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November 29, 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 NRC's supplementary requests for financial information telecopied to C. W. Smyth on November 9, 1979, enclosed are eight copies of the following:

1. Additional response to Supplementary Financial Request No. 9 (PA PUC's Order requiring Met-Ed to "show cause why its certificate of public convenience should not be revoked").

Please acknowledge receipt of this material by signing, dating and returning the enclosed copy of this letter. A stamped, pre-addressed envelope is enclosed for that purpose.

Very truly yours,

F. D. Hafer  
Vice President,  
Rate Case Management

FDH:jb

cc: J. C. Petersen - No enclosures; to be distributed by NRC  
H. Silver - No enclosures; to be distributed by NRC

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Person Responsible for Preparation:  
F. D. Hafer, Vice President - Rate  
Case Management, GPU Service Corp.  
Telephone: (201) 263-6013  
Date: November 29, 1979

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 Supplemental Financial Information  
Request No. 9, telecopied 11/9/79 (item numbers refer to initial requests  
dated 9/21/79):

"(10.b and 10.c) Subsequent to our September 21, 1979 request,  
it was reported (Wall Street Journal, November 2, 1979, p. 12)  
that the Pennsylvania Public Utility Commission (PPUC) issued  
a show cause order to Met-Ed regarding the company's ability  
to provide utility service in Pennsylvania. Provide copies of  
the PPUC order and copies of Met-Ed's response to the order,  
when available. Continue to keep the NRC Staff informed of  
all developments in the show cause proceeding. Provide copies  
of all subsequent PPUC orders and other directives and Met-Ed  
responses related to this proceeding."

Response:

As a further response to this request, attached are copies of the following  
exhibits and testimony submitted at the continued prehearing conference in  
the PA PUC's Docket No. I-79040308 held on 11/27/79 in Harrisburg:

1. ME/PN Exhibit A-1 (revolving credit agreement; witnesses: J. G. Graham,  
F. D. Hafer).
2. ME/PN Exhibit A-2 (petition to increase Met-Ed's levelized energy cost  
adjustment charge; witnesses: J. G. Graham, F. D. Hafer).
3. ME/PN Statement B, Exhibits B-1, B-2 (preliminary statements of 1980  
rate base, operating and net income, with and without TMI-1 and TMI-2,  
and related accounting testimony - Met-Ed; witness: D. L. Huff).
4. ME/PN Statement C, Exhibits C-1, C-2 (preliminary statements of 1980  
rate base, operating and net income, with and without TMI-1 and TMI-2,  
and related accounting testimony - Penelec; witness: F. A. Donofrio).
5. ME/PN Exhibit F-1 (ME/PN presentation before the PA PUC, 9/21/79;  
witness: H. M. Dieckamp).

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Witnesses: J.G.Graham; F.D.Hafer

[Final Execution Copy]

## REVOLVING CREDIT AGREEMENT

Dated as of June 15, 1979

GENERAL PUBLIC UTILITIES CORPORATION, a Pennsylvania corporation ("GPU"), JERSEY CENTRAL POWER & LIGHT COMPANY, a New Jersey corporation ("JC"), METROPOLITAN EDISON COMPANY, a Pennsylvania corporation ("ME"), and PENNSYLVANIA ELECTRIC COMPANY, a Pennsylvania corporation ("PE") (GPU, JC, ME and PE being, collectively, the "Borrowers" and each individually a "Borrower"), each Bank (as defined below) and CITIBANK, N.A. ("Citibank"), as agent (the "Agent"), and CHEMICAL BANK ("Chemical Bank"), as co-agent (the "Co-Agent") for the Banks, agree as follows:

### ARTICLE I DEFINITIONS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Additional JC Amount" means, at any time, an amount equal to the principal amount of JC Bonds pledged to the Co-Agent pursuant to the JC Bond Pledge Agreement less the principal amount of any JC Bonds released from such pledge; provided, however, that, upon the making of such pledge, the Co-Agent shall have received the applicable JC Bonds, together with an opinion of Messrs. Berlack, Israels & Liberman, counsel for JC, in substantially the form of Exhibit I hereto and such other approvals, opinions and other documents as any Bank through the Agent may reasonably request.

"Advances" means advances pursuant to Article II.

