



GPU Service Corporation
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November 6, 1979

Mr. Richard H. Vollmer
Director, Three Mile Island-2 Support
Office of Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
7920 Norfolk Avenue
Bethesda, Maryland 20014

RE: NRC Docket No. 50-289
TMI-1 Restart Proceeding

Dear Mr. Vollmer:

In response to the requests for financial information enclosed with your letter dated September 21, 1979 to R. C. Arnold, enclosed are eight copies of a supplementary response to Request No. 10-(c) (copies of PA PUC and NJ BPU rate and financing orders, descriptions of pending rate relief proceedings). The supplementary response transmits copies of the following:

1. PA PUC's Order entered November 1, 1979 in Docket No. I-79040308 requiring Met-Ed to "show cause why its certificate of public convenience should not be revoked".
2. Met-Ed's Petition for Modification of the PA PUC's Docket No. I-79040308 Order filed November 1, 1979 requesting an increase in Met-Ed's levelized energy cost adjustment charge.
3. Met-Ed's Petition for Declaratory Order in Docket No. I-79040308 filed October 10, 1979 requesting Commission approval of PJM's proposed pricing of GPU's TMI-related interchange purchases at "cost plus 10%" rather than on normal "split-savings" basis. (Also includes follow-up letter dated October 18, 1979 transmitting additional information requested by PA PUC Staff.)

Also enclosed is a copy of GPU's Form 8-K dated September 11, 1979 and filed on October 10, 1979 with the Securities & Exchange Commission.

1326 048

Mr. Richard H. Vollmer
November 6, 1979
Page 2

In conclusion, please acknowledge receipt of eight copies of this letter and its enclosures by signing, dating and returning the enclosed copy of this letter. A stamped, self-addressed envelope is enclosed for that purpose.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Fred D. Hafer', written in a cursive style.

Fred D. Hafer
Vice President
Rate Case Management

Enclosures

cc: J. C. Peterson - No enclosure; to be distributed by NRC.
H. Silver - No enclosure; to be distributed by NRC.

1326 049

GENERAL PUBLIC UTILITIES CORPORATION
Metropolitan Edison Company, Pennsylvania Electric Company
and Jersey Central Power & Light Company
NRC Docket No. 50-289
Three Mile Island Unit No. 1 Restart Proceeding

Supplementary response to NRC Staff's Financial Information Request No. 10-(c),
dated 9/21/79:

"Describe the nature and amount of each licensee's most recent rate relief action and the anticipated effect on revenues. In addition, indicate the nature, status, and amount of pending rate relief proceedings, if any. Use the attached form to provide this information. Provide copies of the hearing examiner's report and recommendation and the interim and final rate orders and opinions, including all exhibits referred to therein. Provide copies of all other orders and directives issued by the PA PUC and NJ BPU related to financing the licensee's operations, including activities at TMI. Provide copies of the submitted, financially-related testimony and exhibits of the PUC Staff and company in the most recent rate relief action or pending rate relief request."

This response supplements our previous responses to this request (dated October 15, 19 and 29, 1979) to transmit copies of the following:

1. PA PUC's Order entered November 1, 1979 in Docket No. I-79040308 requiring Met-Ed to "show cause why its certificate of public convenience should not be revoked".
2. Met-Ed's Petition for Modification of the PA PUC's Docket No. I-79040308 Order filed November 1, 1979 requesting an increase in Met-Ed's levelized energy cost adjustment charge.
3. Met-Ed's Petition for Declaratory Order in Docket No. I-79040308 filed October 10, 1979 requesting Commission approval of PJM's proposed pricing of GPU's TMI-related interchange purchases at "cost plus 10%", rather than on normal "split-savings" basis. (Also includes follow-up letter dated October 18, 1979 transmitting additional information requested by PA PUC Staff.)

The requested information relative to the filing for an increase in Met-Ed's levelized energy cost adjustment charge is as follows:

1326 050

Test Year Utilized:	Not Applicable
Amount (000's):	\$55 Million, based on retail sales projected for the year 1980 (approximately 8,000 GWH)
Percent Increase:	15.7% (retail revenues)
Date Petition Filed:	November 1, 1979
Date by Which Decision Must be Issued:	The PA PUC has been reported in the press as stating that hearings in the TMI-1 "show cause" proceeding (see response dated October 15, 1979) will be held in November and December, 1979, and a decision rendered by December 31, 1979. It is anticipated that the clause increase filing will be consolidated with the TMI-1 "show cause" proceeding, and therefore be concluded by the end of the year as well.
Rate of Return on Rate Base Requested:	Not Applicable
Rate of Return on Common Equity Requested:	Not Applicable
Amount of Rate Base Requested:	Not Applicable
Amount of Construction Work in Progress Requested for Inclusion in Rate Base:	Not Applicable

1326 051

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120

Public Meeting held November 1, 1979

Commissioners Present:

W. Wilson Goode, Chairman
Michael Johnson

Pennsylvania Public Utility Commission
v.
Metropolitan Edison Company,
Respondent

Docket No.
I-79040308

ORDER TO SHOW CAUSE

BY THE COMMISSION:

The Commission hereby takes official notice of the following matters:

1. The costs associated with Three Mile Island, Unit No. 2 ("TMI-2") which are being incurred by Metropolitan Edison Company ("Met Ed") but which are not recoverable through charges to ratepayers because of the Commission's order adopted June 15, 1979.
2. The recent, extensive short-term borrowings of Met Ed pursuant to a revolving credit agreement with several banks.
3. The statement of Met Ed in the proceedings at this docket that it will require two to four years to return TMI-2 to service.
4. The finding of the President's Commission on the Accident at Three Mile Island ("President's Commission") that:

"A. . . .

15. The cost of the accident, including this cleanup and a portion of the waste disposal, will be between \$1 billion and \$1.86 billion, if the plant can be refurbished. If it cannot be refurbished, the total cost will be significantly higher."

1326 052

5. The status of Three Mile Island, Unit No. 1 ("TMI-1") in that it is (a) out of service, (b) subject to orders of the Nuclear Regulatory Commission ("NRC") which have suspended the license to operate the plant and required a hearing process prior to a restart of the plant which will extend well into 1980 or beyond, and (c) subject to the order to show cause of this Commission why the plant should be considered used and useful in the public service.

6. The recent action of the NRC in imposing civil penalties against Met Ed as the licensee ~~for~~ TMI-2 for violations of the NRC's regulations in the operation of TMI-2.

7. The finding of the President's Commission that:

"E. . . .

1. In a number of important cases, General Public Utilities Corporation ("GPU"), Met Ed, and B&W failed to acquire enough information about safety problems, failed to analyze adequately what information they did acquire, or failed to act on that information. Thus, there was a serious lack of communication about several critical safety matters within and among the companies involved in the building and operation of the TMI-2 plant. . . ."

8. The finding of the President's Commission that:

"A. . . .

14. The process of recovery, cleanup, and waste disposal [with respect to TMI-2] will be lengthy, costly, and presents its own health dangers. . . ."

1326 053

9. The recommendation of the President's Commission that:

"B. . . .

1. To the extent that the industrial institutions we have examined are representative of the nuclear industry, the nuclear industry must dramatically change its attitudes toward safety and regulations. The Commission has recommended that the new regulatory agency prescribe strict standards. At the same time, the Commission recognizes that merely meeting the requirements of a government regulation does not guarantee safety. Therefore, the industry must also set and police its own standards of excellence to ensure the effective management and safe operation of nuclear power plants."

10. The recommendation of the President's Commission that:

"B. . . .

6. Utility rate-making agencies should recognize that implementation of new safety measures can be inhibited by delay or failure to include the costs of such measures in the utility rate base. The Commission, therefore, recommends that state rate-making agencies give explicit attention to the safety implications of rate-making when they consider costs based on "safety-related" changes."

1326 054

11. The recent 2-2 vote of the NRC on whether to revoke the license of Met Ed to operate TMI-2.

Recognition of the listed matters raises serious questions about the continued ability of Met Ed to provide safe, adequate, and reliable electric service at just and reasonable rates. The Commission therefore finds it in the public interest to put at issue in these proceedings the continued viability of Met Ed as a public utility.

No one -- either utility, investor or ratepayer -- should view this action as implying a determination by this Commission of the ability or desirability of Met Ed continuing to provide public utility service in Pennsylvania. Rather our action represents a conscious, unflinching effort to address the difficult issues before this Commission. Protection of the broader interest requires that we candidly address the financial, technical and legal problems now facing Met Ed.

THEREFORE, the Commission hereby orders Metropolitan Edison Company to show cause why its certificate of public convenience should not be revoked.

And THEREFORE:

IT IS FURTHER ORDERED:

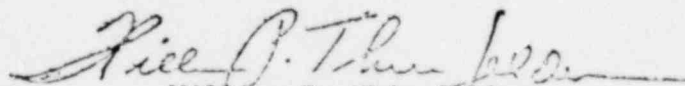
1. That Metropolitan Edison Company shall answer this order to show cause as provided in 1 Pa. Code §35.37 within twenty (20) days after the date of entry.

2. That interested persons may respond to this order to show cause within twenty (20) days after the date of entry.

1326 055

3. That a copy of this order to show cause shall be served
on respondent and all parties of record at Docket No. I-79040308.

BY THE COMMISSION,


William P. Thierfelder
Secretary

(SEAL)

ORDER ADOPTED: November 1, 1979

ORDER ENTERED: NOV 1 1979

LAW OFFICES
RYAN, RUSSELL & McCONAGHY

530 PENN SQUARE CENTER

P. O. BOX 699

READING, PA. 19603

215-372-4761

SAMUEL B. RUSSELL
FREDERICK L. REIGLE
W. EDWIN OGDEN
ERIC L.B. STRAHN
ALAN MICHAEL SELTZER

HAROLD J. RYAN (1972)

JOHN S. McCONAGHY
COUNSEL

November 1, 1979

Mr. William P. Thierfelder, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17120

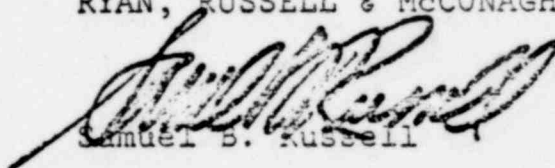
Re: Pennsylvania Public Utility Commission et al.
v. Metropolitan Edison Company and
Pennsylvania Electric Company, Respondents
Docket No. I-79040308

Dear Sir:

Enclosed herewith for filing are an original and
three copies of the petition of Metropolitan Edison Company
for a modification of the Order entered by the Commission
on June 19, 1979 in the above proceeding.

Very truly yours,

RYAN, RUSSELL & McCONAGHY



Samuel B. Russell

SBR:ph

cc: Chairman W. Wilson Goode
Commissioner Michael Johnson

1326 057

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, :
at al. :

v. :

Metropolitan Edison Company and :
Pennsylvania Electric Company, :
Respondents :

Docket No. :
I-79040308 :

PETITION OF METROPOLITAN EDISON COMPANY
FOR MODIFICATION OF COMMISSION ORDER
ENTERED JUNE 19, 1979

Metropolitan Edison Company ("Met-Ed" or "Petitioner"), pursuant to 52 Pa.Code §3.291, hereby petitions the Commission for modification of the Order entered in the above proceeding on June 19, 1979, and in support thereof respectfully represents that:

1. Petitioner is Metropolitan Edison Company, 2800 Pottsville Pike, Reading, Pennsylvania.
2. By Order entered June 19, 1979 at I-79040308, the Commission permitted Met-Ed to put into effect a levelized energy cost adjustment charge of 8.8 mills/KWH to recover 8.4 mills of energy costs and certain demand costs and .4 mills of the associated Pennsylvania gross receipts tax under its net energy adjustment clause, for a period of 18 months commencing July 1, 1979.
3. On June 22, 1979, Met-Ed filed an Addendum to Rider B of its Tariff Electric Pa.P.U.C. No. 42 (a copy of Rider B, Energy Cost Adjustment Clause, and the Addendum thereto is included in the attached Appendix A) in compliance

with the above Order authorizing the 8.8 mills/KWH levelized net energy clause charge.

4. The Addendum to Rider B permits interim reviews of the operation of the levelized charge to be made if "requested by the company or directed by the Pa.P.U.C."

5. There is attached as part of Appendix A a statement of the information with respect to the operation of the levelized charge for the three-month period ended September 30, 1979, as required by items (a) through (c) of the third paragraph of that Addendum.

6. The unrecovered balance of energy costs which Met-Ed has incurred and deferred for subsequent collection under the 8.8 mill levelized charge has increased rapidly since July 1, 1979 and is continuing to increase rapidly. Unless the 8.8 mill charge prescribed by the above Order is modified to permit Met-Ed to recover currently from its customers a greater amount of the energy costs which it is incurring currently to serve those customers, Met-Ed expects that by mid-1980 the unrecovered balance of such costs will exceed its capability to borrow funds to finance such costs, as shown by Figure 1 and Table 1 contained in the attached Appendix B.

7. Included among the assumptions upon which the aforesaid 8.8 mills levelized charge prescribed by the above Order was predicated were the following:

(a) Met-Ed (and the other TMI owners) would be able to find alternatives to normal purchases of

1326 059

interchange from the Pennsylvania-New Jersey-Maryland Interconnection ("PJM") on a split-savings basis to reduce, by about 25%, Met-Ed's then estimated share (\$10 million per month for the April 1 - December 31, 1979 period) of the cost of replacing the energy from the Three Mile Island nuclear generating station ("TMI");

(b) Three Mile Island Unit No. 1 ("TMI-1") would resume power operation on January 1, 1980; and

(c) For a period of six months (July 1, 1979 until January 1, 1980), as an incentive to enter into such alternate purchase arrangements for TMI replacement energy, Met-Ed would be permitted to include as part of the recoverable costs under its levelized adjustment charge the demand or reserve capacity charges associated with such purchases.

8. Met-Ed and its affiliates have aggressively pursued alternative sources of purchased power and have effected substantial alternative power purchases both before and since the aforesaid Order entered June 19, 1979.

9. The petition for a declaratory order, which was filed by Met-Ed and its affiliate, Pennsylvania Electric

Company ("Penelec"), with your Commission on October 10, 1979 in the above proceeding, sets forth in detail various efforts made by them and their New Jersey affiliate, Jersey Central Power and Light Company ("Jersey Central"), to achieve net energy cost savings by means of purchase power agreements and to minimize the net cost of energy purchased from PJM. That petition is incorporated herein by reference, pursuant to 1 Pa.Code §33.3.

10. A detailed statement of the efforts made by Met-Ed and its affiliates to obtain authorization to return TMI-1 to power operation at the earliest date consistent with public health and safety is set forth in the answer to the Commissions's Order to Show Cause entered in the above proceeding on September 21, 1979 filed by Met-Ed and Penelec with your Commission on October 11, 1979. That answer is incorporated herein by reference, pursuant to 1 Pa.Code §33.3.

11. In view of the fact that TMI-1 will not resume power operation by January 1, 1980, despite the many efforts by Met-Ed to obtain authorization for such operation, and in view of fuel and energy cost increases that have occurred since the Commission's determination of the 8.8 mill level charge in I-79040308, such charge

has not been and will not be sufficient to recover the energy costs Met-Ed is incurring to serve its customers. (Summaries of Met-Ed's actual and projected fuel and energy costs are attached as Figures 3, 4 and 5, and Tables 3, 4 and 5 of Appendix B).

12. Met-Ed is therefore petitioning the Commission to increase the 8.8 mill level charge, but by only the minimum amount necessary to keep Met-Ed's short-term debt within manageable limits, as shown by Figure 2 of Appendix B. The requested increase is 6.9 mills (6.854 mills, when calculated to the nearest thousandth of a mill, pursuant to Met-Ed's Tariff), to become effective with bills rendered on and after January 1, 1980.

13. This increase, if granted, would increase Met-Ed's overall charges to retail customers by 15.7%, and increase charges to the typical residential customer using 500 Kwh per month by 12.5%, as shown by Tables 10 and 9 of Appendix B, respectively. With the 6.9 mill increase, Met-Ed's charges to this same residential customer would still be below those experienced by a substantial number of other Pennsylvania utility customers, as shown by Figure 6 of Appendix B. The increase would provide Met-Ed with approximately \$55 million of additional retail revenue, of which \$52 million would be for energy costs and \$3 million for additional revenue taxes.

1326 062

14. The 6.9 mill requested increase is reasonable based on the level of energy costs experienced by Met-Ed since July 1, 1979. Met-Ed's energy costs are expected to continue at this level well into 1980 due to the unavailability of TMI-1, as shown by Table 3 of Appendix B. If Met-Ed's request were based on its July through September 1979 energy cost experience, an increase of 8.2 mills would be indicated, as shown by Table 6 of Appendix B. Alternatively, a surcharge to recover Met-Ed's balance of energy costs projected to be unrecovered as of January 1, 1980, the proposed effective date of the clause increase, would require an increase in the 8.8 mill factor of 7.7 mills, as shown by Table 7 of Appendix B. A "full cost recovery" increase, essentially replicating the Commission's I-79040308 determination of the 8.8 mill level charge, would be 10.4 mills, as shown by Table 8 of Appendix B.

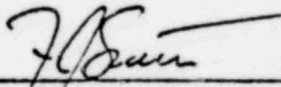
WHEREFORE, Petitioner Metropolitan Edison Company, prays that the Commission modify the aforesaid Order entered in the above proceeding on June 19, 1979 so as to authorize a levelized net energy cost adjustment charge increase of at least 6.9 mills/KWH, effective January 1, 1980 or at the earliest possible date, and extending the time within which Petitioner will be permitted to include (as part of the recoverable costs under its net energy clause) the demand or reserve capacity costs associated with alternative sources of purchased power. 1326 063

METROPOLITAN EDISON COMPANY

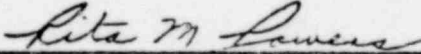
By F.J. Smith
F.J. Smith
Senior Vice President

Commonwealth of Pennsylvania
County of Berks

F. J. Smith, being duly sworn according to law,
deposes and says that he is a Senior Vice President of
Metropolitan Edison Company; that he is authorized to and
does make this affidavit on its behalf; and that the
facts set forth in the foregoing petition are true and
correct to the best of his knowledge, information and
belief.


F. J. SMITH

Sworn to and subscribed before me
this 1st day of November, 1979.


Notary Public


RITA M. POWERS
Notary Public, Muhlenberg Twp., Berks Co.
My Commission Expires September 30, 1982

1326 064

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding in accordance with the requirements of 1 Pa. Code §33.32 (relating to service by a participant).

Dated this 1st day of November, 1979.



Ryan, Russell & McConaghy
Attorneys for
Metropolitan Edison Company

1326 065

APPENDIX A

METROPOLITAN EDISON COMPANY

Petition for Increase in Levelized Energy Cost Adjustment Charge

- Rider B, Energy Cost Adjustment Clause, and Addendum to Rider B.
- Statement of Energy Clause Revenues, Expenses and Deferrals for the 3 Months Ended September 30, 1979

1326 066

RIDER B

ENERGY COST ADJUSTMENT CLAUSE

An energy clause shall be applied to each kilowatthour supplied under this tariff. This energy clause factor determined to the nearest one-thousandth of 1 mill per kilowatthour in accordance with the formula set forth below, shall be applied to all kilowatthours billed during the billing month:

$$A = \frac{Fc}{Sc} - \frac{Fb}{Sb} - Ec \times \frac{1}{1 - T}$$

Where A = Adjustment factor in mills per kilowatthour to be applied to each kilowatthour supplied under this tariff.

