

December 30, 2011

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

**Re: NERC Full Notice of Penalty regarding Jersey Central Power & Light Company,
FERC Docket No. NP12-_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty¹ regarding Jersey Central Power & Light Company (Jersey Central), NERC Registry ID# NCR00806,² in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations and orders, as well as NERC Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).³

On December 22, 2010, Jersey Central submitted a Self-Report to ReliabilityFirst Corporation (ReliabilityFirst) stating Jersey Central violated PRC-007-0 R1 by failing to ensure that its under frequency load shedding (UFLS) program was consistent with ReliabilityFirst's UFLS program requirements. This Notice of Penalty is being filed with the Commission because ReliabilityFirst and Jersey Central have entered into a Settlement Agreement to resolve all outstanding issues arising from ReliabilityFirst's determination and findings of the violation⁴ of PRC-007-0 R1. According to the Settlement Agreement, Jersey Central neither admits nor

¹ *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards* (Order No. 672), III FERC Stats. & Regs. ¶ 31,204 (2006); *Notice of New Docket Prefix "NP" for Notices of Penalty Filed by the North American Electric Reliability Corporation*, Docket No. RM05-30-000 (February 7, 2008). See also 18 C.F.R. Part 39 (2011). *Mandatory Reliability Standards for the Bulk-Power System*, FERC Stats. & Regs. ¶ 31,242 (2007) (Order No. 693), *reh'g denied*, 120 FERC ¶ 61,053 (2007) (Order No. 693-A). See 18 C.F.R. § 39.7(c)(2).

² ReliabilityFirst Corporation confirmed that Jersey Central was included on the NERC Compliance Registry as a Distribution Provider (DP), Generator Owner (GO), Load Serving Entity (LSE), Purchasing-Selling Entity (PSE), and Transmission Owner (TO) on May 30, 2007. As a DP and TO, Jersey Central is subject to the requirements of NERC Reliability Standard PRC-007-0 R1. The Settlement Agreement incorrectly applies this violation to Jersey Central's LSE function as well.

³ See 18 C.F.R. § 39.7(c)(2).

⁴ For purposes of this document, each violation at issue is described as a "violation," regardless of its procedural posture and whether it was a possible, alleged or confirmed violation.

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denies the violation, but has agreed to the assessed penalty of thirty-seven thousand dollars (\$37,000), in addition to other remedies and actions to mitigate the instant violation and facilitate future compliance under the terms and conditions of the Settlement Agreement. Accordingly, the violation identified as NERC Violation Tracking Identification Number RFC201000695 is being filed in accordance with the NERC Rules of Procedure and the CMEP.

Statement of Findings Underlying the Violation

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on August 26, 2011, by and between ReliabilityFirst and Jersey Central, which is included as Attachment a. The details of the findings and basis for the penalty are set forth in the Settlement Agreement and herein. This Notice of Penalty filing contains the basis for approval of the Settlement Agreement by the NERC Board of Trustees Compliance Committee (NERC BOTCC). In accordance with Section 39.7 of the Commission’s regulations, 18 C.F.R. § 39.7 (2007), NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty (\$)
Reliability First Corporation	Jersey Central Power & Light Company	972	RFC201000695	PRC-007-0	1	Medium	\$37,000

PRC-007-0

The purpose of Reliability Standard PRC-007-0 provides: “Provide last resort System preservation measures by implementing an Under Frequency Load Shedding (UFLS) program.”

PRC-007-0 R1 provides: “The Transmission Owner and Distribution Provider, with a UFLS program (as required by its Regional Reliability Organization)^[5] shall ensure that its UFLS program is consistent with its Regional Reliability Organization’s UFLS program requirements.” (Footnote added.)

PRC-007-0 R1 has a “Medium” Violation Risk Factor (VRF) and a “Moderate” Violation Severity Level (VSL). The subject violation applies to Jersey Central’s DP and TO functions.

On December 22, 2010, Jersey Central submitted a self-report to ReliabilityFirst identifying a violation of PRC-007-0 R1. On October 21, 2010 Jersey Central discovered inconsistencies between UFLS relay lists maintained by two internal departments. As a result, Jersey Central

⁵ Consistent with applicable FERC precedent, the term “Regional Reliability Organization” in this context refers to ReliabilityFirst.

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conducted an internal review of its 130 UFLS relays during November and December, 2010. Jersey Central discovered that four UFLS relays which it included in its UFLS Program did not exist. In addition, Jersey Central discovered that five UFLS relays which Jersey Central included in its UFLS Program were not operational. Jersey Central therefore incorrectly included a total of nine UFLS relays in its UFLS Program. Without these nine UFLS relays included in its UFLS Program, Jersey Central would not have been able to meet the load shed levels for two frequency set points as required by ReliabilityFirst's UFLS program.