"Aggregate Total Commitment" means the sum of the Total Commitments of the Banks from time to time.

"Bank" means, prior to the Closing Date, each bank which has, together with the Borrowers, the Agent and Co-Agent, executed a counterpart hereof on or prior to the

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date hereof and, as at and subsequent to the Closing Date, each Confirming Bank; collectively, the "Banks".

"Base Amount" has the meaning assigned to that term in Section 2.01(c)(ii).

"Basic Documents" means the Loan Documents, the GPU Loan Agreement, the GPU Loan Agreement Restatement and the New GPU Notes.

"Bond Pledge Agreements" means the ME Bond Pledge Agreement and, if executed and delivered, the JC Bond Pledge Agreement.

"Bonds" means the ME Bonds and the JC Bonds.

"Borrowing" means a borrowing consisting of simultaneous Advances from the Banks to any one Borrower.

"Business Day" means any day other than a Saturday, Sunday or day on which commercial banks in the State of New York are authorized by law to close.

"Closing Date" means June 20, 1979, the date upon which the initial Advances to the Borrowers shall, subject to the terms and conditions hereof, be made.

"Collateral Agreements" means the Stock Pledge Agreement, the Bond Pledge Agreements and the Security Agreements.

"Commitment Increase Request" means a certificate of the principal financial officer of GPU substantially in the form of Exhibit J hereto.

"Confirming Bank" means each Bank which, prior to the Closing Date, has confirmed, orally or in writing (including by telex, cable or telegram), to the Agent or the Co-Agent that the Rate Orders are satisfactory to it; collectively, the "Confirming Banks".

"Event of Default" has the meaning assigned to that term in Section 6.01.

"External Line" means a Line to a Borrower from a commercial bank which is not a Confirming Bank.

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"Final Aggregate Total Commitment" means the sum of the Total Commitments of the Confirming Banks.

"GPU Loan Agreement" means the Loan Agreement, dated as of November 15, 1976, as amended by an Agreement, made as of March 20, 1979, among GPU, Citibank, Chemical Bank, Irving Trust Company, Manufacturers Hanover Trust Company and Marine Midland Bank and, upon the effectiveness of the GPU Loan Agreement Restatement, such Loan Agreement as amended and restated pursuant thereto.

"GPU Loan Agreement Restatement" means an Amendment to the Loan Agreement, dated as of November 15, 1976, as amended by an Agreement, made as of March 20, 1979, among GPU, Citibank, Chemical Bank, Irving Trust Company, Manufacturers Hanover Trust Company and Marine Midland Bank in substantially the form of Exhibit E hereto.

"Guaranties" means the JC Guaranty, the ME Guaranty, the PE Guaranty and the ServCo Guaranty.

"Indebtedness" of any Person means (i) indebtedness for borrowed money or for the deferred purchase price of property or services in respect of which such Person is liable, contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which such Person otherwise assures a creditor against loss, (ii) obligations under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases in respect of which obligations such Person is liable, contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which obligations such Person otherwise assures a creditor against loss, and (iii) unfunded vested benefits under each plan maintained for employees of such Person and covered by Title IV of the Employee Retirement Income Security Act of 1974.

"JC Bonds" means First Mortgage Bonds of JC issued pursuant to one or more indentures supplemental to that certain Indenture (the "JC Indenture"), dated March 1, 1946, from JC to Citibank (formerly, City Bank Farmers Trust Company), Trustee, which bonds, in the case of any such bonds pledged to the Co-Agent in accordance with Section 6.01(i), shall have a stated maturity of October 1, 1981, and a stated interest rate of 11½ per annum.

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"JC Bond Pledge Agreement" means a Pledge Agreement, executed by JC, in substantially the form of Exhibit D hereto.

"Guaranty" has the meaning assigned to that term in Section 3.01(vi)(b).

"JC Security Agreement" has the meaning assigned to that term in Section 3.01(vi)(i).

"JC Term Loan Agreement" means that certain Term Loan Agreement, dated as of May 21, 1979, as amended and restated to the date hereof, among JC, certain of the Banks and Citibank, as Agent.

