

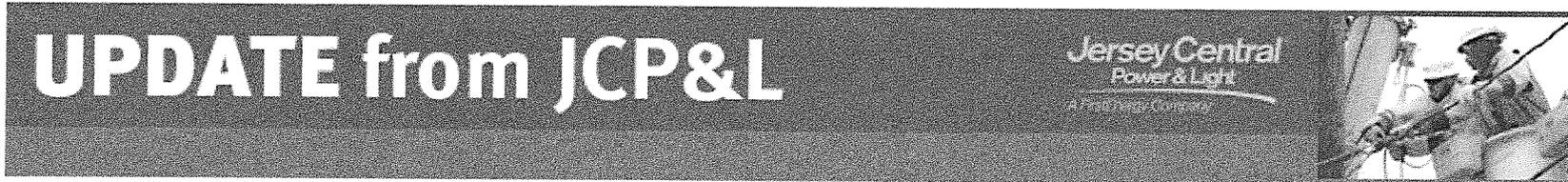
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Masser, Michelle

From: Lashway, Lisa
Sent: Monday, February 25, 2013 8:35 AM
To: Canning, Sean; Masser, Michelle
Subject: FW: JCP&L Submits Rate Filing For Hurricane Sandy Restoration Costs

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From: gricciardi@firstenergycorp.com [mailto:gricciardi@firstenergycorp.com]
Sent: Friday, February 22, 2013 4:44 PM
To: Lashway, Lisa
Subject: JCP&L Submits Rate Filing For Hurricane Sandy Restoration Costs



Jersey Central Power & Light (JCP&L) today filed a rate request to recover costs associated with rebuilding the electrical infrastructure in northern and central New Jersey following Hurricane Sandy and heavy snows from a nor'easter in 2012. The storms affected virtually every one of JCP&L's 1.1 million customers, and the resulting damage led to the largest restoration effort in the company's history.

The filing is a continuation of the process that began last year when the New Jersey Division of Rate Counsel filed a petition challenging the level of JCP&L's electric rates. Ultimately, JCP&L filed a rate increase request with the New Jersey Board of Public Utilities (BPU) on November 30, 2012, detailing its spending on operations, maintenance, capital investment and the costs associated with restoring power to customers after Hurricane Irene and the October snowstorm in 2011. At the time, JCP&L said the rate filing would be amended at a later date to include restoration costs from Hurricane Sandy.

Even with the proposed increase, JCP&L would continue to have the lowest residential electric rates among the four New Jersey electric distribution companies regulated by the BPU based on a state-wide average of 650 kilowatts hours of monthly usage. If approved by the BPU, JCP&L's rate filing, which would include the Hurricane Sandy restoration costs and the previously submitted rate request, would result in about a 4.5 percent overall rate increase for an average JCP&L residential customer using 650 kilowatt hours of electricity. This amount will be offset by a recently announced 3 percent decrease in generation service costs as a result of the BPU's electricity auction.

While the effect on individual customers' bills would depend on their specific residential or general service rate and actual monthly use, the impact from Hurricane Sandy and the previously proposed rate request would result in an increase in the average monthly bill from \$98.10 to \$102.54, or \$4.44 for a JCP&L residential customer using 650 kilowatt hours of electricity.

Under New Jersey law, the ratemaking process allows electric utility companies to recover the costs associated with providing electric service to customers, including major storm costs. Of the approximately \$630 million it spent on Hurricane Sandy, JCP&L's request seeks to recover in this proceeding approximately \$345 million for capital expenditures incurred while restoring service to customers and approximately \$258 million in non-capital costs which have been deferred. The company is proposing to recover these deferred costs through its base rates over a six-year period, beginning at the conclusion of the rate case now underway.

Hurricane Sandy restoration costs include the cost of cutting and clearing approximately 65,000 trees, substation repairs, and replacing 6,700 utility poles, 19,200 crossarms, 3,600 transformers and 400 miles of wire as a result of the storm. Other significant costs during the Hurricane Sandy restoration effort were the operational, labor and logistics expenditures associated with deploying approximately 13,000 workers – some from as far away as Florida and Oregon – to assess and repair the damage from this unprecedented event.

In an effort to offset the Hurricane Sandy repair costs, JCP&L has identified \$2.6 billion in projects for funding from the New Jersey Community Development Block Grant (CDBG) program. As proposed, a majority of the CDBG funds would be targeted for a comprehensive storm hardening program that can have a positive impact on future reliability and deployment of smart grid technologies while promoting economic development and job creation in communities throughout JCP&L's service area. The remainder of the grant funding could be used to offset the costs related to JCP&L's Hurricane Sandy service restoration effort. If approved for this purpose, the CDBG grants would be used to help reduce JCP&L customers' electric bills.

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