F = The energy-related cost of net energy generated in the Company's fossil and nuclear generating stations, excluding the cost of energy generated and sold to other utilities on a firm basis, plus the Company's energy-related cost of energy purchased and net energy interchanged in the current (c) and base (b) periods, defined as follows:

Fossil Generation - the costs charged to fuel Accounts 501 and 547 which are computed on the basis of the cost of fuel delivered to the generating site at which it is consumed, plus the cost of disposing of solid waste from sulfur oxide removal devices.

Nuclear Generation - the costs charged to fuel Accounts 518 and 521 which are computed on the basis of the cost of such fuel delivered at the generating site at which it is to be consumed after deducting therefrom the present salvage or reuse value of such fuel.

Net Energy Purchases - the amounts charged or credited to Account 555, excluding demand charges.

Net Energy Interchanged - the amounts charged or credited to Account 555, excluding charges or credits for reserve capacity transactions.

Ec = A factor expressed in mills per kwh to adjust for any over and under collection of energy cost that resulted from the operation of this clause in the prior six months, ending with the second month preceding the billing month.

1326 067

The E_c factor, expressed in mills per kwh, shall be determined by dividing (a) the revenues (excluding revenues for gross receipt taxes) produced by the energy clause less the related energy costs recoverable by the clause, both determined as of the end of the second month preceding the billing month, by (b) the six month retail sales.

S = The Company's total kWh sales to Customers, excluding firm sales to other utilities and energy produced from facilities undergoing operational tests prior to being placed into commercial operation, in the current (c) and base (b) periods. (C)

$\frac{F_b}{S_b}$ = Base energy cost of 8.000 mills per kilowatthour

F = The Pennsylvania gross receipts tax rate in effect during the billing month, expressed in decimal form.

The " F_c " and " S_c " factors shall be determined as the six month totals for the period ending with the second month preceding the billing month.

This clause shall be applied to all kilowatthours supplied and such charge shall be an addition to any minimums applicable.

At least ten days prior to the beginning of each billing month, the Company will file with the Pennsylvania Public Utility Commission in such form as the Commission shall have prescribed, (a) a copy of the computation of the energy clause to be applied during such month, and (b) such other information pertaining thereto as the Commission may require.

The application of this clause shall be subject to continuous review and to audit by the Commission at such intervals as the Commission shall determine. The Commission shall continuously review the reasonableness and lawfulness of the amounts of the surcharges produced by the energy cost adjustment clause and the charges included therein.

If from such audit it shall be determined, by final order entered after notice and hearing, that this clause has been erroneously or improperly utilized, the Company will rectify such error or impropriety, and in accordance with the terms of this order apply credits against future energy clauses for such revenues as shall have been erroneously or improperly collected. The Commission's order shall be subject to the right of appeal.

1326 068

(C) Change

ADDENDUM TO RIDER B

(C)

In lieu of the adjustment factor otherwise chargeable via the operation of this Rider B during the eighteen month period commencing July 1, 1979 and ending December 31, 1980, a levelized adjustment factor of 8.8 mills per kilowatt-hour shall be applied during such period to each kilowatthour supplied under this tariff, on account of costs (as hereinafter identified) incurred by the Company and not recovered through its base rates. Such costs shall consist of (a) the unrecovered balance at June 30, 1979 of energy costs incurred and deferred by the Company for collection via the operation of this Rider B, (b) the energy costs incurred and deferred during such eighteen month period for recovery via the operation of this Rider B, (c) the demand or capacity costs incurred by the Company during the period of July 1, 1979 through January 1, 1980 in connection with purchased power agreements entered into by it to provide energy needed to serve the Company's customers during the continuing outage of Units 1 and 2 (or of Unit 2 alone) of the Three Mile Island nuclear generating station and (d) applicable gross receipts taxes. All such costs (exclusive of gross receipts tax) shall be reflected in the appropriate deferred debit (or credit) account of the Company.

Unless otherwise directed by the Pa.P.U.C., this Addendum to this Rider B shall cease and determine effective December 31, 1980, and this Rider B shall resume operation effective January 1, 1981 in accordance with its terms, subject, however, to such modification as may be directed by the Pa.P.U.C. as a result of any hereinafter mentioned accounting.

On or before February 1, 1981 (and on or before the first day of the second month following a shorter accounting period, if an earlier accounting is requested by the company or directed by the Pa. P.U.C.), the Company shall file with the Pa.P.U.C., in such form as the latter may prescribe, a statement showing as of December 31, 1980 (or as of the end of such other accounting period) (a) the respective amounts and the aggregate total of the aforesaid costs incurred as of the end of such accounting period, (b) the revenues derived as a result of the aforesaid levelized adjustment factor during such accounting period, (c) the balance of such deferred debit (or credit) account as of the end of such accounting period (less the portion of such costs to be collected via the normal operation of this Rider B subsequent to December 31, 1980), (d) the efforts made by the Company during such period to achieve net savings by means of purchased power agreements and (e) such other information as to the Company's efforts to minimize the net cost of obtaining the energy needed to serve its customers during such period as the Pa.P.U.C. may require. After notice and hearing, if the Pa.P.U.C. shall determine that the Company has utilized diligence and reasonable efforts to minimize the net cost of obtaining such energy during such period, the Company shall, be permitted to recover from (or credit to) its customers, such undercollection (or overcollection) of the costs, including said demand or capacity costs, incurred and deferred as aforesaid and not recovered (or overrecovered) during the above eighteen month period (or other applicable accounting period) via the levelized adjustment factor, as are found to be reasonable.

1326 069

(C) Change

Issued June 22, 1979

Effective with bills
rendered during the billing
month of July 1979.

METROPOLITAN EDISON COMPANY
Statement of Retail Energy Clause Revenues, Expenses and Deferrals⁽¹⁾
3 Months Ended September 30, 1979

	<u>July</u>	<u>August</u>	<u>September</u>	<u>3 Months September 1979</u>
<u>Sales and Revenues</u>				
Pennsylvania Retail Sales (Gwh)	582	613	625	1820
Level Energy Cost Adjustment Charge (mills/Kwh)	8.8	8.8	8.8	8.8
Clause Revenues Before Billing Adjustments (\$ millions)	\$ 5.1	\$ 5.4	\$ 5.5	\$16.0
Billing Adjustments	<u>(0.0)</u>	<u>0.0</u>	<u>0.0</u>	<u>(0.0)</u>
Clause Revenues as Adjusted	\$5.1	\$5.4	\$5.5	\$16.0
(Less): Pa. Gross Receipts Tax @ 4.5%	<u>(0.2)</u>	<u>(0.2)</u>	<u>(0.3)</u>	<u>(0.7)</u>
Retail Clause Revenues for Energy Costs	<u>\$ 4.9</u>	<u>\$ 5.2</u>	<u>\$ 5.2</u>	<u>\$15.3</u>
<u>Expenses</u>				
Total System Energy Costs (\$ millions) ⁽²⁾	\$15.5	\$16.6	\$14.7	\$46.8
Total System Sales (Gwh)	619	654	662	1935
Energy Costs per Kwh Sold (mills)	25.1	25.4	22.2	24.2
(Less): Energy Costs per Kwh Included in Retail Base Rates	<u>(8.0)</u>	<u>(8.0)</u>	<u>(8.0)</u>	<u>(8.0)</u>
Energy Costs per Kwh above Base	17.1	17.4	14.2	16.2
Energy Costs (above Level Recovered by Base Rates) Applicable to Retail Sales (Costs per Kwh Times Retail Sales)	<u>\$10.0</u>	<u>\$10.7</u>	<u>\$ 8.8</u>	<u>\$29.5</u>
<u>Deferrals</u>				
Balance of Retail Energy Costs Deferred at Beginning of Month (\$ millions)	\$28.1	\$33.2	\$38.7	\$28.1
Plus: Current Month's Deferral ⁽³⁾	10.0	10.7	8.8	29.5
(Less): Current Month's Retail Clause Revenues for Energy Costs	<u>(4.9)</u>	<u>(5.2)</u>	<u>(5.2)</u>	<u>(15.3)</u>
Balance of Retail Energy Costs Deferred at End of Month	<u>\$33.2</u>	<u>\$38.7</u>	<u>\$42.3</u>	<u>\$42.3</u>

(1) as reported monthly to the Commission

(2) includes demand component of cost of TMI-related short-term power purchases (\$5.5 million for 3 months ended September 30, 1979).

(3) includes demand component of cost of TMI-related short-term power purchases (\$5.2 million for 3 months ended September 30, 1979).

1326 070

APPENDIX B

METROPOLITAN EDISON COMPANY

Petition for Increase in Levelized Energy Cost Adjustment Charge

Supporting Material:

- FIGURE 1 - Projected Short-Term Debt Balances, No Revision in 8.8 Mill Level Charge
- TABLE 1 - Data for Figure 1
- FIGURE 2 - Projected Short-Term Debt Balances, 8.8 Mill Level Charge Increased by 6.9 Mills Effective 1/1/80
- TABLE 2 - Data for Figure 2
- TABLE 3 - System Energy Costs and Sales, July 1979 - December 1980
- FIGURE 3 - Actual and Projected Cost of Coal, 1970-1980
- TABLE 4 - Data for Figure 3
- FIGURE 4 - Actual and Projected Cost of Oil, 1970-1980
- TABLE 5 - Data for Figure 4
- FIGURE 5 - Average Annual PJM Running Rate, 1970-1979
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1326 071

METROPOLITAN EDISON COMPANY
Projected Short-Term Debt Balances,
No Revision in 8.8 Mill Level Charge

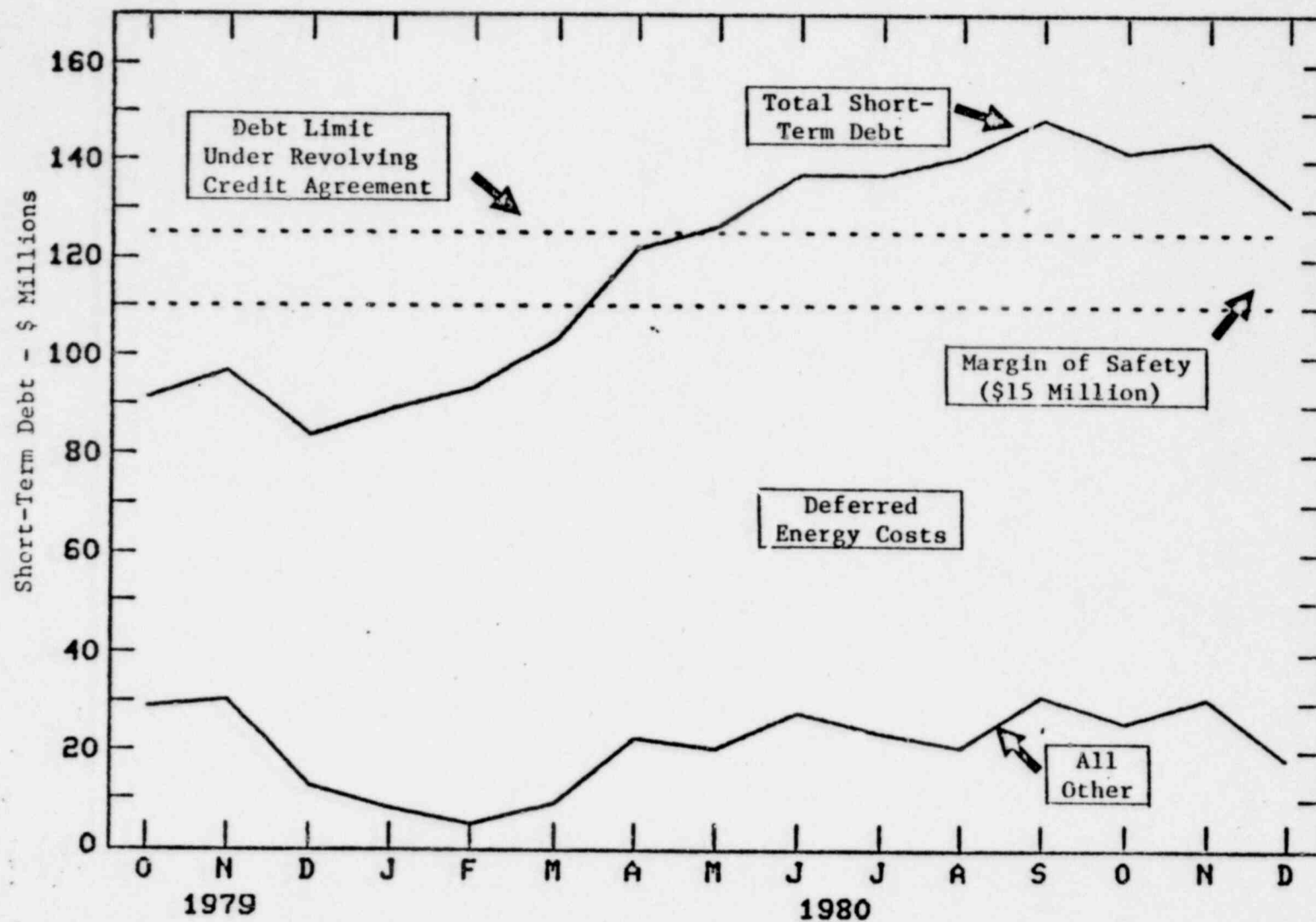


FIGURE 1

1326 072

METROPOLITAN EDISON COMPANY
 Projected Short-Term Debt Balances,
 8.8 Mill Level Charge Increased by 6.9 Mills (Total Charge of 15.7 Mills)

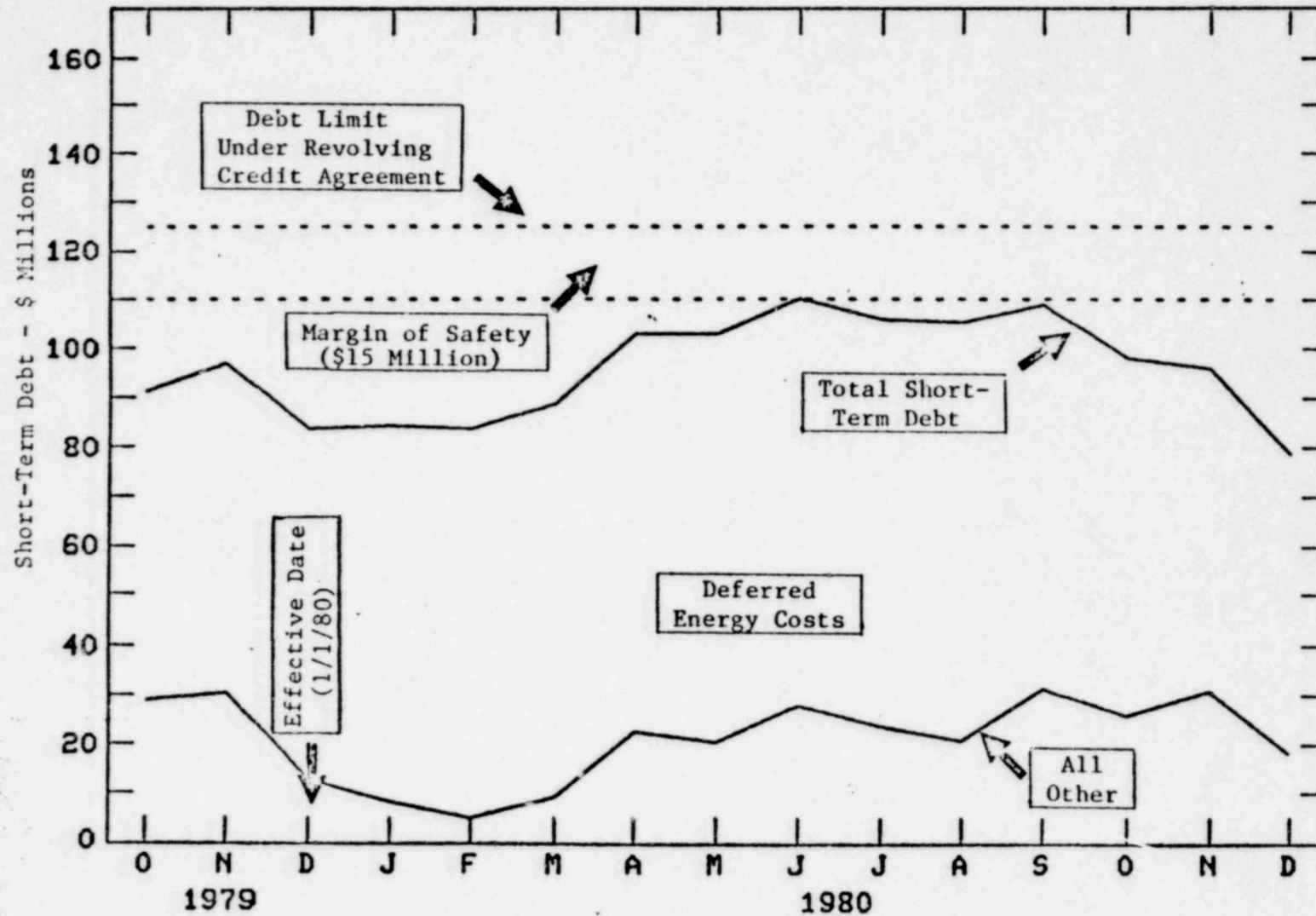


FIGURE 2

1326 073

TABLE 1

METROPOLITAN EDISON COMPANY

Projected Short-Term Debt Balances,
No Revision in 8.8 Mill Level Charge
(\$ Millions)

	Requirements Other Than Deferred <u>Energy Costs</u>	Deferred Energy Costs (1)	Total Projected Short-Term <u>Debt</u>
Oct. 1979	\$28.8	\$ 62.4	\$ 91.2
Nov.	30.4	66.3	96.7
Dec.	12.4	71.5	83.9
Jan. 1980	\$ 7.8	\$ 81.4	\$ 89.2
Feb.	4.6	88.8	93.4
Mar.	9.0	94.2	103.2
Apr.	22.5	99.1	121.6
May	20.7	105.1	125.8(2)
June	27.9	108.9	136.8 "
July	23.8	112.9	136.7 "
Aug.	20.8	119.7	140.5 "
Sept.	31.3	116.8	148.1 "
Oct.	25.8	115.6	141.4 "
Nov.	30.9	112.5	143.4 "
Dec.	18.3	112.2	130.5 "

(1) includes unamortized "old clause" balance recoverable by base rates.

(2) exceeds \$125 million limit under revolving credit agreement.

1326 074

METROPOLITAN EDISON COMPANY

Projected Short-Term Debt Balances

8.8 Mill Level Charge Increased by 6.9 Mills (Total Charge of 15.7 Mills), Effective 1/1/80
(\$ Millions)

	Requirements Other Than Deferred Energy Costs	Deferred Energy Costs*			Total Projected Short-Term Debt
		No Revision in 8.8 Mill Level Charge	Reduction Due to 6.9 Mill Increase	Balance Reflecting 6.9 Mill Increase	
Oct. 1979	\$28.8	\$ 62.4	\$ -	\$62.4	\$ 91.2
Nov.	30.4	66.3	-	66.3	96.7
Dec.	12.4	71.5	-	71.5	83.9
Jan. 1980	\$ 7.8	\$ 81.4	\$ (4.8)	\$76.6	\$ 84.4
Feb.	4.6	88.8	(9.6)	79.2	83.8
Mar.	9.0	94.2	(14.3)	79.9	88.9
Apr.	22.5	99.1	(18.7)	80.4	102.9
May	20.7	105.1	(22.8)	82.3	103.0
June	27.9	108.9	(26.8)	82.1	110.0
July	23.8	112.9	(30.8)	82.1	105.9
Aug.	20.8	119.7	(35.0)	84.7	105.5
Sept.	31.3	116.8	(39.3)	77.5	108.8
Oct.	25.8	115.6	(43.4)	72.2	98.0
Nov.	30.9	112.5	(47.6)	64.9	95.8
Dec.	18.3	112.2	(52.1)	60.1	78.4

TABLE 2

*includes unamortized "old clause" balance recoverable by base rates.