"Line" means any arrangement (other than pursuant to this Agreement, the GPU Loan Agreement or the Senior Debt Documents) with any commercial bank pursuant to which such commercial bank has agreed (whether or not such agreement shall be legally enforceable) to make unsecured loans or extend credit on an unsecured basis to one or more Borrowers up to a specified amount either on a demand basis or for periods of not in excess of 270 days or any similar financing arrangement commonly known as a "line of credit". The principal amount of indebtedness outstanding under Lines as at May 31, 1979, specified by Borrower and by lending bank is set forth on Schedule II hereto.

"Loan Documents" means this Agreement, the Notes, the Guaranties and the Collateral Agreements.

"Loan Limit" means at any time in the case of:

(a) GPU, \$75,000,000 as at the date hereof and, subsequent to the date hereof, such increased amount not in excess of \$150,000,000 as shall be from time to time consented to in writing by the Super Majority Banks subsequent to the receipt by the Agent of a Commitment Increase Request in respect thereof;

(b) JC, \$139,000,000 plus the Additional JC Amount;

(c) ME, \$125,000,000 or such other amount (presently \$90,000,000) not in excess of \$125,000,000 as the SEC may from time to time authorize by appropriate order, a copy of which order or orders, certified by the Secretary of ME, together with a favorable opinion with respect thereto of Messrs. Berlack, Israels & Liberman, counsel to ME, shall

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be delivered to the Agent, in sufficient copies for the Banks, prior to any Borrowing by ME which would cause the outstanding Indebtedness of ME hereunder to exceed the theretofore authorized amount; provided, however, that the ME Loan Limit in effect from time to time shall be reduced by an amount equal to the amount, if any, by which the principal amount of ME Bonds pledged to the Co-Agent pursuant to the ME Bond Pledge Agreement from time to time shall be less than \$40,000,000; and

(d) PE, \$116,000,000.

"Majority Banks" means at any time Banks holding at least  $66 \frac{2}{3}\%$  of the then aggregate unpaid principal amount of the Notes held by Banks, or, if no such principal amount is then outstanding, having at least  $66 \frac{2}{3}\%$  of the Aggregate Total Commitment; provided, however, that with respect to the Co-Agent acting under or in respect of any Collateral Agreement, "Majority Banks" means at any time Banks holding at least  $66 \frac{2}{3}\%$  of the then aggregate unpaid principal amount of Secured Debt.

"ME Bonds" means First Mortgage Bonds of ME issued pursuant to one or more indentures supplemental to that certain Indenture (the "ME Indenture"), dated November 1, 1944, from ME to Morgan Guaranty Trust Company of New York (formerly Guaranty Trust Company of New York), Trustee, which bonds, in the case of any such bonds pledged to the Co-Agent in accordance with Section 3.01(vi)(g), shall have a stated maturity of October 1, 1981, and a stated interest rate of 11% per annum.

"ME Bond Pledge Agreement" has the meaning assigned to that term in Section 3.01(vi)(g).

"ME Guaranty" has the meaning assigned to that term in Section 3.01(vi)(c).

"ME Security Agreement" has the meaning assigned to that term in Section 3.01(vi)(h).

"NJBPUP" means the Board of Public Utilities of the State of New Jersey.

"New GPU Notes" means the promissory notes of GPU in substantially the form of Exhibit A-1 to the GPU Loan Agreement Restatement issued to Citibank, Chemical Bank, Irving Trust Company, Manufacturers Hanover Trust Company and Marine Midland Bank in connection with the effectiveness of the GPU Loan Agreement Restatement.



"New Note Issue Date" has the meaning assigned that term in Section 2.02.

"Note" means each promissory note of any Borrower to the order of a Bank evidencing the Indebtedness of such Borrower hereunder to such Bank in substantially the form of Exhibit A-1, Exhibit A-2, Exhibit A-3 or Exhibit A-4 hereto, respectively, and issued pursuant to Section 2.02 and Article III.

"PaPUC" means the Pennsylvania Public Utility Commission.

"PE Guaranty" has the meaning assigned to that term in Section 3.01(vi)(d).

"Percentage" means, for each Bank, a percentage equal to a fraction of which the numerator is such Bank's Total Commitment and the denominator is the Final Aggregate Total Commitment.

"Person" means any individual, corporation, partnership, joint venture, trust, unincorporated organization or other juridical entity, or a government or any agency or political subdivision thereof.

"Rate Orders" has the meaning assigned to that term in Section 3.01(vii).