ReliabilityFirst requires that Jersey Central is able to shed 10.0% of its estimated peak system load at 59.3 Hz, 10.0% of its peak system load at 58.9 Hz, and 10.0% of its peak system load at 58.5Hz.⁶ Jersey Central should have been capable of shedding approximately 62 MW of additional load at 59.3 Hz and approximately 14 MW of additional load at 58.5 Hz. As a result of incorrectly including the nine relays in its UFLS program, Jersey Central could only ensure that 9.1% of its peak system load tripped at 59.3 Hz and that 9.8% of its peak system load tripped at 58.5 Hz. At the intermediate 58.9 Hz step, however, Jersey Central was in excess of the load shed requirement and capable of shedding 10.8% of its peak system load.⁷

ReliabilityFirst determined that Jersey Central had a violation of PRC-007-0 R1 because it failed to ensure that its UFLS program was consistent with ReliabilityFirst's UFLS program requirements.

ReliabilityFirst determined the duration of the violation to be from June 18, 2007, the date Jersey Central was required to comply with PRC-007-0 R1, until December 7, 2010, the date Jersey Central modified its UFLS relays and updated its UFLS Program to comply with ReliabilityFirst's UFLS program requirements, which call for 10% load shed at each frequency set point.

ReliabilityFirst determined that this violation posed a moderate risk to the reliability of the bulk power system (BPS) because Jersey Central's inability to shed the required amount of load at the higher 59.3 Hz step increased the likelihood that frequency would dip further and reduced the likelihood of arresting frequency decline. In addition, there was no automatic alarming in place on the UFLS relays. The violation did not pose a serious or substantial risk to the BPS because while PRC-007-0 provides integral last resort system preservation measures by requiring implementation of a UFLS program, Jersey Central's UFLS program was within the expected estimation-error rate for the load forecasts commonly used by electric utilities to determine their total load and the load expected on specific elements of their system. Specifically, Jersey

⁶ Jersey Central's UFLS Program must be in accordance with the Mid-Atlantic Area Council legacy documents.

⁷ Jersey Central's peak system 2010 forecasted load is 6,588 MW, and it included excess load shedding at the intermediate 58.9 Hz step. Jersey Central was capable of shedding 597 MW at the 59.3 Hz step, which is 62 MW below the 659 MW (which is 10.0% of 6,588 MW) required by ReliabilityFirst. Jersey Central was capable of shedding 645 MW at the 58.5 Hz step, which is 14 MW below the 659 MW required by ReliabilityFirst. However, Jersey Central was able to shed 709 MW at the 58.9 Hz step, which is 50 MW above the 659 MW required by ReliabilityFirst.

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Central was required to be able to automatically shed a total of 1,977 MW of load, but in this instance was only able to shed 1,951 MW of load. The difference, which was caused by this violation, is 26 MW, or 1.3% of the required load shed requirement, an amount within the expected estimation-error rate for an electric utility's load forecasts.

During a UFLS event, Jersey Central would have been capable of shedding an additional 50 MW of load because its capability to shed load at 58.9 Hz exceeded the 10% requirement. In addition, although Jersey Central did not have automatic alarming in place for the UFLS relays, if a breaker failed to open during a UFLS event, the Transmission Operator monitoring the system would observe the conditions and respond appropriately. In addition, Jersey Central compared the UFLS relays' field and design settings, and all but one were correct. Furthermore, there were no UFLS events during the violation period.

Regional Entity's Basis for Penalty

According to the Settlement Agreement, ReliabilityFirst has assessed a penalty of thirty-seven thousand dollars (\$37,000) for the referenced violation. In reaching this determination, ReliabilityFirst considered the following factors: (1) ReliabilityFirst considered certain aspects of Jersey Central's compliance program as mitigating factors;⁸ (2) Jersey Central self-reported the violation; (3) Jersey Central and its affiliated companies have no prior violations of the same Reliability Standard requirement;⁹ (4) Jersey Central was cooperative throughout the compliance enforcement process; (5) there was no evidence of any attempt to conceal a violation nor evidence of intent to do so; and (6) ReliabilityFirst determined that the violation did not pose a serious or substantial risk to the reliability of the BPS.