1326 075

TABLE 3

METROPOLITAN EDISON COMPANY

System Energy Costs and Sales, July 1979 - December 1980

	Energy Costs (\$ millions)	Total Sales (Gwh)	mills/Kwh	Retail Sales	
				Gwh	% of Total Sales
July 1979 (actual)	\$ 15.5	619	25.1	582	94.0%
Aug. "	16.6	654	25.4	613	93.7
Sept. "	14.7	662	22.2	625	94.4
Oct. (forecast)	17.0	642	26.5	607	94.5
Nov. "	15.6	664	23.5	625	94.1
Dec. "	17.3	712	25.0	666	93.5
6 Months Dec. 1979	\$ 97.2	3 953	24.6	3 718	94.1%
Average Month	\$ 16.2	659	24.6	620	94.1%
Jan. 1980 (forecast)	\$ 24.0	785	30.6	733	93.4%
Feb. "	21.4	789	27.1	738	93.5
Mar. "	18.2	738	24.7	717	97.2
Apr. "	16.7	683	24.5	666	97.5
May "	17.0	635	26.8	621	97.8
June "	14.7	633	23.2	618	97.6
July "	14.9	629	23.7	614	97.6
Aug. "	18.3	662	27.6	646	97.6
Sept. "	8.5	670	12.7	655	97.8
Oct. "	9.8	645	15.2	631	97.8
Nov. "	8.3	666	12.5	648	97.3
Dec. "	11.8	709	16.6	685	96.6
12 Months Dec. 1980	\$183.6	8 244	22.3	7 972	96.7%
Average Month	\$ 15.3	687	22.3	664	96.7%
18 Months Dec. 1980	\$280.8	12 197	23.0	11 690	95.8%
Average Month	\$ 15.6	678	23.0	649	95.8%

Assumptions

- TMI-1 returns to service 9/1/80.
- "Cost plus 10%" pricing of GPU's TMI-related purchases from PJM effective 11/1/79.
- Other economic TMI-related purchases (Ontario, Jamestown, APS) continue for forecast period.
- Demand component of cost of TMI-related purchases included for full forecast period.
- 15% oil price escalation, Dec. 1980 over Dec. 1979.

1326 076

METROPOLITAN EDISON COMPANY
Actual and Forecast Cost of Coal, 1970-1980

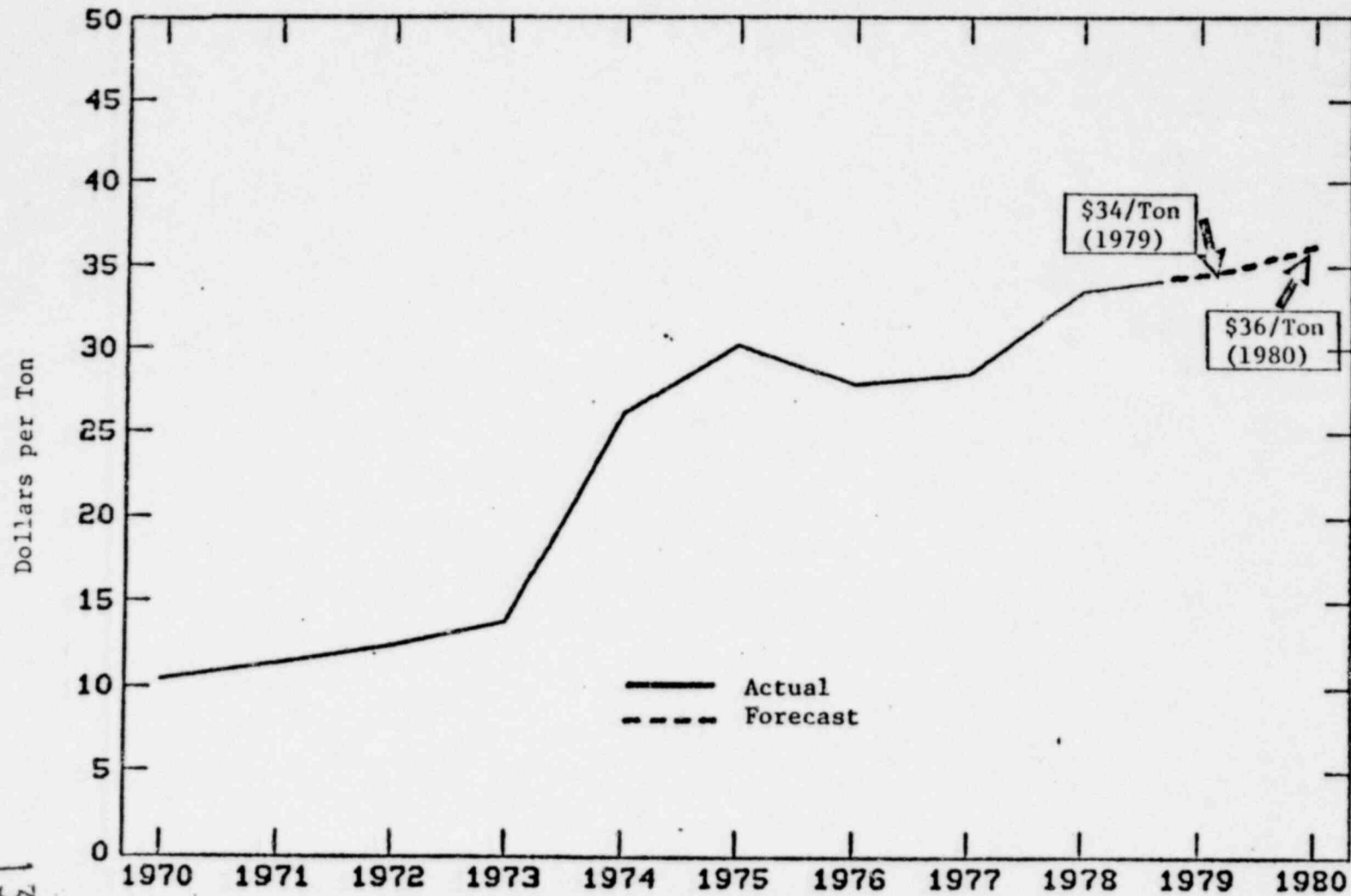


FIGURE 3

1326 077

TABLE 4

METROPOLITAN EDISON COMPANY

Actual and Projected Cost of Coal, 1970 - 1980

<u>Year</u>	<u>Tons Purchased (000's)</u>	<u>Cost (\$ millions)</u>	<u>\$/ton</u>
1970	2 454	\$25.6	\$10.44
1971	2 108	24.0	11.40
1972	2 271	28.4	12.50
1973	2 356	32.6	13.86
1974	2 341	61.1	26.09
1975	2 000	60.4	30.22
1976	2 046	57.0	27.88
1977	2 212	63.1	28.51
1978	1 884	63.0	33.43
1979 Jan.	130	\$ 4.3	\$32.96
Feb.	81	2.8	34.49
Mar.	197	6.9	35.30
Apr.	189	6.3	33.50
May	147	5.1	34.76
June	138	4.5	32.84
July	168	6.0	35.56
Aug.	159	5.4	33.91
Sept.	138	4.9	35.32
Oct. (forecast)	130	4.5	34.33
Nov. "	133	4.6	34.34
Dec. "	197	6.8	34.68
Year	1 807	\$62.1	\$34.37
1980 Jan. (forecast)	205	\$ 7.1	\$34.84
Feb. "	182	6.4	35.08
Mar. "	200	7.1	35.35
Apr. "	180	6.4	35.57
May "	172	6.1	35.72
June "	199	7.2	36.13
July "	207	7.5	36.40
Aug. "	192	7.1	36.81
Sept. "	168	6.2	36.96
Oct. "	164	6.1	36.97
Nov. "	199	7.4	37.43
Dec. "	204	7.7	37.68
Year	2 272	\$82.3	\$36.24

METROPOLITAN EDISON COMPANY
Actual and Projected Cost of Oil, 1970-1980

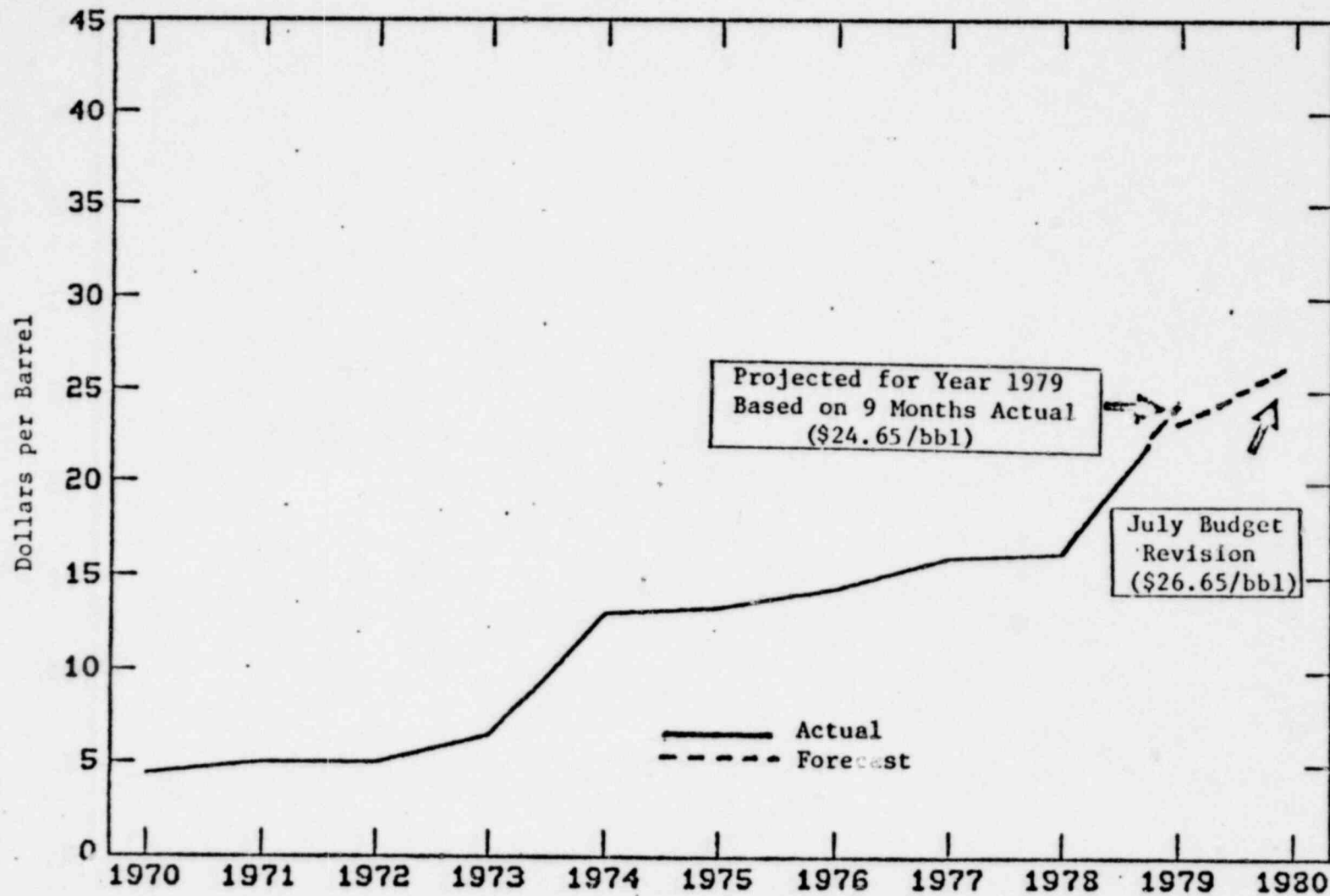


FIGURE 4

1326 079

TABLE 5

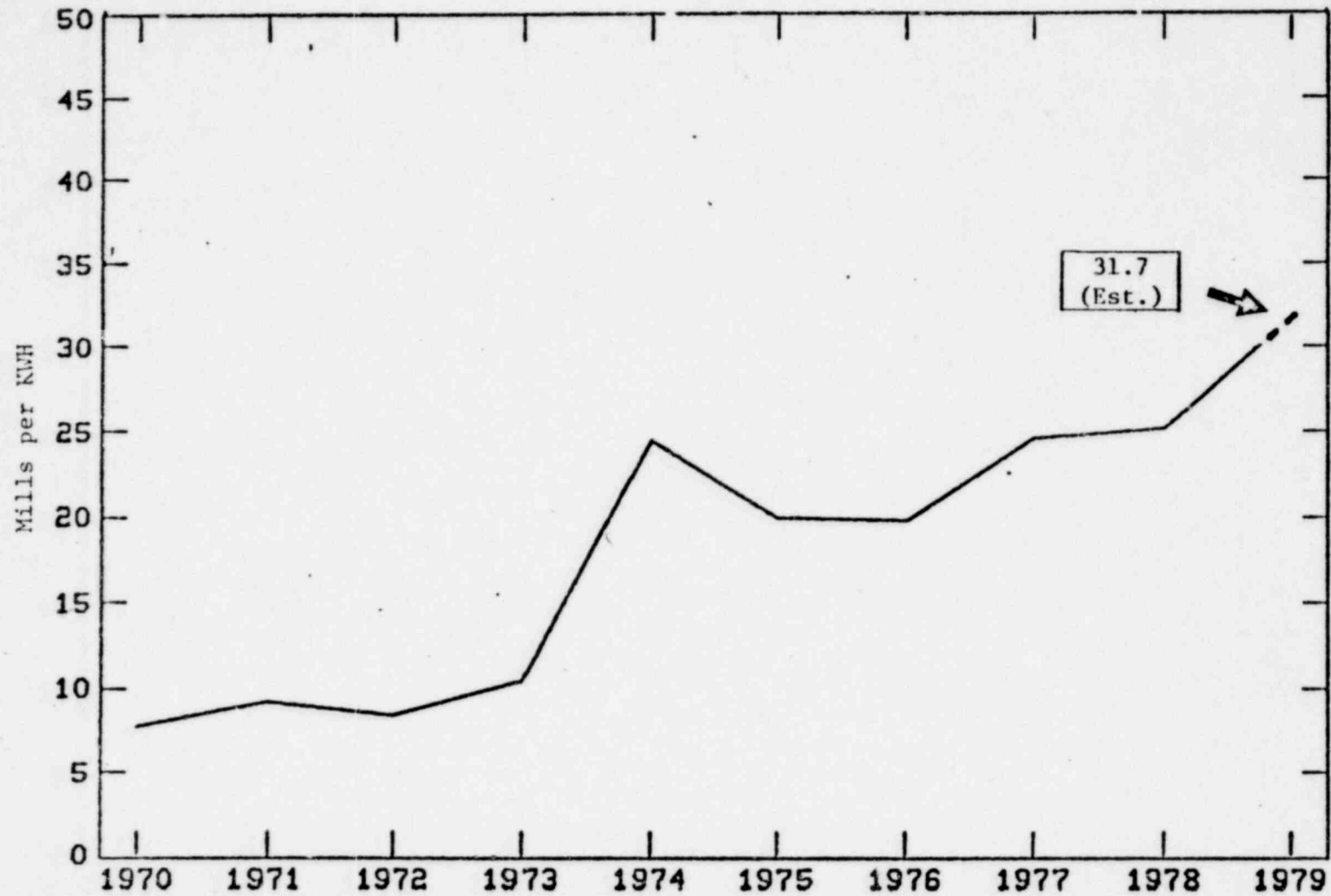
METROPOLITAN EDISON COMPANY

Actual and Projected Cost of Oil, 1970 - 1980

<u>Year</u>	<u>Barrels Purchased (000's)</u>	<u>Cost (\$ millions)</u>	<u>\$/bbl</u>
1970	323	\$ 1.4	\$ 4.41
1971	961	4.9	5.06
1972	1 332	6.8	5.09
1973	1 341	8.7	6.52
1974	1 457	19.0	13.01
1975	636	8.5	13.37
1976	403	5.8	14.34
1977	683	11.0	16.04
1978	668	10.9	16.26
1979 Jan.	57	\$ 1.0	\$17.94
Feb.	48	0.9	18.87
Mar.	28	0.5	19.80
Apr.	20	0.4	20.32
May	24	0.5	21.91
June	16	0.4	23.49
July	53	1.4	25.92
Aug.	37	1.0	26.13
Sept.	19	0.5	27.88
Oct. (forecast)	40	1.0	24.12
Nov. "	41	1.0	24.52
Dec. "	55	1.4	25.46
Year	438	\$10.0	\$22.82
1980 Jan. (forecast)	39	\$ 1.0	\$25.56
Feb. "	31	0.8	25.33
Mar. "	29	0.7	25.21
Apr. "	30	0.8	25.65
May "	27	0.7	25.72
June "	29	0.8	26.37
July "	30	0.8	26.57
Aug. "	30	0.8	26.84
Sept. "	27	0.7	27.06
Oct. "	30	0.8	27.55
Nov. "	28	0.8	27.94
Dec. "	42	1.2	29.26
Year	372	\$ 9.9	\$26.65

1326 080

METROPOLITAN EDISON COMPANY
Average Annual PJM Running Rate, 1970-1979



Mills per KWH → 7.8 9.3 8.5 10.5 24.5 20.0 19.8 24.6 25.2

FIGURE 5

1326 081

TABLE 6

METROPOLITAN EDISON COMPANY

Indicated Increase in 8.8 Mill Level Charge
Based on Energy Costs Experienced to Date

	<u>1979 Actual</u>			<u>3 Months</u>
	<u>July</u>	<u>Aug</u>	<u>Sept</u>	<u>Sept</u>
Total System Energy Costs* (\$ millions)	\$15.5	\$16.6	\$14.7	\$46.8
Total System Sales (GWH)	619	654	662	1,935
Mills/KWH of Sales	25.1	25.4	22.2	24.2
(Less): Total Retail Charges for Energy Costs (8 mills base, 8.4 mills clause, excl. taxes)				<u>(16.4)</u>
Increase in Energy Costs Over Level Provided for by Currently Effective Retail Rates				7.8
Indicated Increase in Level Charge (above X 1.047 revenue tax factor)				<u>8.2</u>

*includes demand component of cost of TMI-related short-term power purchases.

1326 082

TABLE 7

METROPOLITAN EDISON COMPANY

Increase in 8.8 Mill Level Charge That Would be Required to Recover
During 1980 the Energy Costs Projected to be Unrecovered (Deferred)
As of December 31, 1979

Deferred Energy Costs as of 9/30/79* (actual; \$ millions)	\$42.3
Estimated Additional Unrecovered Energy Costs through 12/31/79	<u>16.3</u>
Projected Balance as of Proposed 1/1/80 Effective Date of Clause Revision	\$58.6
Retail Sales Projected for the Period January 1980 - December 1980 (Gwh)	7,972
Amortization Rate per Kwh, Excluding Revenue Taxes	7.4
Increase in Currently Effective 8.8 Mill Level Charge (above x 1.047 revenue tax factor)	<u>7.7</u>

*excludes unamortized "old clause" balance recoverable by base
rates (\$14.4 million).