"SEC" means the Securities and Exchange Commission.

"Secured Debt" means, as to any Collateral Agreement, the Indebtedness purported to be secured thereby.

"Security Agreements" means the ME Security Agreement and the JC Security Agreement.

"Senior Debt" means Indebtedness of a Borrower under a Senior Debt Document.

"Senior Debt Document" means any of those agreements and other documents listed on Schedule I hereto, as such agreements and other documents may be supplemented from time to time.

"ServCo Guaranty" has the meaning assigned to that term in Section 3.01(vi)(e).

"Stock Pledge Agreement" has the meaning assigned to that term in Section 3.01(vi)(f).

"Super Majority Banks" means at any time Banks holding at least 85% of the then aggregate unpaid principal amount of the Notes held by Banks, or, if no such principal amount is then outstanding, having at least 85% of the Final Aggregate Total Commitment.

"Termination Date" means the earlier of October 1, 1981, or the date on which the Total Commitments are terminated in whole pursuant to Section 2.05 or Section 6.01.

"Trustee Bank" has the meaning assigned to that term in Section 2.01(c).

"Total Commitment" means for each Bank, the amount set opposite such Bank's name on the signature pages of the counterparts hereof executed by such Bank.

"Utility Act" means the Public Utility Holding Company Act of 1935.

SECTION 1.02. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistently applied.

## ARTICLE II

### AMOUNTS AND TERMS OF THE ADVANCES; REFUNDINGS; AVAILABILITY

SECTION 2.01. (a) The Advances. Subject to the provisions of subsections (b) and (c), below, each Bank severally agrees, on the terms and conditions provided herein, to make Advances (the "Advances") to any Borrower from time to time during the period from and including the Closing Date to the Termination Date, provided that immediately after giving effect to each Advance the aggregate outstanding amount of Advances by such Bank to all Borrowers shall not exceed such Bank's Total Commitment. Each Borrowing under this Section 2.01 shall be in an aggregate amount of \$1,000,000 or an integral multiple thereof (provided, however, that, in



respect of each Borrower, the initial Borrowing shall be in an aggregate amount which is not less than the aggregate principal amount of the Indebtedness of such Borrower to the Banks outstanding on the date thereof under the Lines from the Banks to such Borrower and, in the case of JC, shall be in an additional amount equal to the aggregate principal amount of the Indebtedness of JC then outstanding under the JC Term Loan Agreement). Except as provided in Section 2.01(c), each Borrowing shall consist of Advances made on the same day by the Banks, each in the amount of their respective Percentages of the aggregate amount of such Borrowing. Within the limits of this Section 2.01, each Borrower may borrow, prepay pursuant to Sections 2.06 or 2.07 and reborrow under this Section 2.01.

(b) Incremental Availability of the Final Aggregate Total Commitment. Subject to the other terms and conditions hereof, the Final Aggregate Total Commitment shall be available to the Borrowers as follows:

(i) as at the Closing Date, there shall be available to the Borrowers the Final Aggregate Total Commitment less \$120,000,000; and

(ii) upon the written consent of the Super Majority Banks, subsequent to the receipt by the Agent of a Commitment Increase Request in respect thereof, there shall be available to the Borrowers such additional amount not in excess of \$120,000,000 as shall be specified in such consent.

(c) Certain Advances to JC and ME. With respect to Advances to JC by Citibank or to ME by Morgan Guaranty Trust Company of New York (each such Bank in respect of the applicable such Borrower being the "Trustee Bank"), the initial Borrowing by each such Borrower shall include an Advance by the Trustee Bank in an amount which is the greater of (i) the aggregate principal amount of the Indebtedness of such Borrower to the Trustee Bank to be paid pursuant to Section 2.11 (the "Base Amount") and (ii) the Trustee Bank's Percentage of the aggregate amount of such Borrowing. In the event that clause (i) of the preceding sentence shall be applicable in respect of a Borrowing: (x) the Banks other than the Trustee Bank shall make ratable (in proportion to their respective Percentages) Advances to the appropriate Borrower on the same day in an aggregate amount equal to the aggregate amount of such Borrowing less the applicable Base Amount; (y) subsequent Borrowings by such Borrower shall consist of ratable (in proportion to their respective Percentages) Advances on the same

day by such other Banks to such Borrower until the Trustee Bank's Percentage of the aggregate principal amount of the Indebtedness of such Borrower outstanding hereunder is equal to the applicable Base Amount; and (z) thereafter, Borrowings by such Borrower shall consist of Advances made on the same day by the Banks (including the Trustee Bank), each in the amount of their respective Percentages of such Borrowing or remaining (giving effect to clause (y), above) portion thereof.