⁸ Jersey Central abides by FirstEnergy's FERC Reliability and Compliance Policy, which addresses all Reliability Standards. FirstEnergy updates the policy and procedures as necessary and distributes them to FirstEnergy and affiliate employees. The compliance program includes engagement and support of senior management. At the time of the violation, Jersey Central was not yet affiliated with Allegheny Power, Monongahela Power Company, the Potomac Edison Company, and the West Penn Power Company (the Allegheny Energy Companies) and, as a result, ReliabilityFirst's consideration of Jersey Central's compliance program did not extend to analysis of the Allegheny Energy Companies' compliance programs.

⁹ A Settlement Agreement covering two violations of PRC-005-1 R2 for Jersey Central (NOC-632) was filed with FERC under NP11-52-000 on November 30, 2010. On December 30, 2010, FERC issued an order stating it would not engage in further review of the Notice of Penalty. ReliabilityFirst determined that this prior violation should not serve as a basis for aggravating the penalty because it involved a standard that is not the same or similar to the instant standard. Moreover, there was nothing in the record to suggest that broader corporate issues were implicated. On November 8, 2010, West Penn Power Company, Monongahela Power Company and The Potomac Edison Company, formerly d.b.a. Allegheny Power (collectively, WP/MP/PE), an affiliate of FirstEnergy Corp., submitted two Self-Reports to ReliabilityFirst identifying possible violations of PRC-007-0 R1 (RFC201000677) and PRC-008-0 R2 (RFC201000672). FirstEnergy Corp.'s acquisition of Allegheny Power, which included the acquisition of WP/MP/PE, occurred on February 25, 2011, and followed the occurrence of the violations by WP/MP/PE described in the Settlement Agreement. Therefore, ReliabilityFirst did not consider the violations by WP/MP/PE, which is being concurrently filed (NOC-967), as an aggravating factor in the penalty determination for the purposes of this Settlement Agreement.

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After consideration of the above factors, ReliabilityFirst determined that, in this instance, the penalty amount of thirty-seven thousand dollars (\$37,000) is appropriate and bears a reasonable relation to the seriousness and duration of the violation.

Status of Mitigation Plan¹⁰

Jersey Central's Mitigation Plan to address its violation of PRC-007-0 R1 was submitted to ReliabilityFirst on December 22, 2010 with a proposed completion date of March 31, 2011. The Mitigation Plan was accepted by ReliabilityFirst on January 12, 2011 and approved by NERC on January 31, 2011. The Mitigation Plan for this violation is designated as MIT-07-3258 and was submitted as non-public information to FERC on February 3, 2011 in accordance with FERC orders.

Jersey Central's Mitigation Plan required Jersey Central to:

1. Conducted a walk-down audit of its 130 UFLS relays and modified its UFLS relays and updated its UFLS Program to comply with ReliabilityFirst's required 10% load shed at each frequency set point;
2. Implemented an Annual Discrepancy Resolution Process concerning UFLS relays as well as updated its UFLS reporting procedure to include an annual review of UFLS relay records;
3. The process is an annual review to identify and resolve any discrepancies between its transmission planning and substation maintenance organizations. The initial review reflects a one-to-one match with 110 relay schemes; and
4. Implemented a process to reinforce notifications involving changes to UFLS relay settings and status.

Jersey Central certified on April 20, 2011 that the above Mitigation Plan requirements were completed on March 30, 2011. As evidence of completion of its Mitigation Plan, Jersey Central submitted the following:

1. *CATSWeb BOC Action Plans, October 29, 2010* - demonstrates that review and identification of department UFLS and UVLS relay records is done between Energy Delivery Substation Maintenance and Energy Delivery-Transmission Plan & Protect to ensure maintenance is being performed on correct locations.
2. Orders for UFLS Relay Work Mitigation Plan @JCPL (included in PRC-007 Mitigation Plan Additional Information per ReliabilityFirst Request) confirms the following:
 - a. Jersey Central modified one UFLS relay (Chester) to add Chester Bank 2 load to the existing relay trip output on November 15, 2010.
 - b. Jersey Central tested two UFLS relays (Eatoncrest and Washington) and put them back in service on November 30, 2010 and December 7, 2010 respectively.

¹⁰ See 18 C.F.R § 39.7(d)(7).