1326 083

TABLE 8

METROPOLITAN EDISON COMPANY

"Full Cost Recovery" Increase in 8.8 Mill Level Charge, Assuming Return to 6-Month
Historical Clause Effective 1/1/81

	<u>\$ Millions</u>
Total energy costs projected for the 18-month period July 1979 - December 1980 (July - September 1979 actual, TMI-1 back 9/1/80, "cost plus 10%" PJM pricing effective 11/1/79, APS, Ontario and Jamestown purchases, 15% oil price escalation)	\$281
Amount applicable to retail sales (above X 0.958, ratio of retail to total sales, July 1979 - December 1980)	\$269
Plus: Energy costs deferred under retail clause in effect prior to shift to level clause on July 1, 1979 (actual balance of costs deferred under 6-month historical clause as of June 30, 1979)	28
(Less): Energy costs incurred in 1980 that would be recovered in 1981 by 6-month historical clause if that clause were reinstated effective January 1, 1981	<u>(26)</u>
Retail energy costs recoverable during 18-month period July 1979 - December 1980, assuming return to 6-month historical clause effective January 1, 1981	\$271
(Less): Retail revenues for energy costs, July 1979 - December 1980, at current rates (8 mills base, 8.4 mills clause (excl. taxes); 16.4 mills X 11,690 GWH retail sales projected for the period)	<u>(192)</u>
Unrecovered costs, no revision in current level charge	\$ 79
Increase in level charge required for complete recovery, assuming increase is effective January 1, 1980 (above + 7,972 GWH retail sales projected for the period January 1980 - December 1980, X 1.047 revenue tax factor)	1326 084 <u>10.4 Mills/KWH</u>

TABLE 9

METROPOLITAN EDISON COMPANY

Monthly Bills Under Residential Rate RS,
Level Charge Currently in Effect vs. Proposed Increase

Monthly Usage (Kwh)	Present Rates (8.8 Mill Level Charge)	Proposed Rates (15.7 Mill Level Charge)	Increase	
			Amount	%
200	\$13.45	\$14.82	\$1.37	10.2%
300	18.11	20.17	2.06	11.4
400	22.77	25.51	2.74	12.0
460 (average)	25.60	28.75	3.15	12.3
500	27.42	30.85	3.43	12.5
600	32.08	36.19	4.11	12.8
700	36.74	41.54	4.80	13.1
800	41.40	46.88	5.48	13.2
900	46.05	52.22	6.17	13.4
1 000	50.71	57.56	6.85	13.5

Note: Both present and proposed rates include 0.72% base rate tax surcharge currently in effect (surcharge may be revised pursuant to Act No. 1979-27, as described in PaPUC's Secretarial letter dated 10/3/79.)

1326 085

FIGURE 6

METROPOLITAN EDISON COMPANY

Typical Bill Comparisons Pennsylvania Utilities Rates in Effect September 1, 1979

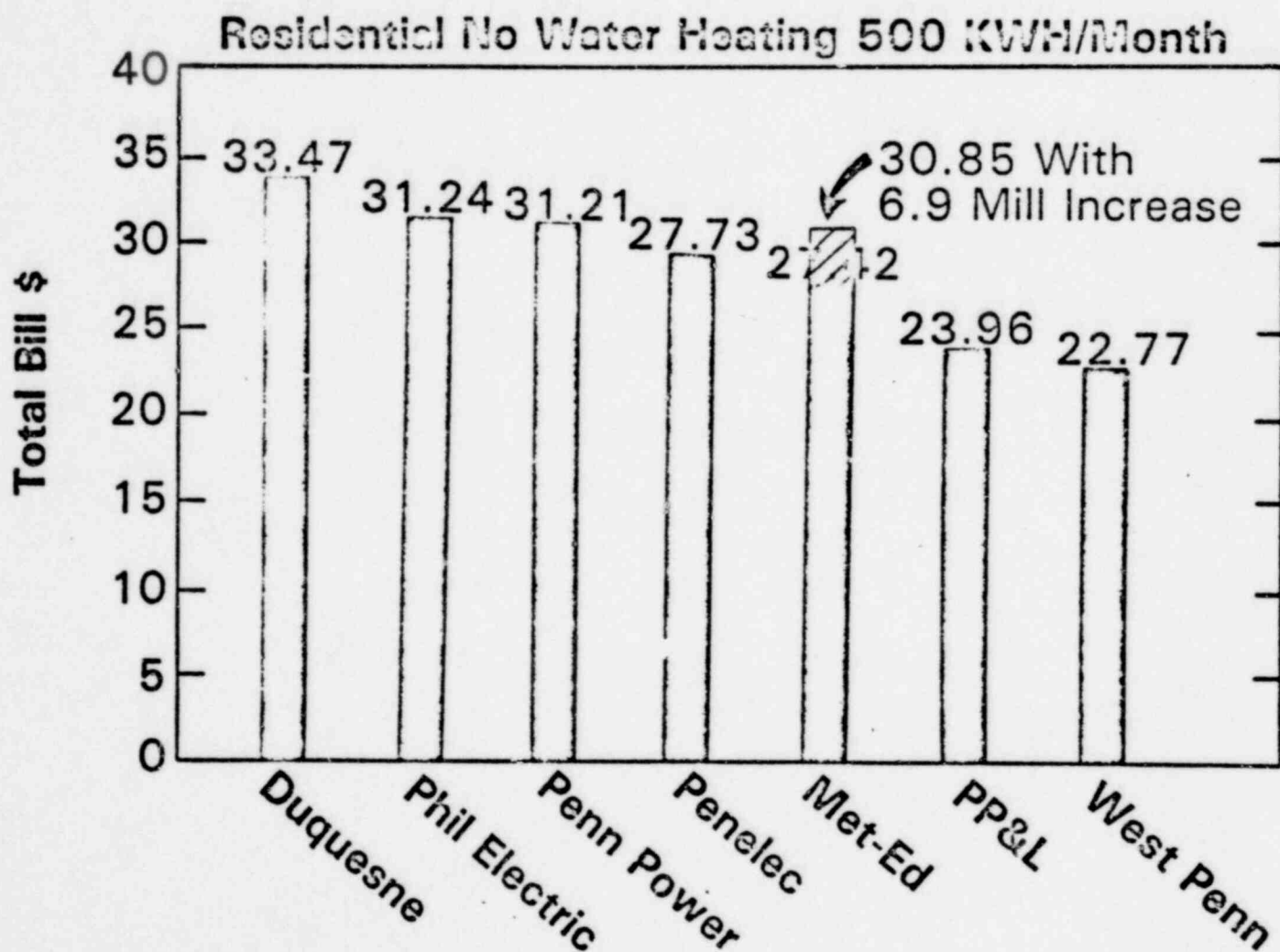


TABLE 10

METROPOLITAN EDISON COMPANY

Total Charges to Customers Reflecting Proposed Increase in
8.8 Mill Level Charge

Normalized retail base revenues allowed in R.I.D. 434, including 5.42 mill "roll- in" of energy costs into base rates	\$237.7 Million
Normalized test year retail sales	6 872 Gwh
Average retail revenue per Kwh ($\$237.7 \text{ million} \div 6\,872 \text{ Gwh}$)	34.590 mills/Kwh
Plus: Tax adjustment surcharge currently in effect ($34.590 \text{ mills/Kwh} \times .0072$)	0.249
Plus: 8.8 Mill levelized energy cost adjustment charge allowed in I-79040308	<u>8.800</u>
Total average annual charges to retail customers	43.639 mills/Kwh
Proposed increase in 8.8 mill level charge	6.854 mills/Kwh
% Increase in total charges to retail customers	15.7%
Annualized increase in retail revenues, 12 months ended December 31, 1980, based upon projected retail sales of 7,972 Gwh:	

	<u>Mills/Kwh</u>	<u>\$ Millions</u>
For energy costs	6.546	\$52.2
For revenue taxes ($6.546 \times .047$)	<u>.308</u>	<u>2.4</u>
Total	<u>6.854</u>	<u>\$54.6</u>

1326 087

Rate Dept Copy

GENERAL
PUBLIC
UTILITIES
CORPORATION

260 Cherry Hill Road
Parsippany New Jersey 07054
201 263-4900
TELEX 136-482

October 10, 1979

Mr. William P. Thierfelder, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, Pennsylvania 17120

Re: Metropolitan Edison Company and
Pennsylvania Electric Company
Docket No. I-79040308

Dear Mr. Thierfelder:

There is enclosed a petition of Metropolitan Edison Company ("Met-Ed") and Pennsylvania Electric Company ("Penelec") requesting that your Commission issue a Declaratory Order determining that acceptance by Met-Ed and Penelec of the proposal of the other members of the Pennsylvania-New Jersey-Maryland Interconnection ("PJM") with respect to the sale by them of power to replace that not available to Met-Ed, Penelec and Jersey Central Power & Light Company (the "GPU Companies") from the Three Mile Island nuclear generating station ("TMI") will constitute appropriate compliance with the directive of your Commission in Clause 7 of your Commission's Order dated June 15, 1979 in Docket No. I-79040308.

The subject clause of that Order directs Met-Ed and Penelec to petition the Federal Energy Regulatory Commission (FERC) and to negotiate with the other members of PJM for the pricing of purchases of energy during emergency conditions at cost, consistent with the findings of the Commission that, during emergency conditions, the split savings pricing of interchange sales is not in the public interest. Met-Ed and Penelec have made intensive efforts to obtain the agreement of the other PJM members to the pricing of energy to replace TMI at cost but have not been able to obtain such agreement. However, the proposal of the other PJM members that is the subject of the enclosed petition would substitute average incremental cost plus 10% for average incremental cost plus split savings as the basis for pricing to the GPU companies of PJM interchange sales to replace TMI generation.

If, in 1980, the GPU companies purchased their PJM TMI replacement energy as PJM interchange on a split savings basis their total energy cost is forecast to be about \$345 million higher than it would be if generation were available from TMI.

1326 088

Of this \$345 million the cost of the additional energy purchased would increase by approximately \$273 million. Of this increase, the GPU payments would include about \$50 million of split savings paid to other PJM companies.

Under the PJM proposal to sell to the GPU companies the incremental interchange energy attributable to the loss of TMI output at cost plus 10%, and assuming that such replacement were obtained from PJM interchange, the interchange purchase costs of the GPU companies would decrease by approximately \$32 million as against pricing on a split savings basis.

Of the \$32 million decrease in cost to GPU resulting from the PJM proposal, approximately \$14 million is attributable to Pennsylvania Power & Light Company (PL), \$1 million to Philadelphia Electric Company (PE) (\$15 million to the Pennsylvania companies), \$1 million to Public Service Electric & Gas Company (PS), \$7 million to Baltimore Gas and Electric Company (BC) and \$9 million to Potomac Electric Power Company (PEP).

The loss of TMI energy resulted in PS's, PE's and GPU's total energy cost in 1980 increasing by \$12 million, \$19 million, and \$345 million, respectively while PL's, BC's and PEP's total energy cost decreased by \$15 million, \$8 million and \$11 million, respectively. The reduction was due to split savings revenues on additional sales by PL, BC and PEP. The PJM proposal has a negligible economic effect (approximately \$1 million increase) on both PE and PS and a substantial increase on PL, BC and PEP, but the net effect of the substantial increase is to essentially return the PL, BC and PEP total energy cost to that existing with a normal TMI energy output (\$1 million lower, \$1 million lower and \$2 million lower, respectively).

The record in the proceedings in which the subject order was entered recognized the efforts that the GPU companies were making to purchase replacement power at costs less than those resulting from pricing PJM interchange on a split-savings basis. As a result of such efforts, the GPU companies were net sellers (rather than net purchasers) of PJM interchange in July, August and September. The GPU companies will continue their outside purchases when such purchases are economical. The availability of energy from PJM under the special TMI provision will better assure savings if outside purchases opportunities become unavailable.

Shortly after the 1-2 accident occurred, the GPU companies estimated that the cost to them of replacing TMI energy would be approximately \$24 million a month. As a result of the OPEC oil pricing actions in the six months since the accident, that cost, with PJM interchange on a split-savings basis, has increased by approximately 35% - i.e., to \$32.5 million per month. On this new basis the effect of the PJM proposal is to reduce that cost by about \$2.7 million a month, or to approximately \$30 million a month.

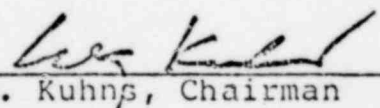
The GPU companies desire to begin realizing the cost reductions under the PJM proposal at the earliest feasible date. Under that proposal, the effective date is to be date of filing with the Federal Energy Regulatory Commission, assuming that such Commission permits such an effective date, but the proposal is not to be placed in effect without authorization by your Commission and any other Commission having jurisdiction. We, therefore, have requested in the enclosed Petition your favorable action thereon at your early convenience

We understand that PL intends to file a petition concurrent with this one for your approval in rescinding the PL sale to GPU at cost of up to 200 MW per hour of energy from its Martins Creek Units No. 3 and 4. We assume you may wish to consider these matters concurrently.

Respectfully submitted,

Metropolitan Edison Company
and
Pennsylvania Electric Company

By


W. G. Kuhns, Chairman

cc: The Hon. W. Wilson Goode, Chairman
The Hon. Michael Johnson, Commissioner

1326 090

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission et al.	:	
	:	
v.	:	Docket No.
	:	
Metropolitan Edison Company	:	I-79040308
and	:	
Pennsylvania Electric Company,	:	
Respondents	:	

PETITION FOR DECLARATORY ORDER

Metropolitan Edison Company ("Met-Ed") and Pennsylvania Electric Company ("Penelec"), respondents in the above proceeding, submit this Petition for a Declaratory Order pursuant to 1 Pa.Code 35.19, and in support thereof respectfully represent that:

1. Your Commission, in its Order adopted June 15, 1979 and entered June 19, 1979 at I-79040308 (the "Order"), made the following findings (at p. 16):

"Pricing of Wholesale Purchases of Power"

"In accordance with typical agreements between interconnected electric utilities, economy dispatched energy is sold at a price midway between the cost of generation of the selling utility and the alternative generation cost to the buying utility - thereby "splitting" the savings between the buyer and the seller. Although the price at which electricity is sold at wholesale is subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC"), the cost of purchased power impacts directly on retail rates and therefore is of concern to this Commission.

1326 091

"Under conditions approaching an equilibrium where electric utilities each buy and sell roughly equivalent amounts of energy annually, the split-savings method of pricing economy sales seems to result in an equitable distribution of the benefits of shared generation. One utility is not significantly better or worse off than another. However, when one or two utilities are forced to buy massive amounts of power from other utilities with large amounts of available generation, such as during the coal strike of 1977-78, an inequitable imbalance occurs. The cost of purchases of power during that emergency by utilities in Western Pennsylvania imposed a considerable burden on those utilities, while the utilities in Eastern Pennsylvania received unexpected revenues.

"The loss of generation at Three Mile Island has created a similar imbalance. Metropolitan Edison Company and Pennsylvania Electric Company will incur higher purchased power costs, while the selling companies will generate unexpected revenues.

"The Commission is of the opinion that the split savings pricing of interchange sales during emergency conditions is not in the public interest. We will direct Met Ed and Penelec to petition FERC and to negotiate with the other members of the PJM power pool to eliminate split savings during emergency conditions and to price such power at cost. Cf., Order adopted June 7, 1979 at Docket No. P-79060181 (Petition of Pennsylvania Power & Light Company for Declaratory Order).

"As an incentive to pursue this elimination of split savings during emergencies, the Commission will consider the efforts of Respondents in this respect in determining whether to allow the amortization of such energy costs deferred during the 18 month period in which their energy clauses are levelized."

2. At page 18 of the Order your Commission directed, among other things:

"7. That Metropolitan Edison Company and Pennsylvania Electric Company shall undertake in good faith to petition the Federal Energy Regulatory Commission, and to negotiate with other members of the Pennsylvania-New Jersey-Maryland Interconnection, for the pricing of purchases of energy during emergency conditions at cost, consistent with the findings of the Commission, and shall report monthly on its efforts."

3. Promptly following the entry of the Order and the corresponding Order of the Board of Public Utilities of the State of New Jersey ("NJBPU"), Respondents and their New Jersey affiliate, Jersey Central Power & Light Company ("Jersey Central"), herein collectively referred to as the "GPU Companies," advised the other members of the Pennsylvania-Jersey-Maryland Interconnection (PJM) of such directives, requested that such members enter into negotiations to accomplish the objectives of these provisions of such Orders and informed such members of the intention of the GPU Companies promptly to file a petition with the Federal Energy Regulatory Commission ("FERC") in accordance with such directives if such negotiations were not successful. A copy of the letter, dated June 22, 1979, from W. G. Kuhns, chief executive officer of the GPU Companies, to the other members of PJM is annexed as Appendix A.

4. Since that time, the GPU Companies have been involved in extensive negotiations with the other members of PJM. The GPU Companies have not been able to obtain the Agreement of the members of PJM to price at cost their sales of energy to replace TMI generation. However, the other PJM companies have submitted a proposal (the "PJM Proposal") to reduce the "adder" to their incremental production cost for energy and operating capacity from a split savings concept to incremental cost plus 10% for the energy purchased from PJM in interchange transactions to replace TMI generation for the GPU Companies' own load. The Proposal will apply to up to 1100 MWH/hr and up to 7,000,000 MWH

1980 and will terminate with the earlier of, the resumption of the generation of electric energy by TMI-1 on a continuing basis or, December 31, 1980. This PJM Proposal would take the form of special schedules to the PJM Interconnection Agreement which would become effective the date they are filed with FERC for acceptance, if authorized by the cognizant regulatory agencies. Drafts of these special schedules and an explanatory filing letter are attached hereto as Appendix B. The forecast 1980 impact of the PJM Proposal on GPU is an estimated \$32 million reduction in total production costs. Appendix B Table I is a PJM study entitled "PJM Study of the Effect of Three Mile Island Unit Outages Year 1980." This study summarizes the forecast 1980 differences in production costs and interchange that occur as between (a) generation being available from TMI and (b) generation from TMI not being available with some purchases by GPU from companies outside PJM. Table II of the study takes the estimated \$32 million reduction in GPU's total production costs arising from the change in billing due to the special pricing in the PJM proposal and shows the impact on each PJM companies' production costs resulting therefrom. These PJM studies formed the basis of the PJM Proposal and demonstrate the impact on each of the PJM companies without the availability of generation from the TMI units and with the application of the PJM Proposal.

As set forth below, the GPU Companies have been successful to date in their efforts to purchase substantial amounts of

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energy from sources other than PJM interchange, and have correspondingly reduced their purchases of PJM interchange. It is expected that some quantities may be purchased in the future from sources other than PJM if the savings resulting therefrom continue to be greater than PJM interchange including the PJM Proposal. Thus, the dollar amounts involved in the "adder" above incremental production cost for PJM interchange purchases may be different than that noted above.

5. The TMI-2 accident occurred on March 28, 1979. In April 1979, the GPU Companies did not have any source of replacement power from other utilities except the purchase of PJM interchange and the GPU Companies purchased 674,738 MWH of interchange from PJM at an average billing rate of 46.2 mills/kwh and an average adder by the selling PJM companies of 9.5 mills/kwh or 25.9% over the seller's incremental production cost. In May, the GPU Companies had in place a bulk purchase arrangement with Allegheny Power System, Inc. ("APS") and purchased 102,294 MWH from APS; by virtue of such purchases, the GPU Companies reduced their purchases of interchange from PJM to 595,981 MWH at an average billing rate of 50.4 mills/kwh and an average adder by the selling PJM companies of 10.8 mills/kwh or 27.3% over the seller's incremental production cost. (Sales of interchange by the GPU Companies to PJM were nominal in April and May 1979.)

6. By June, 1979, the GPU Companies had additional bulk power supply arrangements in effect, and they purchased 229,853 MWH from sources other than PJM interchange. In the

light of such other purchases, the GPU Companies reduced their purchases of PJM interchange to 292,661 MWH at an average billing rate of 45.3 mills/kwh and an average adder by the selling PJM Companies of 11.0 mills/kwh or 32.0% over the sellers incremental production cost. In addition, the GPU Companies sold 33,256 MWH of interchange to PJM in June.