SECTION 2.02. The Notes and Refundings. The Advances will be evidenced by, and each Borrower shall repay the principal of each Advance and interest thereon in accordance with, the Notes received by the Banks pursuant to Article III, initially pursuant to Section 3.01(vi)(a). The Borrowers may, on the dates specified below (each a "New Note Issue Date"), issue, and the Banks hereby agree, subject to the terms and conditions provided for herein, to accept new Notes payable to the Banks on the dates specified below:

<u>New Note Issue Date</u>	<u>Payable On</u>
October 1, 1979	April 1, 1980
April 1, 1980	October 1, 1980
October 1, 1980	April 1, 1981
April 1, 1981	October 1, 1981.

New Notes issued and accepted hereunder shall, as at each New Note Issue Date, be deemed to constitute satisfaction in full of the obligation of the respective Borrowers to repay on such New Note Issue Date the Indebtedness evidenced by the Notes theretofore outstanding, and such Indebtedness will thereupon be evidenced by the new Notes issued and accepted on such New Note Issue Date (and upon such issuance and acceptance, the former Notes shall no longer be deemed outstanding).

SECTION 2.03. Making the Advances. Each Advance (except the initial Advances, which shall, subject to the terms and conditions hereof, be made on June 20, 1979) shall be made on at least five Business Days' written notice to the Agent (which shall give prompt notice thereof, and of each other notice received from any Borrower hereunder, to

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each Bank) signed by a duly authorized officer of such Borrower stating the identity of the Borrower to which the Advances are to be made and the requested amount and date of such Advances. Not later than 11:00 A.M. (New York City time) on the date of such Borrowing, each Bank shall make available to the Agent at its address referred to in Section 8.02, in immediately available funds, an amount equal to such Bank's Advance in respect of such Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower designated in such notice to receive such Advances in immediately available funds at the Agent's aforesaid address.

SECTION 2.04. Fees. (a) Commitment Fee. The Borrowers agree to pay to each Confirming Bank a commitment fee on such Bank's Total Commitment (whether used or unused and whether or not available) from the Closing Date until the Termination Date at the rate of  $1/2$  of  $1\frac{1}{2}$  per annum, payable in arrears on the first day of each calendar month commencing August 1, 1979, and on the Termination Date.

(b) Administration Fee. The Borrowers agree to pay to the Co-Agent for its own account and the account of the Agent, as they shall agree, an administration fee of \$100,000 per annum from the Closing Date until the Termination Date payable in advance in consecutive quarterly installments of \$25,000 each on the Closing Date, and thereafter on the first day of October, January, April and July in each year, commencing October 1, 1979.

(c) Fee Allocation Among Borrowers. The Borrowers' respective obligations in respect of fees pursuant to this Section 2.04 and costs, expenses and taxes pursuant to Section 8.04 shall be determined by agreement among themselves and specified in a certificate signed by the principal financial officer of each Borrower delivered to the Agent and the Co-Agent on or prior to the Closing Date. Such certificate shall be conclusively binding upon each Borrower; provided, however, that, if no Event of Default, or event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default shall have occurred and be continuing, a substitute certificate may be delivered from time to time by the Borrowers which shall, upon its delivery, be conclusively binding upon each Borrower until a further substitute certificate is delivered as aforesaid; provided, further, however, that GPU shall be liable in respect of all

such fees and costs, expenses and taxes to the extent that any obligation of any other Borrower in respect thereof is unenforceable or unpaid for any reason or in the event that no such certificate is furnished.

SECTION 2.05. Reduction of Total Commitments and Loan Limits. The Total Commitment of each Bank shall be reduced, upon at least five Business Days' written notice to the Agent, signed by a duly authorized officer of each Borrower, by such Bank's Percentage of the amount specified in such notice by which such Borrower's Loan Limit is to be reduced and, at the same time, such Borrower's Loan Limit shall be reduced by such amount; provided, however, that each partial reduction shall be in the aggregate amount of \$5,000,000 or an integral multiple thereof.