- c. Jersey Central added two UFLS relays (Neptune and Fairview) on December 6, 2010 and November 22, 2010 respectively.
 - d. Jersey Central determined that two UFLS relay frequency set points for Farmington and Fair Haven needed changes and implemented those changes on November 30, 2010 and October 29, 2010 respectively. These changes ensure the required 10% load shed at each frequency set point for FirstEnergy's 2010 forecast.
3. *Under frequency Load Shedding Reporting Procedures for FirstEnergy (ATSI) Companies with the former East Central Area Reliability Coordination Agreement (ECAR) Region, February 25, 2011* – this procedure documents the procedures required for yearly reporting and modifying or adding UFLS relaying for FirstEnergy companies within the former ECAR region. Page 3 includes a step that describes how the UFLS relay schemes in the EDSM database correlate with the EDPP UFLS database.
 4. *Under frequency Load Shedding Reporting Procedures for FirstEnergy (PNMEJC) Companies with the former Mid-Atlantic Area Council (MAAC) Region, February 25, 2011* – this procedure serves to document the procedures required for yearly reporting and modifying or adding UFLS relaying for FirstEnergy companies within the former MAAC region. Page 3 includes a step that describes how the UFLS relay schemes in the Energy Delivery Substation Maintenance database correlate with the Energy Delivery Planning & Protection UFLS database.
 5. *FirstEnergy Relay and Communication Processor Change Process, March 31, 2011* – this document demonstrates that a Jersey Central implemented a process for notification of relay changes throughout the Energy Delivery organization

On July 20, 2011, after reviewing Jersey Central's submitted evidence, ReliabilityFirst verified that Jersey Central's Mitigation Plan was completed on March 30, 2011 with respect to PRC-007-0 R1.

Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed¹¹

Basis for Determination

Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines and the Commission's July 3, 2008, October 26, 2009 and August 27, 2010 Guidance Orders,¹² the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on October 11, 2011. The NERC BOTCC approved the Settlement Agreement, including ReliabilityFirst's assessment of a thirty-seven thousand dollar (\$37,000) financial penalty against Jersey Central and other actions to facilitate future compliance required under the terms

¹¹ See 18 C.F.R. § 39.7(d)(4).

¹² *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008); *North American Electric Reliability Corporation*, "Further Guidance Order on Reliability Notices of Penalty," 129 FERC ¶ 61,069 (2009); *North American Electric Reliability Corporation*, "Notice of No Further Review and Guidance Order," 132 FERC ¶ 61,182 (2010).

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and conditions of the Settlement Agreement. In approving the Settlement Agreement, the NERC BOTCC reviewed the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violation at issue.

In reaching this determination, the NERC BOTCC considered the following factors:

1. the violation constituted Jersey Central's first occurrence of violations of the subject NERC Reliability Standards;
2. Jersey Central self-reported the violation;
3. Reliability*First* reported that Jersey Central was cooperative throughout the compliance enforcement process;
4. Jersey Central had a compliance program at the time of the violation which Reliability*First* considered a mitigating factor;
5. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
6. Reliability*First* determined that the violation did not pose a serious or substantial risk to the reliability of the BPS; and
7. Reliability*First* reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

For the foregoing reasons, the NERC BOTCC approved the Settlement Agreement and believes that the assessed penalty of thirty-seven thousand dollars (\$37,000) is appropriate for the violation and circumstances at issue, and is consistent with NERC's goal to promote and ensure reliability of the BPS.

Pursuant to 18 C.F.R. § 39.7(e), the penalty will be effective upon expiration of the 30 day period following the filing of this Notice of Penalty with FERC, or, if FERC decides to review the penalty, upon final determination by FERC.

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Attachments to be Included as Part of this Notice of Penalty

The attachments to be included as part of this Notice of Penalty are the following documents:

- a) Settlement Agreement by and between Reliability*First* and Jersey Central executed August 26, 2011, included as Attachment a;
 - a. Jersey Central's Self-Report for PRC-007-0 R1 dated December 22, 2010, included as Attachment A to the Settlement Agreement;
 - b. Jersey Central's Mitigation Plan designated as MIT-07-3258 for PRC-007-0 R1 submitted December 22, 2010, included as Attachment B to the Settlement Agreement;
 - c. Jersey Central's Certification of Mitigation Plan Completion for PRC-007-0 R1 submitted April 20, 2011, included as Attachment C to the Settlement Agreement; and
 - d. Reliability*First*'s Verification of Mitigation Plan Completion for PRC-007-0 R1 dated July 20, 2011, included as Attachment D to the Settlement Agreement.

A Form of Notice Suitable for Publication¹³

A copy of a notice suitable for publication is included in Attachment b.

¹³ See 18 C.F.R. § 39.7(d)(6).