7. In July 1979, the GPU Companies had still more bulk power purchase arrangements other than PJM interchange in effect. In the aggregate, the GPU Companies purchased 685,980 MWH from sources other than PJM interchange purchases and their purchases of interchange from PJM were reduced to 96,917 MWH at an average billing rate of 48.3 mills/kwh and an average adder by the PJM companies of 11.2 mills/kwh or 30.2% of the seller's incremental production cost. The combination of such outside purchase's plus generation from GPU's own facilities were such that the GPU Companies sold 158,122 MWH (or 63% more than they purchased) of interchange to PJM.

8. In August, 1979, the GPU Companies continued their bulk power purchase arrangements other than PJM interchange in effect. In the aggregate, the GPU Companies purchased 833,156 MWH from sources other than PJM interchange purchases and their purchase of interchange from PJM were reduced to 72,617 MWH at an average billing rate of 56.3 mills/kwh and average adder by the PJM companies of 14.1 mills/kwh or 33.4% of the seller's incremental production cost. The combination of such outside

purchase plus generation from GPU's own facilities were such that the GPU Companies sold 183,450 MWH (or 153% more than they purchased) of interchange to PJM.

9. In September 1979, the GPU Companies continued their bulk power purchase arrangements other than PJM interchange in effect. In the aggregate, the GPU Companies purchased 692,303 MWH from sources other than PJM interchange purchases and their purchase of interchange from PJM were reduced to 118,511 MWH at an average billing rate of 54.5 mills/kwh and average adder by the PJM companies of 10.7 mills/kwh or 24.4% of the seller's incremental production cost. The combination of such outside purchase plus generation from GPU's own facilities were such that the GPU Companies sold 154,876 MWH or (31% more than they purchased) of interchange to PJM.

10. The bulk power purchase arrangements which the GPU Companies have been successful in negotiating thus far are non-firm --i.e., are subject to the availability of the supplier's equipment and may be interrupted by it at any time and for any period. (For example, the lowest cost source of supply to the GPU Companies has been the arrangement with APS; that supply was interrupted July 5, 1979 due to equipment unavailability and is not scheduled to be resumed until November 1, 1979.) The volume and the pricing of interchange purchases by the GPU Companies from PJM will depend upon hour-to-hour changes in (a) the load levels both within GPU and outside GPU, (b) the availability of

GPU's generating facilities and energy provided therefrom on economic dispatch, (c) the reliability and availability of GPU's generating facilities, (d) the energy provided on economic dispatch by the other PJM Companies, and (e) the availability and purchase prices of energy from suppliers outside PJM.

11. In the absence of purchases from outside PJM, during the non-availability of generation from TMI, the decrease in sales of the GPU companies for 1979 were expected to average about \$4 million per month and the increase in purchases of PJM interchange by the GPU Companies were expected to average about \$20 million a month with the split-savings "adder" on such purchases amounting to about \$4 million a month (or about 25% of the seller's cost). For that situation, the PJM Proposal would result in a reduction of cost to the GPU Companies of approximately \$1.8 million a month. The forecast for 1980 now projects this saving at \$2.7 million a month, the difference being mainly due to fuel cost escalation and load growth. It is necessary to underscore that the PJM Proposal cost reduction to the GPU Companies is premised on the absence of the major portion of purchases from outside PJM. With GPU purchases from outside PJM running at the level experienced in July and August, with their attendant savings of approximately \$5 million a month, the PJM Proposal would result in a reduction of cost to the GPU Companies of approximately \$0.7 million a month.

12. Thus far, we have referred to purchases of interchange by the GPU Companies from PJM. The fact is, of course, that PJM is not an entity and the purchases by the GPU Companies would be from the facilities of individual members of PJM. Since both Philadelphia Electric Company ("PE") and Public Service Electric and Gas Company ("PS") ordinarily do not have energy available for sale from units operating below the PJM running rate and are usually heavy purchasers of interchange for their own requirements, the GPU purchases of so-called "PJM Interchange" will, for the period through 1980, normally be from the facilities of Baltimore Gas & Electric Company ("BC"), Pennsylvania Power & Light Company ("PL") and Potomac Electric Power Company ("PEP").

Appendix B, Table I shows the estimated change in each PJM company's total cost for energy production in 1980 including its own generation and sales to and purchases from other PJM companies brought about by the nonavailability of generation from TMI. These estimated 1980 energy cost increases (decreases) are:

PS	\$ 12.1 million
PE	\$ 19.3 million
PL	\$(15.4 million)
BC	\$ (8.2 million)
GPU	\$345.3 million
PEP	\$(10.9 million)

The parentheses indicate a reduction in a selling company's total energy cost because of the split savings realized by it on increased interchange sales arising as a result of the non-availability of energy from TMI, ie; the PJM selling companies' costs reflect a reduction in total energy costs due to the fact

that their interchange sales increase and, when selling at split savings, result in unanticipated increased revenues to them over and above their increased production cost. The converse is true for the purchasing companies and most prominently for GPU where the low cost nuclear generation is not available directly to GPU and indirectly to make other lower cost energy available to PS and PE.

Appendix B Table II shows the change in total energy cost of the PJM companies forecast for 1980 resulting from the PJM Proposal in comparison with the total energy costs resulting from pricing on the basis of split savings. These increases (decreases) resulting from the PJM Proposal are:

PS	\$ 1 million
PE	\$ 1 million
PL	\$ 14 million
BC	\$ 7 million
GPU	\$(32 million)
PEP	\$ 9 million

13. The major impact of the PJM proposal is that the major sellers (BC, PL and PEP) relinquish a part of the unanticipated net revenues resulting from the increased sales of interchange on a split-savings basis, thereby bringing their total net production cost closer to that existing before the TMI accident. The differential total production cost of the PJM companies forecast for 1980 for the conditions of a) energy available from TMI vs. energy not available from TMI with normal pricing and b) energy available from TMI vs. energy not available from TMI with the PJM Proposal, is graphically illustrated in Appendix C.

Although the PJM Proposal has a nominal additional adverse impact on PE and PS, it can be said that the major effect of the PJM proposal is to tend to bring the total production costs of the selling PJM companies closer to that forecast without the TMI accident. It should be noted that, on the basis of the 1980 forecast, the PJM Proposal will still result in the receipt by PL of \$1 million, by BC of \$1 million and by PEP of \$2 million more net revenues than they would have received in the absence of the TMI accident.

14. If the GPU Companies are not authorized by your Commission to accept the PJM Proposal, they are required by the Order to file a petition with the Federal Energy Regulatory Commission ("FERC") seeking a directive by the FERC that the other members of PJM sell energy to the GPU Companies during emergency conditions at cost. The GPU Companies are prepared to file such a petition with the FERC. However, such a petition would have to be filed under Section 206(a) of the Federal Power Act and any relief obtained by the GPU Companies in response to that petition could be effective only prospectively, i.e., after the FERC had made a decision following hearings. If the FERC employed its usual procedure in contested rate proceedings, the filing of the petition by the GPU Companies would involve notice of filing, petitions to intervene and responses thereto, assignment to an administrative law judge, data requests and document discovery, one or more pre-hearing

conferences, possible settlement discussions, hearings, briefs, a recommended decision by the administrative law judge, exceptions thereto and briefs in support of exceptions and finally a decision by the FERC. Based on usual experience in contested rate proceedings under the Federal Power Act, it appears unlikely that a decision would be rendered in that proceeding by the FERC before 1981 and might well be later. Moreover, it is by no means certain that the FERC would require such sales to be made at cost. The report of the FERC staff on electric power sales between power pools during the last coal miners' strike and the pending rulemaking proceedings before the FERC suggest that the FERC staff believes that some "adder" above incremental production cost is appropriate, even in emergency sales.

15. For these reasons, the GPU Companies believe that proceeding on the basis of the PJM Proposal, rather than by filing a petition with the FERC, will best and most quickly accomplish the intent of the subject provisions of the Order and that their proceeding on that basis should be deemed to be acceptable compliance with such provisions of the Order.

16. Met-Ed and Penelec assume that it will facilitate your Commission's review of this Petition if Met-Ed and Penelec also set forth the results accomplished to date as against those contemplated by the Order and the estimates on which the Order was based and that information is set forth in the following paragraphs.

17. Following the TMI-2 accident, the GPU Companies made studies of the probable replacement cost while energy was not available from both TMI units assuming that such replacement came from a combination of increased generation from the GPU Companies' own facilities and increased net interchange purchases from PJM. The studies indicated that replacement power costs would be approximately \$24 million a month (\$10 million for Met-Ed, \$4 million for Penelec and \$10 million for Jersey Central) or \$216 million for the nine-month period, April 1-December 31, 1979. Such studies indicated that, of the \$216 million of increased replacement power costs for the nine months, \$40 million would be attributable to decreased sales to PJM from the GPU Companies' own facilities and \$176 million (including \$38 million of split-savings "adders") for increased net purchases of interchange from PJM. During the course of the proceedings which led to the entry of the Order, the GPU Companies advised your Commission and the NJBPU of the efforts which they were making to obtain bulk power supply to replace TMI generation from sources other than PJM Interchange.

18. The Order was predicated upon the assumption that the GPU Companies would be successful in efforts to find alternatives to normal purchases of interchange from PJM on a split-savings basis and that this would reduce their TMI replacement energy costs by about 25%, i.e., that the monthly TMI replacement power costs would aggregate about \$7.5 million each for Met-Ed

and Jersey Central and about \$3 million for Penelec: In this respect, the Order (at page 12) provided that Met-Ed and Penelec could include, in recoverable costs through the net energy cost rate, the demand or reserve capacity charges incurred in connection with such purchases from July 1, 1979 until January 1, 1980 as an incentive to enter into such arrangements, and the NJBPU took similar action in respect of Jersey Central except that the demand or reserve capacity charges incurred are permitted to be included beyond Jan 1, 1980. As indicated above, the GPU Companies have been purchasing increasing amounts of replacement energy from sources of supply other than PJM Interchange; in July they made purchases from an aggregate of nine utilities at various times. All such arrangements have been dependent upon the availability of energy from each of the suppliers and have been subject to interruption at any time upon very short notice. At times the GPU Companies have purchased more than 1200 MWH per hour from sources outside PJM, as well as 200 MWH per hour from PL in bilateral transactions when such bilateral transactions were economic. At other times, these purchases were substantially less because the supplying utilities did not have generating capacity available or because the purchases were not economic.

19. The TMI associated replacement power costs experienced by the GPU Companies in April, May and June 1979 when the bulk power supply arrangements as alternatives to purchases of PJM interchange were still in the process of being worked out were substantially in excess of those

contemplated by the Order (and the comparable Order of the New Jersey BPU) and amounted to \$22.9 million for April, \$20.5 million for May and \$21.8 million for June, as compared with the \$18.0 million assumed in the State Orders for the GPU System. The major reason for this was that the Orders assumed a \$6 million monthly reduction in energy cost (as against purchases of interchange from PJM on a split savings basis) resulting from outside purchases and from PJM negotiations (thereby reducing the estimated \$24 million replacement cost to \$18 million) while the actual reduction in such costs were zero in April, \$1.2 million in May, and \$1.1 million in June. These data, on an individual company and GPU System basis, are shown on Appendix D titled "Estimates of 'Actual' Cost of TMI Replacement Energy, April - August 1979 & Forecast 1980."

20. As previously noted the GPU Companies made substantial power purchases in July and August, as alternatives to the purchase of PJM interchange such that the GPU Companies were net sellers of interchange to PJM, although some amounts of PJM interchange energy were at times purchased. In July and August the replacement power costs were nevertheless substantially in excess of those contemplated by the Orders and were \$24 million for July and \$19.7 million for August even though the purchase power savings at \$5.5 million for each month very nearly met the \$6 million projected in the Order. If the nominal amounts of PJM interchange purchased by the GPU Companies in July and August had been under the terms of the PJM Proposal rather than

on the split-savings basis, the additional monthly reduction in their energy costs would have approximated \$0.7 million and the Orders' estimate of savings would have been met. However, the Orders' estimate of total replacement power cost of \$18 million would still have been exceeded by more than \$5 million in July and \$1 million in August.

The principal factor which produced this result is that the OPEC cartel imposed substantial additional price increases after the record was closed in the proceedings in which the Orders were entered. This OPEC action increased the energy cost for the portion of the replacement power (a) supplied from the GPU Companies' oil-fired generation, (b) purchased from PL in bilateral transactions (since such purchases come from PL's oil-fired Martins Creek Units Nos. 3 and 4) and (c) purchased from PJM as interchange, since a significant portion of such interchange comes from oil-fired sources. The consequence is that, even though the GPU Companies were net sellers of interchange to PJM in July and August as a result of large purchases outside PJM and thereby achieved the reduction in energy costs (as against large purchases from PJM on a split-savings basis) anticipated by the Orders, the base cost of their replacement energy increased by a substantially equivalent amount due to the OPEC actions.

The best current estimate for the year 1980 is that the GPU Companies' power replacement cost, if supplied by

PJM on a split-savings basis, would approximate \$33 million per month and that savings of \$6 million per month can be achieved as a result of a combination of outside purchases and purchases from PJM under the PJM Proposal. This would result in a net replacement cost of \$27 million per month which is \$9 million/month in excess of the net \$18 million per month level inherent in the Commissions Orders. Details of this 1980 forecast are shown on Appendix D.

21. All the purchases from outside PJM and the purchases in the bilateral transaction with PL are allocated in the first instance among the GPU Companies in proportion to their respective interests in TMI, namely, 50% to Met-Ed, 25% to Penelec and 25% to Jersey Central, and are treated as resources of these companies at an energy cost which includes the demand charge of the supplying company. (All such arrangements, other than that with PL, and Jamestown include a demand charge.) To the extent that one GPU Company cannot itself use such purchases for its own load (because it has a more economical source of supply), it relinquishes its right to such energy to its affiliates that can use it. In May, Penelec could use only about 10% of its share of the outside purchases. Met-Ed required almost exactly the amount of its share of such outside purchases. Thus Jersey Central purchased the portion of Penelec's purchases not required by Penelec. In June, Penelec required about one-third of its share of such purchases. For its part, Met-Ed not only required its own share of such outside

purchases but also could use about 20% of the Penelec share and purchased that. Jersey Central not only required its share of such outside purchases, but also could use the balance of the Penelec share and purchased it.

22. If bulk power supply purchases and the resulting savings by the GPU Companies from outside PJM Interchange continue to be substantial, as they were in July, the impact of the subject PJM Proposal and its resultant savings on GPU and the other PJM companies would be modest because the volume of interchange purchases from PJM would be modest, i.e., as the GPU Companies increase their purchases of bulk power from sources other than the purchase of PJM Interchange, the other PJM companies that would sell interchange more closely revert to the situation in which their interchange sales are at the level they would have been without the TMI-2 accident. At the July level, the subject PJM Proposal would reduce GPU costs by approximately \$0.7 million per month and reduce the "unexpected revenues" of the selling PJM companies by the same amount. The GPU reduction from the outside PJM purchases approximated \$5.5 million in July. At the June level, the reduction in GPU costs arising from the subject PJM Proposal would be approximately \$2.2 million per month, but, correspondingly, the GPU purchases outside PJM would be smaller; the savings achieved as a result of such purchases in June approximated \$1.1 million. The net

result is that the subject PJM Proposal lessens GPU's vulnerability to the loss of savings resulting from the nonavailability of energy from outside PJM and thus provides greater assurance of alternatives with costs lower than normal PJM interchange pricing.

23. The measurement of the impact of the subject PJM Proposal on the individual GPU Companies contains the uncertainties referred to earlier. Initially, the energy (including operating capacity) available from PJM under the PJM Proposal will be allocated among the GPU Companies in proportion to their respective interests in TMI. If, however, at any hour, one GPU company cannot economically use such energy to serve its own load, it will relinquish such energy to its affiliates that can economically use such energy. It is anticipated that, except in periods when it is experiencing significant scheduled or forced outages of coal-fired equipment, Penelec will not be able to utilize for its own load all of its allocable share of the energy available under the PJM Proposal. Moreover, while 50% of the energy available under the PJM Proposal will be initially allocated to Met-Ed, the impact of the PJM Proposal in reducing energy costs as against pricing interchange on a split-savings basis will be less per kilowatthour for Met-Ed than for Jersey Central. This is because, even without TMI generation, Met-Ed has proportionately more base and intermediate load generating capacity (Portland, Titus and Conemaugh) than Jersey Central

(Oyster Creek and Keystone). Consequently, during some hours, the purchase of PJM interchange on the basis of the PJM Proposal will not be economically advantageous to Met-Ed. Moreover, given the difference in their mix of generating capacity, the purchase of interchange from PJM on a split-savings basis results in a higher price to Jersey Central than to Met-Ed; thus, the substitution of pricing of interchange purchases at incremental cost plus 10% under the PJM Proposal for normal pricing on the basis of incremental cost plus split-savings produces a greater reduction in cost per kilowatthour for Jersey Central than for Met-Ed. Under these circumstances, it is reasonable to estimate that approximately 35-45% of the benefits to the GPU Companies from the subject PJM Proposal will be received by Met-Ed, 35-45% by Jersey Central and the balance by Penelec.

24. As noted earlier, the purchases from outside PJM will continue if economic when compared with purchases directly from PJM. Since the PJM proposal reduces the PJM interchange price to be paid by the GPU Companies, it is anticipated that the volume of the outside purchases may be reduced. It should be noted that, while the PJM proposal applies to a major portion of GPU's total interchange energy purchases from PJM, there will still remain a substantial quantity of energy which the GPU companies may purchase beyond the provisions of this special agreement. If purchased from PJM, this will be in excess of the replacement for TMI provided for in the PJM Proposal and will be priced on the split-savings basis.

25. The PJM proposal does involve other elements which should be noted. These relate to the timing of payments for energy purchased under the PJM Proposal and the consequences if such payments are not made when due.

26. Under the existing PJM Agreement, bills are computed monthly by the fifth working day of the following month, and are payable on the first banking day common to all PJM parties following the nineteenth day of the month in which the billing statements are prepared. Under the subject PJM Proposal, the GPU Companies will be required to make interim payments, on the basis of weekly estimates, for net energy purchases by them from or thru PJM; they will be billed weekly within two working days after the end of the week, for any estimated net amount due for that week's transactions. Payment of this estimated bill will be due five banking days after rendered and in default if not paid by the sixth banking day. The interim payments will then be applied against the final monthly bill. While this schedule for interim payment is tight, it is manageable, since payments are effected by wire transfers between banks. The requirement of the PJM Proposal for interim payment on a weekly basis does increase the GPU Companies' cash working capital requirements but this is not substantially more burdensome than that involved in purchases from outside PJM which have also involved weekly payments and, in the case of many of the larger transactions, have required that such payments be made in advance.

27. The use of the term "default" in the subject PJM Proposal is new, but the concept is not. Specifically, Section 11.1 of the existing PJM Agreement provides for a penalty rate of interest (130% of the prime rate) during a period of "delinquency" if payment is not made on the due date. Moreover, under their debenture indentures, the GPU Companies have covenanted that they will pay for labor, materials and supplies as they become due and payable in the ordinary course of business and the new revolving credit agreement contains a similar covenant. There is a 60-day grace period for curing such a default in the debenture indenture, before the debenture indenture trustee or the holders of 25% of the debentures may accelerate the maturity. However, this grace period in the debenture indenture is of limited significance since, if a company is unable to pay its debts as they become due in the ordinary course of business, that would probably be a material adverse development requiring disclosure under the federal securities laws and to the bank lenders under the revolving credit agreement and might well shut off the availability of additional credit.