SECTION 2.06. Optional Prepayments. Any Borrower may, upon at least five Business Days' written notice to the Agent signed by a duly authorized officer of such Borrower, prepay the outstanding Notes issued by such Borrower in whole or ratably in part with accrued interest to the date of such prepayment on the amount prepaid, provided that each partial prepayment shall be in an aggregate principal amount not less than \$5,000,000. Each such prepayment shall, upon the giving of such notice, be and become due and payable upon the date specified in such notice.

SECTION 2.07. Mandatory Prepayments. (a) In the event that any Borrower shall sell any of its property or assets (other than in the ordinary course of its business as conducted on the date hereof) or any of its debt securities or shall otherwise after the date hereof create or incur any Indebtedness (other than hereunder or as permitted hereby or under External Lines), such Borrower shall give the Agent written notice thereof not less than five Business Days prior to such Borrower's first receipt of the proceeds therefrom (the "Proceeds") and shall, immediately upon its receipt of the Proceeds for its account (unless, in the case of JC, ME and PE, such Proceeds are required to be deposited with the Trustee under such Borrower's First Mortgage Bond Indenture and are not released) prepay the Notes of such Borrower in an amount equal to the lesser of the Proceeds or the then unpaid principal amount of the outstanding Notes issued by such Borrower, together with interest accrued thereon to the date of such prepayment; provided, however, that Proceeds shall not include (i) capital contributions and/or loans made by GPU to JC, ME or PE, (ii) proceeds of the sale or assignment of nuclear material or of contracts



in respect of nuclear material if such nuclear material or contracts have not been pledged or assigned to secure Indebtedness hereunder or under the Notes or (iii) proceeds of sales of debt securities so long as such debt securities are expressly and effectively subordinated to the Indebtedness hereunder on terms acceptable to the Majority Banks. Each such prepayment shall, upon the giving of such notice, be and become due and payable upon the date specified in such notice.

(b) In the event that at any time the aggregate unpaid principal amount of the Advances to a Borrower shall be or become in excess of its Loan Limit, such Borrower shall immediately make a prepayment of the Notes in an amount equal to at least the amount of such excess, plus interest accrued on the amount prepaid to the date of such prepayment.

SECTION 2.08. Payments and Computations. Each Borrower shall give to the Agent not less than 24 hours notice (which notice may be oral) of each payment under any Loan Document (other than regularly scheduled payments of interest, principal and fees) and shall make each such payment not later than 10:00 A.M. (New York City time) on the day when due in lawful money of the United States of America to the Agent (but, in the case of fees pursuant to Section 2.04, to the Co-Agent) at its address referred to in Section 8.02 in immediately available funds. The Agent or the Co-Agent, as the case may be, will promptly thereafter distribute to each Bank its ratable share of each such payment received by it for the account of the Banks. Each Borrower hereby authorizes each Bank, if and to the extent payment owed to such Bank is not made when due under any Loan Document, to charge from time to time against any account of such Borrower with such Bank any amount so due. All computations of interest under the Notes and commitment fee hereunder shall be made on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days (including the first day but excluding the last day) elapsed.

SECTION 2.09. Payment on Non-Business Days. Whenever any payment to be made hereunder or under the Notes shall be stated to be due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or commitment fee, as the case may be.

SECTION 2.10. Sharing of Payments, Etc. If any Bank shall obtain any payment or any collateral (whether

voluntary, involuntary, through the exercise of any right of set-off, through operation of the Bankruptcy Act or otherwise) on account of the Notes held by it in excess of its ratable share of payments and collateral on account of the Notes obtained by all the Banks, such Bank shall purchase from the other Banks such participations in the Notes held by them or shall provide such Banks with shares of the benefits of any collateral (including cash collateral, as defined in the Bankruptcy Act) or any proceeds resulting from such collateral, as the case may be, as shall be necessary to cause such purchasing or benefited Bank to share the excess payment or the benefits of such collateral or such proceeds ratably with each of them, provided, however, that if all or a y portion of any such excess payment is thereafter recovered from such purchasing Bank, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest. Each Bank agrees to apply any amount received by it through the exercise of any right of set-off which such Bank may have first to amounts outstanding hereunder and under the Notes, after giving continuing effect to the foregoing sentence. Each Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.10 may exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of such Borrower in the amount of such participation.