Notices and Communications

Notices and communications with respect to this filing may be addressed to the following:

<p>Gerald W. Cauley President and Chief Executive Officer 3353 Peachtree Road NE Suite 600, North Tower Atlanta, GA 30326-1001</p> <p>David N. Cook* Senior Vice President and General Counsel North American Electric Reliability Corporation 1325 G Street N.W., Suite 600 Washington, D.C. 20005 (202) 400-3000 david.cook@nerc.net</p> <p>Hugh Conley* Manager, Reliability Compliance Jersey Central Power & Light Company 76 South Main Street Akron, Ohio 44308 (330) 761-4460 hconley@alleghenyenergy.com</p> <p>Mark Koziel* Consultant Jersey Central Power & Light Company 76 South Main Street Akron, Ohio 44308 (330) 761-4416 makoziel@firstenergycorp.com</p> <p>Robert Mattiuz* Director, FERC Compliance Jersey Central Power & Light Company 76 South Main Street Akron, Ohio 44308 (330) 384-2407 rmattiu@alleghenypower.com</p>	<p>Rebecca J. Michael* Associate General Counsel for Corporate and Regulatory Matters North American Electric Reliability Corporation 1325 G Street N.W., Suite 600 Washington, D.C. 20005 (202) 400-3000 rebecca.michael@nerc.net</p> <p>Robert K. Wargo* Director of Enforcement and Regulatory Affairs ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, OH 44333 (330) 456-2488 bob.wargo@rfirst.org</p> <p>L. Jason Blake* Corporate Counsel ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, OH 44333 (330) 456-2488 jason.blake@rfirst.org</p> <p>Michael D. Austin* Associate Attorney ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, OH 44333 (330) 456-2488 mike.austin@rfirst.org</p> <p>*Persons to be included on the Commission’s service list are indicated with an asterisk. NERC requests waiver of the Commission’s rules and regulations to permit the inclusion of more than two people on the service list.</p>
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Conclusion

NERC respectfully requests that the Commission accept this Notice of Penalty as compliant with its rules, regulations and orders.

Respectfully submitted,

/s/ Rebecca J. Michael

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cc: Jersey Central Power & Light Company
ReliabilityFirst Corporation

Attachments

Attachment a

**Settlement Agreement by and between
ReliabilityFirst and Jersey Central executed
August 26, 2011**



In re: JERSEY CENTRAL POWER & LIGHT COMPANY)	Docket No. RFC201000695
)	
NERC Registry ID No. NCR00806)	NERC Reliability Standard:
)	PRC-007-0, Requirement 1

**SETTLEMENT AGREEMENT
BETWEEN
RELIABILITYFIRST CORPORATION
AND
JERSEY CENTRAL POWER & LIGHT COMPANY**

I. INTRODUCTION

1. ReliabilityFirst Corporation (“ReliabilityFirst”) and Jersey Central Power & Light Company (“Jersey Central”) enter into this Settlement Agreement (“Agreement”) to resolve an alleged violation by Jersey Central of Reliability Standard PRC-007-0, Requirement 1.
2. Jersey Central is an affiliate company of FirstEnergy Corp. (“FirstEnergy”), a public utility holding company. Jersey Central serves northern and central New Jersey and operates 778 miles of transmission lines with a 2010 forecasted peak load of 6,588 MW. Jersey Central serves approximately 1,087,000 customers.
3. ReliabilityFirst confirmed that Jersey Central is registered on the North American Electric Reliability Corporation (“NERC”) Compliance Registry as a Distribution Provider, Generator Owner, Load Serving Entity, Purchasing Selling Entity, and Transmission Owner. In its capacity as a Distribution Provider, Load Serving Entity, and Transmission Owner, Jersey Central is subject to compliance with PRC-007-0, R1.
4. Jersey Central and ReliabilityFirst agree and stipulate to this Agreement in its entirety. The facts stipulated herein are stipulated solely for the purpose of resolving between Jersey Central and ReliabilityFirst the subject matter of this Agreement and do not constitute admissions or stipulations for any other purpose. Jersey Central neither admits nor denies that the facts stipulated herein constitute a violation of Reliability Standard PRC-007-0, R1.

II. ALLEGED VIOLATION OF PRC-007-0, R1 (RFC201000695)

5. PRC-007-0, R1 states:

R1. The Transmission Owner and Distribution Provider, with a UFLS program (as required by its Regional Reliability Organization) shall ensure that its UFLS program is consistent with its Regional Reliability Organization's UFLS program requirements.