28. The PJM Proposal also provides that, if a condition of default exists, the GPU Companies shall not have a vote in PJM matters so long as that default continues and that during the default any PJM member company may refrain from rendering PJM benefits to the GPU companies. If the GPU Companies were in

default, they would not be able to enforce the PJM contract in any event and the other PJM companies could take (or withhold) action on that basis, subject to any constraints arising under the Federal Power Act. For this reason, the provision in the subject PJM Proposal concerning the withholding of PJM benefits under such circumstances does not appear to add significantly to the remedies available to the other PJM members. Needless to say, the GPU Companies do not intend to permit a default to arise.

29. In summary, the GPU Companies believe that the PJM Proposal largely achieves the objectives of the provisions of the Order quoted in paragraphs 1 and 2 above and that it provides a potential for achieving some cost savings for them at a much earlier date, and with greater certainty, than they could achieve by filing a petition with FERC. The GPU Companies believe that they have demonstrated that they have attempted in good faith to comply with the subject directives of the Order and respectfully request that the Commission issue a Declaratory Order determining that acceptance by Met-Ed and Penelec of the PJM Proposal will constitute appropriate compliance with the directives of paragraph 7 of the Commission's Order.

21.
WHEREFORE, Respondents pray that the Commission issue a declaratory order finding that their proceeding on the basis of the PJM Proposal satisfies the aforesaid directives of the Commission's Order entered June 19, 1979 at I-79040308.

METROPOLITAN EDISON COMPANY

PENNSYLVANIA ELECTRIC COMPANY

By

W. G. Kuhns
Chairman of the Board

STATE OF NEW JERSEY)

: ss.

COUNTY OF MORRIS)

W. G. KUHNS, being duly sworn according to law, deposes and says that he is Chairman of the Board of Metropolitan Edison Company and Pennsylvania Electric Company; that he is authorized to and does make this affidavit for these companies; and that the facts set forth above are true and correct to the best of his knowledge, information and belief.

W. G. Kuhns
W. G. Kuhns

Sworn to and subscribed before
me this 9th day of October, 1979.

Grace Wade

GRACE WADE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Jan 5, 1983

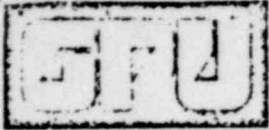
CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding in accordance with the requirements of 1 Pa. Code 33.32 (relating to service by a participant).

Dated at this day of October, 1979.

/s/ Samuel B. Russell

Ryan, Russel & McConaghy
Attorneys for
Metropolitan Edison Company
and
Pennsylvania Electric Company



GENERAL
PUBLIC
UTILITIES
CORPORATION

260 Cherry Hill Road
Parsippany New Jersey 07054
201 263-4900

June 22, 1979

IDENTICAL LETTERS WERE ALSO SENT TO
THE FOLLOWING INDIVIDUALS:

Mr. Robert F. Gilkeson
Chairman of the Board
Philadelphia Electric Company
2301 Market Street
Philadelphia, Pa. 19101

R. I. Smith	E. T. Cox
J. F. Betz	J. L. Everett
R. K. Campbell	J. D. Feehan
C. E. Utermohle, Jr.	R. D. Weimer
B. C. Trueschler	A. E. Bone
W. R. Thompson	J. K. Busby

Dear Bob:

As I am sure you appreciate, the GPU System has been undergoing traumatic experiences on all fronts in the twelve weeks since the TMI-2 accident. Our first priority necessarily was devoted to achieving and maintaining control of the accident and bringing TMI-2 to a cold shutdown status without injury to the public health and safety. The assistance we received from all segments of the industry - including your Companies - was outstanding, as we have sought to make clear in all forums that we had an opportunity to address.

Our second priority was to maintain service to our customers. This, of course, would not have been possible without the massive amounts of power you made available to us. I should not wish you to consider the balance of this letter as reflecting any lack of appreciation on our part for the response of your Companies in providing such power to us. The way in which the PJM Interconnection handled in stride the severe test presented by this outage of 1,700 MW of base load capacity is a tribute to the sound planning and structure involved in PJM.

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The financial aspects of the accident and its aftermath have also been most demanding. We have been experiencing replacement power costs on the order of \$24 million a month in excess of those provided for in our current charges to customers and, at the same time, have not been receiving base rates to cover the capital and operating costs of TMI-2. The financial survival of the GPU System has been dependent upon our ability to obtain prompt tariff revisions to provide for the recovery within a reasonable period of the bulk of those replacement power costs and this, in turn, has been heavily dependent upon our ability to demonstrate to the regulatory agencies that we were making every effort to minimize those replacement power costs. It has been within this context that since shortly after the accident, we have been discussing with you the question of whether your Companies would be willing to provide to us at cost (e.g., without an "adder" for "split-savings") the energy and operating capacity which we are purchasing from you to replace the energy which would have been provided to the GPU System by the two TMI units.

We have also been attempting to negotiate special purchase power arrangements with your Companies and other neighboring utilities to mitigate these replacement power costs. We have had some limited success in these efforts and they will be continued. Specifically, PP&L has

offered to sell the GPU Companies, for the balance of 1979, at cost as determined in accordance with the normal PJM accounting practices, the energy produced by up to 200 MW of Martins Creek Units 3 and 4 when those units are operating on the PJM economic dispatch and we have gratefully accepted that offer. Implementation of that agreement has been approved by the PaPUC and is subject to acceptance by FERC. Philadelphia Electric has offered to sell us, at 95% of the PJM running rate, energy equivalent to the Philadelphia Electric share of Salem No. 2 output and we have accepted that offer. Implementation of this sale and purchase will not begin until Salem No. 2 commences operation which must await the issuance of the NRC operating license. We have also previously announced that we are purchasing short-term power as available from and through APS and we expect to continue such purchases. We anticipate that we may be able to effect additional purchases from other sources and we will periodically advise your Companies of our progress on that score.

On June 15, 1979, the PaPUC issued an order to Met-Ed and Penelec permitting them to implement levelized energy adjustment clauses which provide for recovery of a portion of the replacement power costs and, on June 18, 1979, the NJBPU issued a similar order to Jersey Central. In the case of both the PaPUC and NJBPU orders, the levelized energy clauses are premised on our ability to achieve

savings in replacement power costs in addition to those achievable under the arrangements with PP&L, Philadelphia Electric and APS.

The PaPUC order sets forth the PaPUC's view that the split savings pricing of interchange sales during emergency conditions such as those which we are experiencing is not in the public interest and directs Met-Ed and Penelec to petition FERC and to negotiate with your Companies for the pricing of the replacement power at cost. (The relevant excerpt from that Order is annexed as Appendix A.) Although stated in somewhat different terms, the NJBPU order expresses the same point of view. (The relevant excerpt from that Order and from the transcript of the discussion by the members of the NJBPU during the course of approval of that Order is annexed as Appendix B.)

At the meeting of the PJM Chief Executive Officers and Management Committee on May 5, 1979, the Management Committee was given the assignment of analyzing the impact on each of the PJM participants of the loss of major base load generation such as TMI. It is my understanding that these studies are nearing completion. I suggest an early meeting of the PJM Chief Executive Officers (and, if appropriate, of representatives of the Commissions that regulate the PJM Companies) to consider

this matter. I shall call you in the next few days in an effort to schedule such a meeting at an early date.

Sincerely,

Pricing of Wholesale Purchases of Power

In accordance with typical agreements between inter-connected electric utilities, economy dispatched energy is sold at a price midway between the cost of generation of the selling utility and the alternative generation cost to the buying utility - thereby "splitting" the savings between the buyer and the seller. Although the price at which electricity is sold at wholesale is subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC"), the cost of purchased power impacts directly on retail rates and therefore is of concern to this Commission.

Under conditions approaching an equilibrium where electric utilities each buy and sell roughly equivalent amounts of energy annually, the split-savings method of pricing economy sales seems to result in an equitable distribution of the benefits of shared generation. One utility is not significantly better or worse off than another. However, when one or two utilities are forced to buy massive amounts of power from other utilities with large amounts of available generation, such as during the coal strike of 1977-78, an inequitable imbalance occurs. The cost of purchases of power during that emergency by utilities in Western Pennsylvania imposed a considerable burden on those utilities, while the utilities in Eastern Pennsylvania received unexpected revenues.

The loss of generation at Three Mile Island has created a similar imbalance. Metropolitan Edison Company and Pennsylvania Electric Company will incur higher purchased power costs, while the selling companies will generate unexpected revenues.

The Commission is of the opinion that the split savings pricing of interchange sales during emergency conditions is not in the public interest. We will direct Met Ed and Penelec to petition FERC and to negotiate with the other members of the PJM power pool to eliminate split savings during emergency conditions and to price such power at cost. Cf., Order adopted June 7, 1979 at Docket No. P-79060181 (Petition of Pennsylvania Power & Light Company for Declaratory Order).

As an incentive to pursue this elimination of split savings during emergencies, the Commission will consider the efforts of Respondents in this respect in determining whether to allow the amortization of such energy costs deferred during the 18 month period in which their energy clauses are levelized.

7. That Metropolitan Edison Company and Pennsylvania Electric Company shall undertake in good faith to petition the Federal Energy Regulatory Commission, and to negotiate with other members of the Pennsylvania-New Jersey-Maryland Interconnection, for the pricing of purchases of energy during emergency conditions at cost, consistent with the findings of the Commission, and shall report monthly on its efforts.

-

Excerpt from Order, dated June 18, 1979 of the
Board of Public Utilities of the State of New
Jersey in the matter of Jersey Central Power &
Light Company, Docket No. 795-427

The Board has also had discussions with the Federal Energy Regulatory Commission and the PJM interchange on the possibility of supplying JCP&L with replacement energy at cost, rather than through the current split-savings pricing mechanism. We direct JCP&L to continue these discussions and would hope that Atlantic City Electric and PSE&G join in their effort.

* * *

Extract from pages 35, 42-43 and 54 transcript
of meeting of the Board of Public Utilities
of the State of New Jersey in the matter of
Jersey Central Power & Light
Company, Docket No. 795-427

Commissioner Hynes (at page 35)

I would also like to include in this Order the following idea subject to a concurrence by my two commissioners. One is GPU shall have as part of this Order the responsibility to continue negotiations with other members of the PJM system in an effort to waive the split savings which is burdensome both to the company and to the ratepayer.

I would now like to go on record as having stated that Chairman Kuhns has been most aggressive in attempting to do just that, to save the ratepayers millions of dollars in the split savings costs. However, I think it's wise for the Commission to go on record ordering him to do so, to appeal to FERC to waive the split savings in emergency situations like this. And, I might add that we, in the State of New Jersey, have, as members of the PJM system, Atlantic City Electric as well as Public Service Electric and Gas, and I would publicly ask them at this point to support Chairman Kuhns request to waive the split savings costs.

* * *

President Barbour: (at pages 42-43)

During the course of these proceedings, but not as part of them, the three commissioners -- myself, Commissioner McGlynn and Commissioner Hynes, met in Philadelphia with the members of the Public Utility Commissions of Delaware, Pennsylvania, Maryland, District of Columbia, and discussed -- and, incidentally, at this meeting were the electric utility officials from all of the companies in that area -- where we discussed with the PJM official this question of doing away with the split savings and also the question of whether a penalty of lack of capacity would be appropriate in this situation.

There was considerable resistance by the PJM representative at that meeting and there was not an indication of position by the electric utility official at that meeting other than Jersey Central and Metropolitan Edison and Penelec, and we as Commissioner Hynes had indicated want to pursue that vigorously and we want Jersey Central to pursue it vigorously.

We feel it's time to have a change in that policy, particularly for an emergent situation as we have today. So, in the day to day operation maybe that is something that should still be continued, and maybe it isn't something that would be continued, but certainly it should not be in place for a situation such as this.

And, there is an inquiry as to the split savings methodology before the Federal Energy Regulatory Commission at this present time.

* * *

President Barbour (at page 54)

Commissioner McGlynn has suggested with respect to the split savings that perhaps that ought not to be an ordering part of our decision but that is a matter which both the Board and the utility should tackle jointly, so that is the method, that is the framework that we set up in the Order.

Federal Energy Regulatory Commission
825 North Capitol Street, N. E.
Washington, D. C. 20426

Attention: Mr. Kenneth F. Plumb, Secretary

Gentlemen:

There are filed herewith, to become effective on the date filed, interim modifications to present Schedules 6.03 and 7.01 and new Schedule 10.01 to the Pennsylvania-New Jersey-Maryland Interconnection (PJM) Agreement dated September 26, 1956, as supplemented, which is on file with the Commission and is identified by the Rate Schedule Number shown for each of the following companies which are the parties to the said Agreement.

<u>Company</u>	<u>Rate Schedule</u>
Public Service Electric and Gas Company	FERC No. 23
Philadelphia Electric Company	21
Pennsylvania Power & Light Company	21
Baltimore Gas and Electric Company	9
Jersey Central Power & Light Company*	7
Metropolitan Edison Company*	7
Pennsylvania Electric Company*	24
*(Referred to collectively as GPU)	
Potomac Electric Power Company	19

All of the Parties to the Agreement have approved this filing and have received copies thereof. This filing is made on behalf of such Parties by the undersigned in accordance with the authorization contained in Article 3.3 (vi) of the Agreement.

The following documents are submitted herewith in connection with this filing:

1. Six (6) copies of this letter.
2. Sixteen (16) copies of the interim modification to Schedule 6.03.
3. Sixteen (16) copies of the interim modification to Schedule 7.01.
4. Sixteen (16) copies of the new Schedule 10.01.

5. Six (6) copies of a form of Notice of Agreement suitable for publication in the Federal Register.
6. A check covering the filing fee.

Present Schedules 6.03 and 7.01 set forth accounting procedures for the interchange of energy and operating capacity among Parties to the PJM Agreement. The basic premise of these procedures is that receivers and suppliers share equally in the savings resulting from the transactions. The final debits or credits for interchange generally are included in each Party's retail fuel clauses. The non-availability to GPU of generation from the Three Mile Island Generating Station (TMI) as a result of the TMI accident and the orders, dated July 2, 1979 and August 9, 1979, has resulted in the need for exceptionally large and continuing receipts of energy by GPU, the owner of the units. Such receipts are the result of economic dispatch on the Interconnection which avoids the use of GPU's remaining high cost oil-fired generation. The continued application of present accounting procedures for such extraordinary receipts and the ultimate inclusion of the results in retail fuel clause calculations would result in burdensome costs to GPU customers and unexpected cost reductions to the customers of the selling companies. The intent of the modifications to Schedule 6.03 and 7.01 is to provide relief to GPU's customers.

The Parties to the Agreement have estimated the cost impact on GPU of the additional receipts of energy and operating capacity to replace the output of both TMI Units in 1980. The Parties have developed an interim accounting procedure applicable only until the end of 1980 or until TMI Unit #1 resumes generation on a continuing basis, whichever occurs first, which is expected to reduce the payment by GPU for the extraordinary energy receipts by approximately \$32 million for the year 1980, while assuring the return of all incremental costs to the suppliers. The application of this extraordinary procedure will be limited to GPU energy receipts of up to 1100 MW each hour and 7 million megawatthours in 1980. These limits reflect the estimated impact on GPU receipts caused by the lack of availability of generation from both TMI units. These extraordinary procedures are filed herewith as interim modifications to Schedule 6.03 and 7.01.

During the period in which these interim accounting procedures are in effect, GPU has agreed to a special billing procedure wherein GPU will make weekly payments to the Billing Agent whenever its estimated bill for PJM transactions in the preceding week is a net debit. This procedure is set forth in new Schedule 10.01 filed herewith.

Attached Exhibit 1 presents the results of the estimates referred to above and is submitted in response to Section 35.13(b)(1) of the Commission's Regulations. These estimates were based on the best data available on many variables including fuel costs, the availability of generating units, load levels, and load shape.

These interim accounting and billing procedures are a negotiated settlement predicated on the assumption that they will become effective on the date of filing; hence, the Schedules becoming effective in their entirety on the date of filing, without suspension, is a condition precedent to this Agreement. If the Commission does not accept this settlement and permit the Schedules to become effective on the date of filing without suspension, then the schedule modifications and a new schedule are null and void and without any effect whatsoever. Furthermore, as stated in each of the documents filed herewith, these schedule modifications and new schedule are null, void and without any effect whatsoever in the event any regulatory commission having jurisdiction over the rates charged to customers of any Party Hereto proposes to negate or modify the normal means by which Interchange results are reflected in rates and/or proposes to adjust cost of service for rate-making purposes in any manner adverse to a Party Hereto as a direct or indirect result of this filing.

In view of the potential relief available to GPU in the cost of energy and operating capacity the Commission is hereby respectfully requested to take the following action.

- (a) accept for filing the settlement rates, terms and conditions, the Agreement, and permit them to become effective without suspension on October __, 1979 until 12:01 AM January 1, 1981 or until Three Mile Island Unit No. 1 resumes the generation of electric energy on a continuing basis, whichever occurs first; and
- (b) waive the requirements of part 35 of the Commission's Regulations under the Federal Power Act to the extent that such waiver may be necessary to permit the relief through this filing.

Copies of this letter and its enclosures are being furnished concurrently to the Regulatory Commission of Pennsylvania, New Jersey, Maryland, Delaware, Virginia, and the District of Columbia for their information.

A check in the amount of \$1,200.00 is enclosed pursuant to Section 36.2(f) of the Commission's Regulations to cover the filing fee determined as follows: \$500.00 for a moderately complex rate schedule for one Party and \$700.00 for concurrence by the other Parties.

Very truly yours,

Wilmer S. Kleinbach
Manager

Pennsylvania-New Jersey-Maryland
Interconnection (PJM) Agreement

INTERIM MODIFICATION TO
SCHEDULE 6.03
ACCOUNTING FOR OPERATING CAPACITY

In recognition of the extraordinary circumstances resulting from the current lack of generation from Three Mile Island Units Nos. 1 and 2, the following section is an interim addendum to Schedule 6.03:

- (j) Until the Three Mile Island Unit #1 resumes the generation of electric energy on a continuing basis or the end of 1980, whichever occurs first, operating capacity received by GPU Group from THE INTERCONNECTION of up to 1100 megawatts in each peak period, less any amount of operating capacity purchased by GPU Group from other Parties Hereto under bilateral agreements except the PE-JC Agreement dated July 13, 1979, shall not be accounted for in accordance with the procedures set forth in foregoing sections (d) (g) and (h) but instead shall be allocated among the Parties Hereto supplying operating capacity to THE INTERCONNECTION in proportion to amounts supplied by each and in the accounting each shall be credited for its allocated share of such supply at a rate per kilowatt equal to its average cost of operating capacity supplied to THE INTERCONNECTION increased by 10% and GPU Group shall be debited an amount equal to the sum of such credits. This procedure will no longer be applicable in the event the cumulative total of GPU Group energy receipts in 1980 exceeds the limit set forth in the Interim Modification to Schedule 7.01 issued October 1, 1979. GPU Group receipts of operating capacity from THE INTERCONNECTION in excess of the aforementioned limits shall be accounted for in accordance with the other sections of Schedule 6.03. This interim accounting procedure is null and void and without any effect whatsoever in the event any regulatory commission having jurisdiction over the rates charged to customers or any Party Hereto proposes to negate or modify the normal means by which interchange results are reflected in rates and/or proposes to adjust costs of service for rate-making purposes in any manner adverse to a Party Hereto as a direct or indirect result of this filing.