SECTION 2.11. Use of Proceeds. The proceeds of the initial Borrowings shall be applied, forthwith upon their availability, to the extent necessary to pay in full the then outstanding principal amount under all Lines to the Borrowers from the Banks and, in the case of JC, to pay in full the aggregate principal amount of the Indebtedness of JC then outstanding under the JC Term Loan Agreement (upon the making of which payment, the obligations of the banks parties to the JC Term Loan Agreement to make advances thereunder shall terminate).

### ARTICLE III CONDITIONS PRECEDENT TO ADVANCES

SECTION 3.01. Condition Precedent to Initial Advances. The initial Borrowing by each Borrower shall occur coincidentally with the initial Borrowings by the other Borrowers, and the obligation of each Bank to make its initial Advance to each of the Borrowers is subject to the conditions

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precedent that: (i) all interest and other amounts accrued to the date of such Borrowings in respect of all Lines to the Borrowers from the Banks shall have been paid; (ii) all interest and commitment fees accrued to the date of such Borrowings in respect of the Indebtedness of JC under the JC Term Loan Agreement shall have been paid; (iii) the fee provided for in Section 2.04(b) shall have been paid; (iv) the certificate provided for in Section 2.04(c) shall have been delivered; (v) all interest accrued to the date of such Borrowings under the GPU Loan Agreement and the promissory notes issued thereunder shall have been paid; (vi) the Agent shall have received on or before the day of such Advances the following, each dated such day, in form and substance satisfactory to the Agent and the Co-Agent and (except for the Notes, the GPU Loan Agreement Restatement and the New GPU Notes and the items furnished pursuant to clauses f(i-ii), g(i-ii), h(i-iii) and i(i-iii), below) in sufficient copies for each Bank:

(a) A Note of each Borrower payable to the order of each Bank;

(b) A guaranty of the Indebtedness of JC hereunder, duly executed by GPU, in substantially the form of Exhibit B hereto (the "JC Guaranty");

(c) A guaranty of the Indebtedness of ME hereunder, duly executed by GPU, in substantially the form of Exhibit B hereto (the "ME Guaranty");

(d) A guaranty of the Indebtedness of PE hereunder, duly executed by GPU, in substantially the form of Exhibit B hereto (the "PE Guaranty");

(e) A guaranty of certain Indebtedness of GPU Service Corporation, duly executed by GPU, in substantially the form of Exhibit B hereto (the "ServCo Guaranty");

(f) A Pledge Agreement, duly executed by GPU, in substantially the form of Exhibit C hereto (the "Stock Pledge Agreement"), together with:

(i) certificates representing the Pledged Shares referred to in the Stock Pledge Agreement and undated stock powers for such certificates executed in blank; and



(ii) evidence that all other actions necessary or, in the opinion of the Agent, desirable to perfect and protect the security interests created by the Stock Pledge Agreement have been taken.

(g) A Pledge Agreement, duly executed by ME, in substantially the form of Exhibit D hereto (the "ME Bond Pledge Agreement"), together with:

(i) not less than \$40,000,000 principal amount of ME Bonds in bearer form or registered in the name of the Co-Agent or its nominee;

(ii) evidence that all other actions necessary or, in the opinion of the Agent, desirable to perfect and protect the security interests created by the ME Bond Pledge Agreement have been taken;

(h) A Security Agreement, duly executed by ME, in substantially the form of Exhibit F hereto (the "ME Security Agreement"), together with:

(i) acknowledgment copies of proper Financing Statements (Form UCC-1) duly filed under the respective Uniform Commercial Codes of the State of Oklahoma and the Commonwealth of Pennsylvania in the Office of the County Clerk of Oklahoma County, Oklahoma, and in the Office of the Secretary of the Commonwealth of Pennsylvania, respectively;