6. On December 22, 2010, Jersey Central submitted a self report to ReliabilityFirst identifying a possible violation of PRC-007-0, R1. See Violation Self-Reporting Form (attached as **Attachment A**). Jersey Central is required to comply with ReliabilityFirst's underfrequency load shedding ("UFLS") program requirements.
7. On October 21, 2010 Jersey Central discovered inconsistencies between UFLS relay lists maintained by two internal departments. As a result, Jersey Central conducted an internal review of its 130 UFLS relays during November and December, 2010. Jersey Central discovered that four UFLS relays which it included in its UFLS Program did not exist.
8. In addition, Jersey Central discovered that five UFLS relays which Jersey Central included in its UFLS Program were not operational.
9. Jersey Central therefore incorrectly included a total of nine UFLS relays in its UFLS Program. Without these nine UFLS relays included in its UFLS Program, Jersey Central would not have been able to meet the load shed levels for two frequency set points as required by ReliabilityFirst's UFLS program.
10. ReliabilityFirst requires that Jersey Central is able to shed 10.0% of its estimated peak system load at 59.3 Hz, 10.0% of its peak system load at 58.9 Hz, and 10.0% of its peak system load at 58.5Hz.¹ Jersey Central should have been capable of shedding approximately 62 MW of additional load at 59.3 Hz and approximately 14 MW of additional load at 58.5 Hz. As a result of incorrectly including the nine relays in its UFLS program, Jersey Central could only ensure that 9.1% of its peak system load tripped at 59.3 Hz and that 9.8% of its peak system load tripped at 58.5 Hz. At the intermediate 58.9 Hz step, however, Jersey Central was in excess of the load shed requirement and capable of shedding 10.8% of its peak system load.²

¹ Jersey Central's UFLS Program must be in accordance with the Mid-Atlantic Area Council legacy documents.

² Jersey Central's peak system 2010 forecasted load is 6,588 MW, and it included excess load shedding at the intermediate 58.9 Hz step. Jersey Central was capable of shedding 597 MW at the 59.3 Hz step, which is 62 MW below the 659 MW (which is 10.0% of 6,588 MW) required by ReliabilityFirst. Jersey Central was capable of shedding 645 MW at the 58.5 Hz step, which is 14 MW below the 659 MW required by ReliabilityFirst. However, Jersey Central was able to shed 709 MW at the 58.9 Hz step, which is 50 MW above the 659 MW required by ReliabilityFirst.

11. ReliabilityFirst alleges that Jersey Central violated PRC-007-0, R1 by failing to ensure that its UFLS program was consistent with ReliabilityFirst's UFLS program requirements.

Risk Consideration and Violation Duration

12. PRC-007-0, R1 has a Violation Risk Factor ("VRF") of "Medium," consistent with the VRF Matrix promulgated by NERC. Applying the Violation Severity Level ("VSL") Matrix promulgated by NERC, ReliabilityFirst determined that the facts and circumstances of this violation warranted a "Moderate" VSL.
13. The bulk electric system was at risk due to the following factors. Jersey Central's inability to shed the required amount of load at the higher 59.3 Hz step increased the likelihood that frequency would dip further and reduced the likelihood of arresting frequency decline. In addition, there was no automatic alarming in place on the UFLS relays.
14. Despite the foregoing, the risk to the reliability of the bulk electric system was mitigated by the following factors. While PRC-007-0 provides integral last resort system preservation measures by requiring implementation of a UFLS program, Jersey Central's UFLS program was within the expected estimation-error rate for the load forecasts commonly used by electric utilities to determine their total load and the load expected on specific elements of their system. Specifically, Jersey Central was required to be able to automatically shed a total of 1,977 MW of load, but in this instance was only able to shed 1,951 MW of load. The difference, which was caused by this alleged violation, is 26 MW, or 1.3% of the required load shed requirement, an amount within the expected estimation-error rate for an electric utility's load forecasts.
15. During a UFLS event, Jersey Central would have been capable of shedding an additional 50 MW of load because its capability to shed load at 58.9 Hz exceeded the 10% requirement. In addition, although Jersey Central did not have automatic alarming in place for the UFLS relays, if a breaker failed to open during a UFLS event, the Transmission Operator monitoring the system would observe the conditions and respond appropriately. In addition, Jersey Central compared the UFLS relays' field and design settings, and all but one were correct.
16. In light of the nature of the alleged violation, offset by the aforementioned mitigating factors, ReliabilityFirst determined that this alleged violation posed a moderate risk to the reliability of the bulk electric system.
17. The duration of this alleged violation is from June 18, 2007, the date Jersey Central was required to comply with PRC-007-0, R1, until December 7, 2010, the date Jersey Central modified its UFLS relays and updated its UFLS Program to

comply with ReliabilityFirst's UFLS program requirements, which call for 10% load shed at each frequency set point.

