which the Company may participate in the Money Pool, are necessary and proper.

Accordingly, the Board **HEREBY AUTHORIZES** JCP&L to continue to participate in the Money Pool through December 31, 2016, subject to the conditions of the initial Money Pool Order except as modified herein.

This Order is subject to the following provisions:

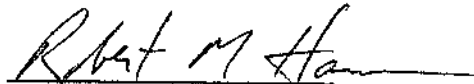
1. The temporary increase in JCP&L's borrowing limit of up to \$850 million through the Money Pool shall expire at the sooner of the following: completion of the \$750 million long term debt issuance authorized by the Board in its Order dated February 20, 2013 in Docket No. EF12111053 or one year from the date of this Order. Thereafter, the Company's borrowing limit through the Money Pool shall be \$600 million.
2. The Company shall not make any bank borrowings or issue commercial paper for the sole purpose of lending the proceeds to the Money Pool.
3. The Company shall not borrow from the Money Pool if it will be able to obtain funds at lower costs through a direct bank borrowing or issuance of commercial paper.
4. JCP&L'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. JCP&L 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. The Company shall not borrow any sum from the Money Pool for a period of greater than 364 days.
7. JCP&L 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. JCP&L 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, rules and Orders.
9. JCP&L shall inform the Board within three (3) business days of any participating subsidiary not meeting the applicable credit rating standard as described in the Money Pool Agreement.

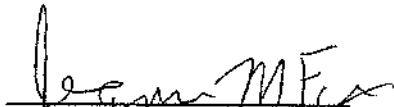
10. The proceeds from the Money Pool borrowings shall be used only for JCP&L's utility operations and shall not be used for purposes of funding the company's or its affiliates' non-regulated operations.
11. Nothing in this Order authorizes rate recovery from customers or the capital structure to be used in the Company's pending 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.

This Order shall be effective on March 29, 2013.

DATED: 3/20/13

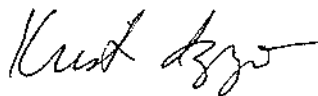
BOARD OF PUBLIC UTILITIES  
BY:

  
ROBERT M. HANNA  
PRESIDENT

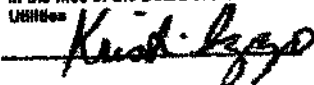
  
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KRISTI IZZO  
SECRETARY

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 First Energy Corp. Intra-system Money Pool**

**Docket No. EF02030185 Amendment 7**

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