Pennsylvania-New Jersey-Maryland
Interconnection (PJM) Agreement

INTERIM MODIFICATION TO
SCHEDULE 7.03
ACCOUNTING FOR INTERCHANGE OF ENERGY

Issued: October 1, 1979
Effective: (Date of filing)

In recognition of the extraordinary circumstances resulting from the current lack of generation from Three Mile Island Units Nos. 1 and 2, the following subsection is an interim addendum to section (e) of Schedule 7.01:

- (6) Until Three Mile Island Unit No. 1 resumes the generation of electric energy on a continuing basis or the end of 1980, whichever occurs first, energy received by GPU Group from THE INTERCONNECTION of up to 1100 megawatthours each hour, less any amount of energy purchased by GPU Group from other Parties Hereto in bilateral agreements, except the PE-JC Agreement dated July 13, 1979, shall not be accounted for in accordance with the procedures set forth in foregoing sections (a) and (e) (1) through (5) but instead shall be allocated each hour among the Parties Hereto supplying energy to THE INTERCONNECTION during that hour in proportion to the amounts supplied by each and in the accounting each shall be credited for its allocated share of such supply at a rate per kilowatthour equal to its average cost of energy supplied to THE INTERCONNECTION during that hour increased by 10% and GPU Group shall be debited an amount equal to the sum of such credits. The cumulative total of GPU Group energy receipts from THE INTERCONNECTION accounted for by this procedure shall not exceed 7 million megawatthours in 1980. GPU Group receipts of energy from THE INTERCONNECTION in excess of the aforementioned limits shall be accounted for in accordance with other subsections of Schedule 7.01 (e). This interim accounting procedure is null and void and without any effect whatsoever in the event any regulatory commission having jurisdiction over the rates charged to customers of any Party Hereto proposes to negate or modify the normal means by which interchange results are reflected in rates and/or proposes to adjust cost of service for ratemaking purposes in any manner adverse to a Party Hereto as a direct or indirect result of this filing.

Pennsylvania-New Jersey-Maryland
Interconnection (PJM) Agreement

SCHEDULE 10.01
SPECIAL BILLING PROCEDURES DURING PERIOD WHEN
INTERIM MODIFICATIONS TO SCHEDULES 6.03 AND 7.01 ARE IN EFFECT

Issued: October 1, 1979
Effective: (Date of filing)

- (a) In association with the special accounting procedures set forth in the interim modifications to Schedule 6.03 and 7.01 issued October 1, 1979 which recognize the current lack of generation from Three Mile Island Units Nos. 1 and 2, the following special billing procedures shall apply until Three Mile Island Unit No. 1 resumes the generation of electric energy on a continuing basis or the end of 1980, whichever occurs first.
- (b) By the second working day after the end of each week, the office of THE INTERCONNECTION shall estimate the amount of GPU Group's debits and credits for that week for interchange of Operating Capacity and Energy, and for any allocated share of such transactions with others not party to this AGREEMENT, and when GPU Group's net balance for a week is a debit, the Office shall render an interim bill to GPU Group. This bill shall be due and payable to PE, as agent for THE INTERCONNECTION, on the fifth banking day common to PE and GPU Group after the day it is rendered. Payments by GPU Group shall be made by wire transfer of immediate available funds to the Billing Agent. The balances of such interim payments may be invested in short-term money market obligations as authorized by GPU Group subject to PE concurrence. PE, as agent, shall apply funds accumulated in the interim payment account in payment of GPU Group's net monthly bill as determined in accordance with Section 11.1 of the AGREEMENT and concurrently shall disburse to GPU Group any remaining balance in the interim payment account for that month.
- (c) GPU Group shall be considered in default in the event payment of such interim bill is not made on or before the sixth banking day common to PE and GPU Group after the day it is rendered and so long as GPU Group remains in default, GPU Group shall not have a vote in PJM matters and the other Parties Hereto may refrain from rendering PJM benefits to GPU Group.
- (d) These special billing procedures are null and void and without any effect whatsoever in the event any regulatory commission having jurisdiction over the rates charged to customers of any Party Hereto proposes to negate or modify the normal means by which interchange results are reflected in rates and/or proposes to adjust cost of service for ratemaking purposes in any manner adverse to a Party Hereto as a direct or indirect result of this filing.

PJM STUDY OF THE
EFFECT OF THREE MILE ISLAND UNIT OUTAGES

During September 1979, the PJM Production Cost Task Force conducted a study to determine the effect the Three Mile Island (TMI) Nuclear Plant outage on the production costs and interchange of the PJM member companies during the year 1980.

The base case (Case A) determined the forecast production costs and interchange values of the member companies during the study period with TMI Units 1 and 2 producing electric energy. The maintenance schedules used reflected the outages planned with both the TMI units producing electric energy during the study period.

Case B is the same as Case A except the TMI Units 1 and 2 are removed from service during the study period and the maintenance schedule modified to reflect that assumption. The forecast production costs and interchange values of the member companies were determined for these conditions.

A 200 Mw energy-capacity transaction between GPU and external systems was included in the study in Case B.

The result of the study is summarized in Table 1 and shown as a difference from the base case for each PJM member company or member company group.

The following assumptions were used in the study:

1. Normal Pool-to-Pool transactions were neglected.
2. The most recent data representing the PJM load shape were used in the model.
3. The most recent unit forced outage data were used in the model.
4. Estimated fuel costs for the 1980 period were included in the study.
5. No limits were placed on any type of fuel availability nor were any units converted to alternate fuels.

Table II demonstrates the effect on a forecast basis on the total production costs of the member PJM companies, as a result of the member companies selling operating capacity and energy to GPU at a reduced rate during the 1980 study period. The magnitude of such sales to GPU at a reduced rate was limited to approximated 7,000,000 MWH. The payments made by GPU for such purchases are intended to assure the return to each seller his incremental cost of energy and operating capacity sold to GPU.

TABLE I
PJM STUDY OF THE
EFFECT OF THREE MILE ISLAND UNIT OUTAGES
YEAR 1980

Co.	(1) Total Gen. Cost \$ x 10 ⁶	(2) Purchased Energy Mwh x 1000	(3) Billing For Purchases \$ x 10 ⁶	(4) Sales Mwh x 1000	(5) Billings For Sales \$ x 10 ⁶	(6) Total Production Costs \$ x 10 ⁶
PS	81.2	-1,451	-51.9	339	17.2	12.1
PE	105.4	-2,050	-60.9	418	25.2	19.3
PPL	43.6	- 70	- 2.0	1,227	57.0	-15.4
BC	42.1	- 247	- 7.9	799	42.4	- 8.2
GPU	25.0	5,784	273.3	-2,138	-47.0	345.3*
PEP	44.9	- 311	- 7.0	1,010	48.8	-10.9
TOTALS	342.2	1,655	143.6	1,655	143.6	342.2

*Demand charge for GPU's external purchase not included

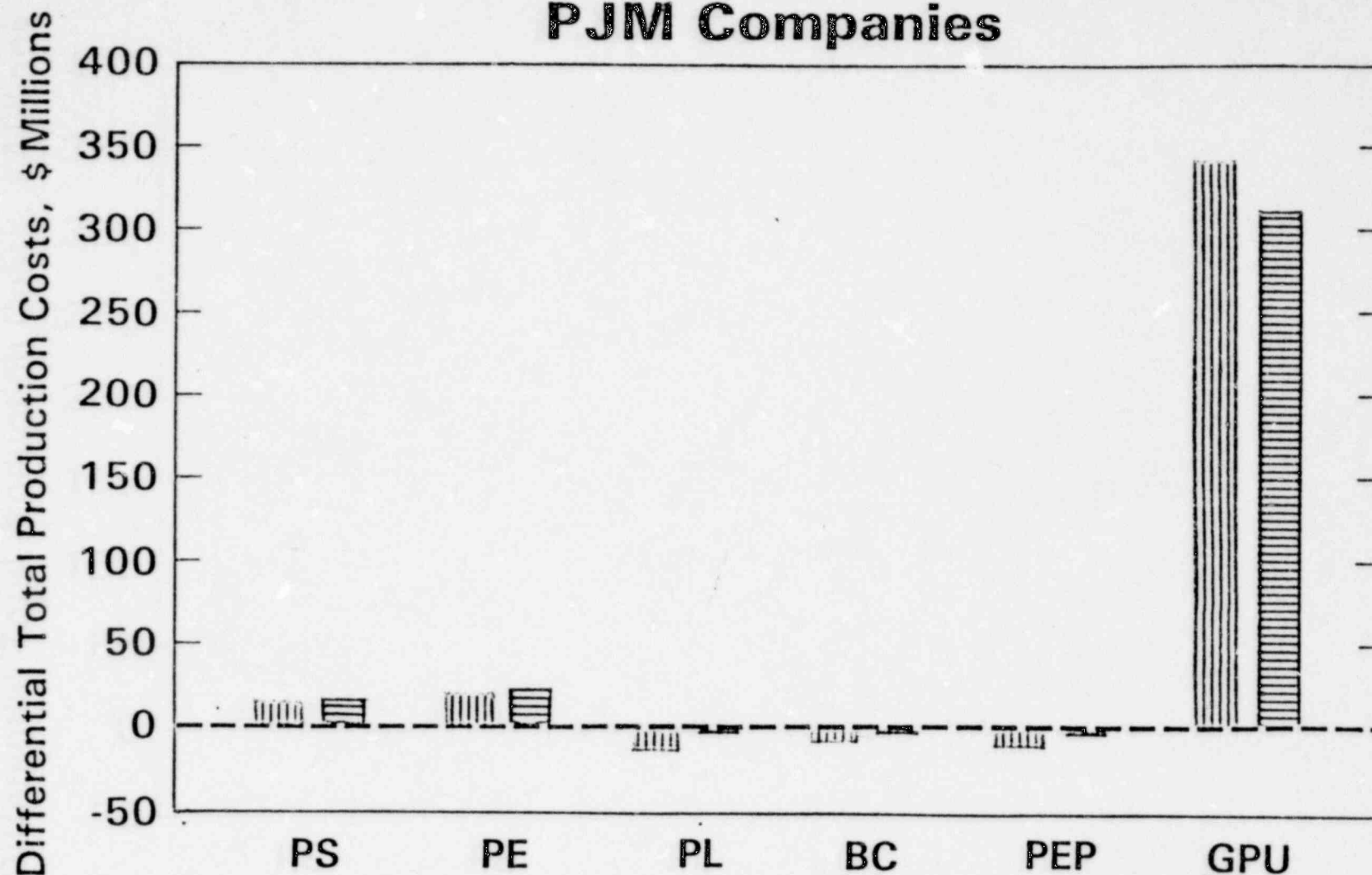
- (1) Cost of fuel and variable operation and maintenance expenses incurred by each company.
- (2) Amount of energy purchased by each company.
- (3) Dollars paid by each company for energy purchased.
- (4) Amount of energy sold by each company.
- (5) Dollars received by each company for energy sold.
- (6) Total production cost equals total generation cost plus purchase billing minus sale billing, and does not include all billing for operating capacity transactions between PJM members.

TABLE II

FORECAST PRODUCTION COSTS WITH AND
WITHOUT GPU'S SPECIAL TRANSACTIONS
YEAR 1980
DOLLARS 10⁶

<u>Co.</u>	<u>Increased Total Production Cost Normal Accounting</u>	<u>Change In Billing Due To Special Accounting</u>	<u>Increased Total Production Cost Special Accounting</u>
PS	12	1	13
PE	19	1	20
PPL	-15	14	-1
BC	-8	7	-1
GPU	345	-32	313
PEP	-11	9	-2
TOTAL	<u>342</u>		<u>342</u>

1980 Differential Production Cost for PJM Companies



||||| Differential between TMI Available and TMI Not Available with Normal Interchange Accounting

==== Differential with PJM Proposal

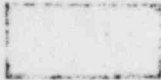
ESTIMATES OF "ACTUAL" COST OF TMI REPLACEMENT ENERGY
APRIL - AUGUST 1979 & FORECAST 1980
(\$ MILLIONS)

	<u>APRIL</u>	<u>MAY</u>	<u>1979</u> <u>JUNE</u>	<u>JULY</u>	<u>AUGUST</u>	<u>AVG.</u> <u>ALLOWED</u> <u>IN ORDER</u>	<u>FORECAST</u> <u>1980</u>
<u>MET-ED</u>							
Estimated cost of TMI replacement energy before purchased power offsets ("gross" TMI replacement cost)	\$10.7	\$10.4	\$10.5	\$14.3	\$14.2	\$10.0	\$12.8
(Less): Estimated energy cost savings from short-term power purchases	-	(0.6)	(0.6)	(3.0)	(3.0) (p)	(2.5)	(2.2)
Net TMI replacement energy cost	\$10.7	\$ 9.8)	\$ 9.9	\$11.3	\$11.2	\$ 7.5	\$10.6
<u>PENNSYLVANIA</u>							
Estimated cost of TMI replacement energy before purchased power offsets ("gross" TMI replacement cost)	\$ 4.1	\$ 4.5	\$ 4.6	\$ 6.6	\$ 4.1	\$ 3.8	\$ 6.2
(Less): Estimated energy cost savings from short-term power purchases	-	(0.1)	(0.1)	(0.4)	(0.4) (p)	(0.9)	(0.8)
Net TMI replacement energy cost	\$ 4.1	\$ 4.4	\$ 4.5	\$ 6.2	\$ 3.7	\$ 2.9	\$ 5.4
<u>JERSEY CENTRAL</u>							
Estimated cost of TMI replacement energy before purchased power offsets ("gross" TMI replacement cost)	\$ 8.1	\$ 6.8	\$ 7.8	\$ 8.6	\$ 6.9	\$10.2	\$13.8
(Less): Estimated energy cost savings from short-term power purchases	-	(0.5)	(0.4)	(2.1)	(2.1) (p)	(2.5)	(2.7)
Net TMI replacement energy cost	\$ 8.1	\$ 6.3	\$ 7.4	\$ 6.5	\$ 4.8	\$ 7.7	\$11.1
<u>CPU</u>							
Estimated cost of TMI replacement energy before purchased power offsets ("gross" TMI replacement cost)	\$22.9	\$21.7	\$22.9	\$29.5	\$25.2	\$24.0	\$32.8
(Less): Estimated energy cost savings from short-term power purchases	-	(1.2)	(1.1)	(5.5)	(5.5) (p)	(5.9)	(5.7)
Net TMI replacement energy cost	\$22.9	\$20.5	\$21.8	\$24.0	\$19.7	\$18.1	\$27.1

(p) Preliminary - presumed the same as July.

POOR ORIGINAL

1326.135

 Service

GPU Service Corporation
260 Cherry Hill Road
Parsippany New Jersey 07054
(201) 263-6500

October 18, 1979

Mr. William P. Thierfelder, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, Pennsylvania 17120

Re: Metropolitan Edison Company and
Pennsylvania Electric Company
Docket No. I-79040308

Dear Mr. Thierfelder:

On October 10, 1979, Metropolitan Edison Company ("Met-Ed") and Pennsylvania Electric Company ("Penelec") filed with the Commission a Petition for a Declaratory Order determining that acceptance by Met-Ed and Penelec of a proposal of the other members of the Pennsylvania-New Jersey-Maryland Interconnection ("PJM") with respect to the sale by them of power to replace that not available to Met-Ed, Penelec and Jersey Central Power & Light Company (the "GPU Companies") from the Three Mile Island nuclear generating station would constitute appropriate compliance with the directive of your Commission in Clause 7 of its Order entered June 19, 1979 in this proceeding.

Essentially that PJM proposal would substitute (1) average incremental cost plus 10% for (2) average incremental cost plus split-savings as the basis of the pricing to the GPU Companies of PJM interchange sales to replace TMI generation.

Certain studies were made by the PJM Production Cost Task Force to indicate the order of magnitude changes in payments in 1980 resulting from the PJM proposal. I was asked by your Commission's staff to indicate the consequences if certain variations were made in the assumptions employed in the PJM study and this letter reports the results. For clarity, I have indicated first the assumption employed in the PJM study and then the variations which I have investigated. ~

1. The PJM Production Cost Task Force Study assumptions included assumptions that (a) fuel costs for PJM would be, on average, in 1980 approximately 9% above the level existing in August, 1979, and (b) commercial generation from Salem Unit No. 2 would be available for the last six months of 1980. Based upon these and the other assumptions, it was estimated by the Task Force that the PJM proposal would produce energy cost savings for the GPU companies during 1980 of approximately \$32 million as against the energy costs to the GPU Companies for interchange purchases from PJM on the basis of average incremental cost plus split-savings.

We stated that a different rate of escalation of fuel costs or the non-availability to PJM of one or more large base load generating units (beyond the non-availability resulting from the forced outage rate data used in the PJM study) were among the many factors that could cause the estimated savings to be greater or lesser than the \$32 million estimate.

The Staff requested that we indicate an order of magnitude of the change that would result if different fuel cost escalation and forced outage rate assumptions were used. We have made a GPU study in response to that request which assumes that (a) fuel cost escalation would be 15% (rather than 9%) and (b) in addition to the forced outages involved in the PJM study, the Salem Unit No. 2 would not be available during the last half of 1980. (We are not making any predictions with respect to Salem, as such, but it was a relatively simple way of illustrating the impact of the additional non-availability to PJM of a large base load nuclear unit.) Based on these two modified assumptions, the 1980 savings to the GPU Companies resulting from the PJM proposal would increase by \$2 million, i.e., from the \$32 million referred to above to \$34 million. We have not made a study of the impact of fuel cost escalation in excess of 15% and/or an additional loss to PJM of base load generation, but we believe that the further increase in GPU 1980 savings resulting from such factors would be similarly modest.

We have not made an estimate of the potential impact on savings to the GPU Companies from the PJM proposal if fuel cost escalation were to be less than 9%, but the recent actions of foreign fuel suppliers make an escalation rate of less than 9% extremely unlikely.

2. The PJM proposal assumed that the GPU Companies would purchase 200 MW per hour from suppliers outside PJM. We stated that the policy of the GPU Companies would be to

continue purchases from outside PJM whenever such purchases were economically advantageous to the GPU Companies (i.e., would produce greater savings to the GPU Companies than purchases under the PJM proposal). The Staff requested that we indicate the order of magnitude impact on the savings under the PJM proposal if the purchases from outside PJM were larger. We have made two studies in response to that request.

First, we assumed that purchases from outside PJM would continue at the level of such purchases in July, August and September, when the GPU Companies were net sellers of interchange to PJM. (Most of the GPU sales of interchange to PJM during those months were off-peak with purchases from PJM being predominantly on-peak.) On that basis, we estimate that the 1980 savings to the GPU Companies from the PJM proposal would be approximately \$10 million, rather than the \$32 million resulting from the PJM study. Under those circumstances, the impact of the PJM Proposal on the selling PJM Companies will be correspondingly reduced, since they will not be foregoing unexpected revenues (in the form of split savings) on sales that they would not be making in any event.

Alternatively, we assumed that, in addition to the 200 MW purchases per hour assumed in the PJM study, the GPU Companies would purchase an additional 240 MW per hour from external sources, i.e., a total of 440 MW per hour. On that basis, our study indicates that the 1980 savings to the GPU Companies under the PJM proposal would be approximately \$30 million, rather than \$32 million. The reason that the purchase by the GPU Companies of an additional 240 MW per hour from outside PJM has only a limited impact on the savings of the GPU Companies from the PJM proposal is that the GPU Companies expect to be purchasing in 1980 an average total of about 1100 MW per hour of power from other suppliers including PJM. Consequently, the purchase of an aggregate of 440 MW per hour from outside PJM will not reduce the purchases from PJM by the GPU Companies significantly below the 7,000 GWH per year level covered by the PJM proposal.

As we have sought to make clear, the estimate of \$32 million of savings to the GPU Companies which results from the PJM Proposal is not a direct addition to the savings which the GPU Companies have realized during the last three months as a result of their purchases from sources outside PJM. It is, instead, for the most part, an alternative to the savings to the GPU Companies from such outside purchases - i.e., the GPU Companies would have no need for both the purchases outside

PJM and the level of interchange purchases assumed in the PJM studies. The PJM proposal is, however, significant to the GPU Companies in two respects: (a) It provides some assurance of lower energy costs than those resulting from pricing on a split-savings basis if the outside purchases should not be available (because the outside suppliers could not make economically advantageous energy available for GPU, as a consequence of outages of generating capacity or for other reasons); and (b) It would provide 1980 savings to the GPU Companies' of approximately \$10 million, even if the GPU Companies' purchases from outside PJM were as large as they were in July, August and September.