Mitigating Actions

18. On December 22, 2010, Jersey Central submitted to ReliabilityFirst its mitigation plan to address the alleged violation of PRC-007-0, R1. *See* Mitigation Plan No. MIT-07-3258 (attached as **Attachment B**). ReliabilityFirst accepted this mitigation plan on January 12, 2011, and on January 31, 2011, NERC approved it. NERC submitted the mitigation plan to the Federal Energy Regulatory Commission (the "Commission") on February 3, 2011, as confidential, non-public information.
19. In this mitigation plan, Jersey Central memorialized the actions it took to address the alleged violation of PRC-007-0, R1. Jersey Central modified its UFLS relays and updated its UFLS Program to comply with ReliabilityFirst's required 10% load shed at each frequency set point. Jersey Central also implemented an Annual Discrepancy Resolution Process concerning UFLS relays as well as updated its UFLS reporting procedure to include an annual review of UFLS relay records. The process is an annual review to identify and resolve any discrepancies between its transmission planning and substation maintenance organizations. The initial review, completed on January 27, 2011, reflects a one-to-one match with 110 relay schemes. Further, Jersey Central implemented a process to reinforce notifications involving changes to UFLS relay settings and status.
20. On April 20, 2011, Jersey Central submitted to ReliabilityFirst a certification of completion for this mitigation plan, which stated that Jersey Central completed this mitigation plan as of March 30, 2011. *See* Certification of Mitigation Plan Completion (attached as **Attachment C**). On July 20, 2011, ReliabilityFirst verified this completion. *See* Verification of Mitigation Plan Completion for MIT-07-3258 (attached as **Attachment D**).

III. ADJUSTMENT FACTORS

21. In addition to the above paragraphs, which are incorporated herein by reference, ReliabilityFirst considered the following factors.
22. ReliabilityFirst considered certain aspects of Jersey Central's compliance program as mitigating factors. For instance, Jersey Central abides by FirstEnergy's FERC Reliability and Compliance Policy, which addresses all Reliability Standards. FirstEnergy updates the policy and procedures as necessary and distributes them to FirstEnergy and affiliate employees. The compliance program includes engagement and support of senior management.
23. ReliabilityFirst also notes that at the time of the alleged violation, Jersey Central was not yet affiliated with Allegheny Power, Monongahela Power Company, The Potomac Edison Company, and the West Penn Power Company (the "Allegheny

Energy Companies”) and, as a result, ReliabilityFirst’s consideration of Jersey Central’s compliance program did not extend to analysis of the Allegheny Energy Companies’ compliance programs.

24. ReliabilityFirst considered that Jersey Central self reported the alleged violation as a mitigating factor. Internal controls and self reports of possible violations assist ReliabilityFirst’s mission of improving reliability of the bulk electric system.
25. When assessing the penalty for the alleged violation at issue in this Agreement, ReliabilityFirst considered whether the facts of these alleged violations evidenced any (a) repeated or continuing conduct similar to that underlying a prior violation of the same or a closely related Reliability Standard Requirement; (b) conduct addressed in any previously submitted mitigation plan for a prior violation of the same or a closely-related Reliability Standard Requirement; or (c) multiple violations of the same Standard and Requirement. Jersey Central and its affiliated companies have no prior violations of the same or closely related Reliability Standard requirements.³

IV. MONETARY PENALTY

26. Based upon the foregoing, Jersey Central shall pay a monetary penalty of \$37,000 to ReliabilityFirst.
27. ReliabilityFirst shall present an invoice to Jersey Central within 20 days after the Agreement is approved by the Commission or affirmed by operation of law. Upon receipt, Jersey Central shall have 30 days to remit payment. ReliabilityFirst will notify NERC if it does not timely receive the payment.
28. If Jersey Central fails to timely remit the monetary penalty payment to ReliabilityFirst, interest will commence to accrue on the outstanding balance, pursuant to 18 C.F.R. § 35.19a(a)(2)(iii), on the earlier of (a) the 31st day after the date on the invoice or (b) the 51st day after the Agreement is approved by the Commission or operation of law.

V. ADDITIONAL TERMS

29. ReliabilityFirst and Jersey Central agree that this Agreement is in the best interest of bulk electric system reliability. The terms and conditions of the Agreement are consistent with the regulations and orders of the Commission and the NERC Rules of Procedure.

³ On November 8, 2010, Allegheny Power, an affiliate of Allegheny Energy, submitted self reports to ReliabilityFirst identifying possible violations of PRC-007-0, R1 (RFC201000677) and PRC-008-0, R2 (RFC201000672). FirstEnergy’s acquisition of Allegheny Energy occurred on February 25, 2011, and followed the occurrence of the alleged violations. Therefore, ReliabilityFirst did not consider Allegheny Power’s alleged violations as aggravating factors in the penalty determination.

30. Reliability*First* shall report the terms of all settlements of compliance matters to NERC. NERC will review the Agreement for the purpose of evaluating its consistency with other settlements entered into for similar violations or under similar circumstances. Based on this review, NERC will either approve or reject this Agreement. If NERC rejects the Agreement, NERC will provide specific written reasons for such rejection and Reliability*First* will attempt to negotiate with Jersey Central a revised settlement agreement that addresses NERC's concerns. If a settlement cannot be reached, the enforcement process shall continue to conclusion. If NERC approves the Agreement, NERC will (a) report the approved settlement to the Commission review and approval by order or operation of law and (b) publicly post the alleged violation and the terms provided for in this Agreement.
31. This Agreement shall become effective upon the Commission's approval of the Agreement by order or operation of law. Jersey Central expressly waives its right to any hearing or appeal concerning any matter set forth herein, unless any NERC or Commission action constitutes a material modification to this Agreement.
32. Reliability*First* reserves all rights to initiate enforcement actions against Jersey Central in accordance with the NERC Rules of Procedure in the event that Jersey Central fails to comply with any of the terms or conditions of this Agreement, including failure to timely complete mitigation plans or other remedies of this Agreement. In the event Jersey Central fails to comply with any of the terms or conditions of this Agreement, Reliability*First* may initiate an action or actions against Jersey Central to the maximum extent allowed by the NERC Rules of Procedure, including, but not limited to, the imposition of the maximum statutorily allowed monetary penalty. Jersey Central will retain all rights to defend against such action or actions in accordance with the NERC Rules of Procedure.
33. Jersey Central consents to Reliability*First*'s future use of this Agreement for the purpose of assessing the factors within the NERC Sanction Guidelines and applicable Commission orders and policy statements, including, but not limited to, the factor evaluating Jersey Central's history of violations. Such use may be in any enforcement action or compliance proceeding undertaken by NERC or any Regional Entity or both, provided however that Jersey Central does not consent to the use of the conclusions, determinations, and findings set forth in this Agreement as the sole basis for any other action or proceeding brought by NERC or any Regional Entity or both, nor does Jersey Central consent to the use of this Agreement by any other party in any other action or proceeding.
34. Jersey Central affirms that all of the matters set forth in this Agreement are true and correct to the best of its knowledge, information, and belief, and that it understands that Reliability*First* enters into this Agreement in express reliance on the representations contained herein, as well as any other representations or information provided by Jersey Central to Reliability*First* during any interaction

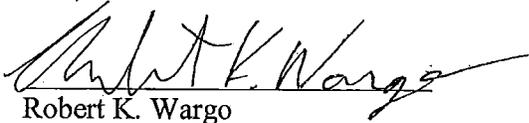
between Jersey Central and Reliability*First* relating to the subject matter of this Agreement.

35. Each of the undersigned warrants that he or she is an authorized representative of the entity designated below, is authorized to bind such entity, and accepts the Agreement on the entity's behalf.
36. The signatories to this Agreement agree that they enter into this Agreement voluntarily and that, other than the recitations set forth herein, no tender, offer, or promise of any kind by any member, employee, officer, director, agent, or representative of Reliability*First* or Jersey Central has been made to induce the signatories or any other party to enter into this Agreement.
37. The Agreement may be signed in counterparts.
38. This Agreement is executed in duplicate, each of which so executed shall be deemed to be an original.

[SIGNATURE PAGE TO FOLLOW]

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Agreed to and accepted:



Robert K. Wargo
Director of Enforcement & Regulatory Affairs
ReliabilityFirst Corporation

8/25/2011
Date



Robert R. Mattiuz, Jr.
Director, FERC Compliance Department
On behalf of Jersey Central Power & Light Company

8/26/2011
Date

Approved:



Timothy R. Gallagher
President & Chief Executive Officer
ReliabilityFirst Corporation

8/25/2011
Date

Attachment b

Notice of Filing

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Jersey Central Power & Light Company

Docket No. NP12-____-000

NOTICE OF FILING
December 30, 2011

Take notice that on December 30, 2011, the North American Electric Reliability Corporation (NERC) filed a Notice of Penalty regarding Jersey Central Power & Light Company in the Reliability *First* Corporation region.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211, 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. Such notices, motions, or protests must be filed on or before the comment date. On or before the comment date, it is not necessary to serve motions to intervene or protests on persons other than the Applicant.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the "eFiling" link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the "eLibrary" link and is available for review in the Commission's Public Reference Room in Washington, D.C. There is an "eSubscription" link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: [BLANK]

Kimberly D. Bose,
Secretary