Our best estimate is that, apart from the factors referred to in the next paragraph, the PJM proposal will result in 1980 savings to the GPU Companies of between \$10 million and \$30 million, as against the energy costs which would prevail if PJM sales to the GPU companies were priced on the average incremental cost plus split savings basis. Stated in a different way, we expect that the purchases of the GPU Companies from outside PJM will be in excess of the 200 MW per hour assumed in the PJM proposal, but will be less than such purchases made during the July-September 1979 period.

3. It has not been feasible in either the PJM study or the GPU studies to quantify the potential impact on the 1980 savings resulting from the PJM Proposal of either (a) reductions in customer consumption within PJM and the GPU companies resulting from either a down-turn in regional economic conditions or the response to increased energy costs, or (b) reductions in customer consumption in the service areas of companies outside PJM from such factors, which could have the consequence of making outside supplies more available or lower in price. However, under those conditions, the PJM Proposal would still be advantageous to the GPU Companies as against pricing of interchange purchases by the GPU Companies from PJM on the basis of average incremental cost plus split-savings. On balance, it appears likely that these factors would reduce the quantity of savings resulting from the PJM Proposal but that they would still be within the \$10 million to \$30 million range.

4. The Staff has also requested that we furnish the data concerning the impact that the PJM Proposal would have had on the GPU Companies if it had been in effect during the first six months of 1979. The following tabulation provides such data, on a month-by-month basis, for

those six months and also for July, August and September:

Savings to GPU Companies from PJM Proposal as
Against Pricing on Existing Basis

<u>Month</u>	<u>Savings (in millions of dollars)</u>
January	\$ 2.7
February	2.0
March	2.8
April	3.9
May	4.1
June	2.2
July	0.7
August	0.7
September	<u>0.7</u>
Total	\$19.8

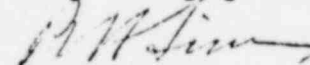
In reviewing such data, it should be noted that (a) the first three months were prior to the TMI-2 accident but included the refueling outage of TMI-1 during February 16, 1979-March 28, 1979, (b) the second three months were after the TMI-2 accident and prior to the initiation of substantial purchases from outside PJM and (c) the last three months were periods of substantial purchases from outside PJM. Under the terms of the PJM proposal, it would not have been applicable to the circumstances existing during the January-March 1979 period when one TMI unit (namely, TMI-2) was operating and the other TMI unit (namely, TMI-1) was down for a normal refuel outage.

5. Neither the PJM studies nor the variants resulting from the GPU studies referred to above have sought to determine the absolute level of energy costs for the GPU Companies or any of the other PJM companies. Instead, they have been confined to an examination, based upon reasonable assumptions, of the order of magnitude effect resulting from the PJM proposal as against the pricing of all interchange purchases from PJM on the existing split-savings basis. Consequently, the GPU Companies are not asking the Commission by the subject Petition to make any determination at this time of the reasonableness of their energy costs or the rate at which such costs should be recovered from customers. Those matters will be addressed in other proceedings. The purpose of the Petition is limited, as stated therein, to seeking a determination that acceptance of the PJM Proposal reasonably satisfies the Commission's directives in Clause 7 of the Order approved June 19, 1979.

6. As everyone who has worked with the forecasting of interchange transactions realizes, it is inherently not susceptible to precise determinations. Even under normal conditions, the variables are so numerous and their interrelationships are so complex that changes in actual conditions produce significant departures from forecasts. At the present time, the volatile fuel market, uncertainties concerning economic conditions in the Nation and the region, uncertainties concerning the impact and timing of environmental requirements and the like increase these difficulties of forecasting. We, therefore, cannot and do not represent that the data submitted are precise predictions of what will happen. We do believe that the orders of magnitude presented are reasonable and that, whether the actual results are greater or lesser than those forecast, the result of the PJM Proposal is a significant step in accomplishing the objectives contemplated by the directives of the Commission.

I believe that the foregoing responds to the Staff's request. If desired, this letter may be included in the record in these proceedings.

Very truly yours,



R. H. Sims
Vice President

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 11, 1979

GENERAL PUBLIC UTILITIES CORPORATION
(Exact name of registrant as specified in charter)

<u>Pennsylvania</u>	<u>1-3292</u>	<u>13-5516989</u>
(State of Incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

<u>260 Cherry Hill Road, Parsippany, New Jersey</u>	<u>07054</u>
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (201) 263-4900

METROPOLITAN EDISON COMPANY
(Exact name of registrant as specified in charter)

<u>Pennsylvania</u>	<u>1-446</u>	<u>23-0870160</u>
(State of Incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

<u>2800 Pottsville Pike, Muhlenberg Twp., Berks County, Pa. 19604</u>	<u></u>
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (215) 929-3601

PENNSYLVANIA ELECTRIC COMPANY
(Exact name of registrant as specified in charter)

<u>Pennsylvania</u>	<u>1-3522</u>	<u>25-0718085</u>
(State of Incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

<u>1001 Broad Street, Johnstown, Pa.</u>	<u>15907</u>
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (814) 536-6611

JERSEY CENTRAL POWER & LIGHT COMPANY
(Exact name of registrant as specified in charter)

<u>New Jersey</u>	<u>1-3141</u>	<u>21-0485010</u>
(State of Incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

<u>Madison Avenue at Punch Bowl Rd., Morristown, N.J.</u>	<u>07960</u>
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (201) 455-8200

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Item 5. Other Materially Important Events.

1. Rate Proceedings.

As earlier reported in the Current Report on Form 8-K dated July 5, 1979, the Pennsylvania Public Utility Commission ("PaPUC") in its June 15, 1979 rate orders for Metropolitan Edison Company ("Met-Ed") and Pennsylvania Electric Company ("Penelec") determined that as a result the March 28, 1979 accident, Three Mile Island Unit No. 2 ("TMI-2") was not "used and useful property in the public service" and therefore removed TMI-2 from the base rates of the companies. The June 15, 1979 order (a copy of which was filed as an exhibit to that Form 8-K report, also provided, among other things, that with respect to Three Mile Island Unit No. 1 ("TMI-1"), the unit not damaged by the accident, if start up was delayed beyond January 1, 1980, the PaPUC would require Met-Ed and Penelec to show cause why TMI-1 is "used and useful" and why its associated costs should not be removed from customers rates.

By order adopted September 20, 1979, the PaPUC has now directed Met-Ed and Penelec to show cause why TMI-1 should be considered used and useful in the public service and why the costs associated with the unit should not be removed from the base rates of the companies. The PaPUC action follows an August 9, 1979 order of the Nuclear Regulatory Commission ("NRC"). That NRC order (which was previously reported in, and filed as an exhibit to, the Quarterly Reports on Form 10-Q, dated August 4, 1979, of GPU and each of its operating subsidiaries provides, among other things,

for an extended hearing and decision making process before TMI-1 can return to service, with the result that the unit could not resume operation until well beyond January 1, 1980.

A copy of the PcPUC's order and the press release issued by GPU with respect thereto is annexed hereto as exhibits.

2. Declaration of Quarterly Dividend.

On October 4, 1979, GPU's Board of Directors declared a quarterly dividend continuing the reduced rate of 25 cents per share. The dividend is payable on November 26, 1979 to shareholders of record on October 25, 1979.

3. Election of John O'Leary.

At its October 4, 1979 meeting, the GPU board elected John O'Leary as a director of GPU. In addition to the many positions he has held in government and private industry, Mr. O'Leary had most recently been Deputy Secretary of the U.S. Department of Energy from October 1977 until September 1979.

4. Revolving Credit Agreement.

As previously reported in the Current Report on Form 8-K, dated July 5, 1979, on June 15, 1979 the GPU companies entered

into a Revolving Credit Agreement ("Agreement") with a syndicate of commercial banks. Pursuant to the terms of the Agreement, the promissory notes issued to the banks by the GPU companies are to mature on October 1, 1979 and each six months thereafter, with a final maturity date of October 1, 1981. On October 1, 1979, promissory notes of the GPU companies outstanding under the Agreement aggregating \$219,900,000 matured and the GPU companies issued to the banks new notes, in like aggregate principal amount, maturing on April 1, 1980.

5. Press Releases.

Subsequent to the Current Report on Form 8-K for August 1979, the GPU companies have issued additional press releases concerning the nuclear accident which occurred at TMI-2 and its aftermath. Copies of these press releases are annexed as exhibits to this report.

6. Investigation and Inquiries.

Investigations and inquiries into the nature, causes and consequences of the TMI-2 accident, commenced by various federal and state bodies, are continuing. GPU is unable to estimate the full scope and nature of these continuing investigations or the potential consequences thereof to the investors in the securities of GPU and its subsidiaries. GPU is also unable to determine the impact, if any, the results of such investigations may have on the proceedings to return TMI-1 to service.

Item 7. Financial Statements and Exhibits.

Exhibits:

1. Show Cause Order of the Pennsylvania Public

1326 145

Utility Commission adopted September 20, 1979.

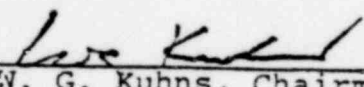
2. GPU news releases issued from September 11, 1979 through October 10, 1979.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE
ACT OF 1934, THE UNDERSIGNED COMPANIES HAVE DULY CAUSED THIS
STATEMENT TO BE SIGNED ON THEIR BEHALF BY THE UNDERSIGNED
THEREUNTO DULY AUTHORIZED.

GENERAL PUBLIC UTILITIES CORPORATION
JERSEY CENTRAL POWER & LIGHT COMPANY
METROPOLITAN EDISON COMPANY
PENNSYLVANIA ELECTRIC COMPANY

By:


W. G. Kuhns, Chairman

Date: October 9, 1979

1326 147

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120

Public Meeting held September 20, 1979

Commissioners Present:

W. Wilson Goode, Chairman
Louis J. Carter
Michael Johnson

Pennsylvania Public Utility Commission, et al.
v.

I-79040308

Metropolitan Edison Company and
Pennsylvania Electric Company, Respondents

ORDER TO SHOW CAUSE

BY THE COMMISSION:

The Commission, in its order adopted June 15, 1979 at this docket, stated in part:

"Three Mile Island, Unit No. 1 (TMI-1)

The parties have raised the issue of the used and useful status of TMI; however, the Commission need not reach that issue at this time. Consistent with the principles discussed with respect to TMI-2, TMI-1 is at present only experiencing an outage. TMI-1 was out of service for a scheduled refueling when the incident at TMI-2 occurred. Its resumption has been delayed, and it is now experiencing an unscheduled outage. At this time it appears reasonably certain that TMI-1 will return to service. Witness Herman Dieckamp, President of GPU, testified that resumption of generation at TMI-1 could occur as early as August 1979 and certainly no later than January 1, 1980.

However, the Commission will monitor the status of TMI-1. We will require Met Ed to report to the Commission monthly on the progress in returning TMI-1 to service. If that start-up is delayed beyond January 1, 1980, the Commission will issue an order to show cause why TMI-1 should be considered used and useful in the public service." (footnote omitted)

The Commission hereby takes notice that TMI-1 is not operating and that the Nuclear Regulatory Commission ("NRC"), at NRC Docket No. 50-289, has suspended the license to operate TMI-1 until after hearings before an Atomic Safety and Licensing Board and a decision of the NRC itself which will not take place until well beyond January 1, 1980.

Therefore, the Commission hereby orders Metropolitan Edison Company and Pennsylvania Electric Company to show cause:

(1) why TMI-1 should be considered used and useful in the public service, and

(2) why all of the costs associated with TMI-1 should not be removed from their respective base rates.

And THEREFORE:

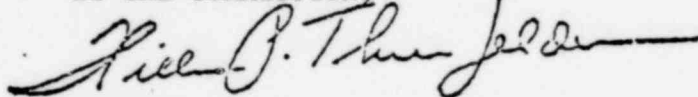
IT IS FURTHER ORDERED:

1. That Metropolitan Edison Company and Pennsylvania Electric Company shall answer this order to show cause as provided in 1 Pa. Code §35.37 within twenty (20) days after the date of entry.

2. That interested persons may request leave to intervene in this matter and may respond to this order to show cause within thirty (30) days after the date of entry.

3. That a copy of this order to show cause shall be served on respondents and all parties of record at Docket No. I-79040308.

BY THE COMMISSION,



William P. Thierfelder
Secretary

(SEAL)

ORDER ADOPTED: September 20, 1979

ORDER ENTERED: SEP 21 1979

News Release

General Public Utilities
Corporation
260 Cherry Hill Road
Parsippany New Jersey 07054
201 263-4900



Further information: Kenneth C. McKee
(201) 263-4900

For release: IMMEDIATELY

Date: September 20, 1979

PARSIPPANY, N.J., September 20, -- General Public Utilities (GPU) Chairman William G. Kuhns commented today on the Pennsylvania Public Utilities Commission's (PUC) "show cause" orders for Metropolitan Edison Company and Pennsylvania Electric Company regarding Three Mile Island Unit-1.

"The PUC's action is consistent with their rate order of June 15 for Met-Ed and Penelec which assumed Three Mile Island Unit-1 -- the unit not damaged by the accident -- would be returned to service January 1, 1980," said Kuhns.

At that time, the Commission stated investigations would be conducted if Unit-1 was not back on-line by the first of the year and that Met-Ed and Penelec would have to show cause why the Unit is "used and useful" and why the costs associated with Unit-1 should not be removed from customer rates.

"Subsequently," Kuhns explained, "The Nuclear Regulatory Commission (NRC) issued an order which calls for an extended period of time to hold public hearings before Unit-1 can be returned to operation. Quite simply, the NRC's announced schedule precludes our meeting the service date established by the Pennsylvania PUC and it is this which has prompted today's action.

"We believe that Unit-1 is indeed "used and useful." During the 4 1/2 years of its operation before the Unit-2 accident, Unit-1 performed well above the national average. It has saved our customers over \$300 million compared to an alternative oil-fired plant. As soon as the plant is allowed to return to service, it will continue to provide the energy equivalent to 8 million barrels of oil each year. The 1979 increase in the price of this amount of oil exceeds the annual capital and operating costs for that Unit."

1326 150

"We would hope that the PUC will recognize that the delay is a direct result of the NRC order and urge that the public hearings and decision making process be expedited to allow the safe return to service of Unit-1 as rapidly as possible," Kuhns concluded.

- end -

IMMEDIATE

September 21, 1979

Release
Pennsylvania Electric Company (Penelec) reported that a routine inspection Thursday of the decommissioned Saxton Nuclear Plant revealed a small area of contamination adjacent to the plant site. The inspection was conducted by Karl Plunice of the NRC regional office, King of Prussia, Pennsylvania.

Instrument readings of the small area within the enclosed property of the site registered 20 millirem per hour of radiation. The radioactivity count registered only when instrumentation was within inches of the soil in an area approximately nine feet in diameter.

Samples of the soil from the affected area are being shipped to an independent laboratory for analysis. In addition, all contaminated soil will be removed from the area, placed in special containers and secured within a building located at the Saxton site pending completion of the laboratory analysis.

According to a company spokesman, this is the first time that contamination has been detected in the area by survey inspections which have been conducted on a quarterly basis since 1973.

The spokesman pointed out that the public would not be affected in any way by the contamination, inasmuch as the affected area is bounded by a fence maintained by Penelec.

The Saxton Nuclear Experimental station was operated under a license issued to the Saxton Nuclear Experimental Corporation (SNEC), a wholly owned subsidiary of General Public Utilities Corporation. It was in operation from 1962 to 1972 and decommissioning was completed by 1973. At that time nuclear fuel was removed from the site and sent to the Savannah River facility of the former Atomic Energy Commission, now the Department of Energy.

A representative of SNEC inspects the decommissioned facility on a quarterly basis and the NRC inspects it every other year.

SNEC and the NRC are committed to maintain the present inspection schedule, quarterly and biannually until the year 2000, under present regulations.

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News Release

General Public Utilities
Corporation
260 Cherry Hill Road
Parsippany New Jersey 07054
201 263-4900



Further information: Kenneth C. McKee
(201) 263-4900

For release:

IMMEDIATELY

Date:

September 28, 1979

PARSIPPANY, N.J., September 28 -- General Public Utilities Corporation today announced its financial results for the first eight months of 1979 and for the 12 months ended August 31, 1979. The following tables contain the information:

<u>EIGHT MONTHS ENDED AUGUST 31</u>	<u>1979</u>	<u>1978</u>	<u>% Change</u>
Sales of Electricity (Thousands of MWH)	21,725	20,916	4
Total Revenues (000)	\$ 971,237	\$ 883,619	10
Revenues Other than Those Related to Energy Costs (000)	\$ 654,500	\$ 595,291	10
Net Income (000)	\$ 73,502	\$ 90,692	(19)
Average Common Shares Outstanding (000)	61,195	59,979	2
Earnings per Average Share	\$1.20	\$1.51	(21)

TWELVE MONTHS ENDED AUGUST 31

Sales of Electricity (Thousands of MWH)	32,080	30,760	4
Total Revenues (000)	\$1,414,262	\$1,298,628	9
Revenues Other than Those Related to Energy Costs (000)	\$ 956,728	\$ 875,027	9
Net Income (000)	\$ 121,584	\$ 141,295	(14)
Average Common Shares Outstanding (000)	61,028	59,845	2
Earnings per Average Share	\$1.99	\$2.36	(16)

1326 153

News Release



General Public Utilities
Corporation
260 Cherry Hill Road
Parsippany New Jersey 07054
201 263 4900

Further information: Kenneth C. McKee
(201) 263-4900

For release: Immediately
Released to wire services 10/4/79

Date: October 4, 1979

PARSIPPANY, N.J., October 4 -- General Public Utilities Corporation (GPU), parent company of Metropolitan Edison Company, today announced the election of John F. O'Leary as a member of the Board of Directors.

Mr. O'Leary was formerly Deputy Secretary of the U.S. Department of Energy. He assumed that position upon the creation of the Department in October 1977 and continued in that capacity through September of this year.

Mr. O'Leary has devoted most of his career to the field of energy having served in various state and federal energy posts as both an administrator and regulator.

Prior to joining the Federal Energy Administration in early 1977 as Administrator, Mr. O'Leary had served as Administrator of the New Mexico Energy Resources Board. He had previously been technical director of energy resources and the environment division of the MITRE Corporation, a system analysis firm, and a private consultant on energy matters to government agencies and other organizations.

From 1972 to 1974, Mr. O'Leary was Director of Licensing for the Atomic Energy Commission. He was self-employed as an energy consultant to firms in the petroleum, natural gas, and coal industries from 1970 to 1972.

-more-

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He served as Director of the Bureau of Mines from 1968 to 1970, and in 1967 and 1968 as Chief of the Bureau of Natural Gas of the Federal Power Commission. He held the position of Deputy Assistant Secretary for Mineral Resources in the Department of the Interior from 1962 to 1967.

Between 1952 and 1962, Mr. O'Leary was an economist in the office of the Assistant Secretary of the Interior for Natural Resources. In the latter part of that period, he was a senior staff economist in that office.

Mr. O'Leary was born June 23, 1926 and received an A.B. in economics from the George Washington University in 1950.

The Board of Directors declared a quarterly dividend of 25 cents per share on the common stock of the Corporation. The dividend is payable November 26, ¹⁹⁷⁹~~1969~~, to stockholders of record October 25, 1979.

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