(ii) a certified copy of a Uniform Commercial Code Certificate of Search of the Secretary of the Commonwealth of Pennsylvania, listing the Pennsylvania Financing Statement referred to above in clause (i) and all other effective Financing Statements which name ME (under its present name and any previous name) as debtor filed with the Secretary of the Commonwealth of Pennsylvania and a certified copy of an abstractor's report listing the Oklahoma Financing Statement referred to above in clause (i) and all other effective Financing Statements which name ME (under its present name and any previous name) as debtor filed with the County Clerk of Oklahoma County, Oklahoma, together, in each case, with copies of such Financing Statements (none of which shall cover the collateral purported to be covered by the ME Security Agreement); and

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(iii) a consent of Kerr-McGee Nuclear Corporation to the ME Security Agreement and the transactions contemplated thereby;

(i) An Amended and Restated Security Agreement, duly executed by JC, in substantially the form of Exhibit F hereto (the "JC Security Agreement"), together with:

(1) acknowledgment copies of proper Financing Statements (Form UCC-1) duly filed under the respective Uniform Commercial Codes of the States of New Jersey and Oklahoma in the Office of the Secretary of State of the State of New Jersey and in the Office of the County Clerk of Oklahoma County, Oklahoma, respectively;

(ii) a certified copy of a Uniform Commercial Code Certificate of Search of the Secretary of the State of New Jersey, listing the New Jersey Financing Statement referred to above in clause (i) and all other effective Financing Statements which name JC (under its present name and any previous name) as debtor filed with the Secretary of State of New Jersey and a certified copy of an abstractor's report listing the Oklahoma Financing Statement referred to above in clause (i) and all other effective Financing Statements which name JC (under its present name and any previous name) as debtor filed with the County Clerk of Oklahoma County, Oklahoma, together, in each case, with copies of such Financing Statements (none of which shall cover the collateral purported to be covered by the JC Security Agreement, except such as may have been filed in favor of certain of the Banks in connection with the JC Security Agreement prior to its amendment and restatement); and

(iii) a consent of Kerr-McGee Nuclear Corporation to the JC Security Agreement and the transactions contemplated thereby;

(j) The GPU Loan Agreement Restatement, executed by each of the parties thereto;

(k) A New GPU Note payable to the order of each of Citibank, Chemical Bank, Irving Trust Company, Manufacturers Hanover Trust Company and Marine Midland Bank, respectively;

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(l) Federal Reserve Forms U-1 provided for in Regulation U issued by the Board of Governors of the Federal Reserve System, the statements made in which shall be such, in the opinion of the Agent, as to permit the transactions contemplated hereby in accordance with said Regulation U;

(m) Copies of all necessary governmental approvals with respect to the Basic Documents, including, without limitation, appropriate orders of the SEC under the Utility Act and of the NJBPU and of the PaPUC in connection with the Basic Documents and the transactions contemplated thereby, including the borrowings under this Agreement and the GPU Loan Agreement, in each case certified by the Secretary or an Assistant Secretary of the applicable Borrower;

(n) Copies of resolutions adopted by the Board of Directors of each Borrower approving each Basic Document to which it is or is to be a party, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to each such Basic Document, certified by the Secretary or an Assistant Secretary of each Borrower;

(o) A certificate of the Secretary or an Assistant Secretary of each Borrower certifying the names and true signatures of the officers of such Borrower authorized to sign each Basic Document to which it is or is to be a party and the other documents to be delivered by it hereunder;

(p) A favorable opinion of Messrs. Berlack, Israels & Liberman, counsel for the Borrowers, in substantially the form of Exhibit G hereto and as to such other matters as any Bank through the Agent may reasonably request;

(q) A favorable opinion of Messrs. Shearman & Sterling, special counsel for the Banks, in substantially the form of Exhibit H hereto; and

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(vii) the Agent shall have received on or before the day of such Advances and in sufficient copies for each of the Banks copies, in each case certified by the Secretary or an Assistant Secretary of the applicable Borrower, of appropriate orders (which orders (the "Rate Orders") shall be satisfactory to each Bank), in the case of JC, of the NJBPU and, in the case of ME and PE, of the PaPUC with respect to the rates which such Borrowers may charge their respective customers.

SECTION 3.02. Conditions Precedent to All Advances and to the Acceptance of New Notes. The obligation of each Bank to make an Advance on the occasion of each Borrowing (including each Borrower's initial Borrowing) or to accept a new Note on a New Note Issue Date shall be subject to the further conditions precedent that on such date:

(a) the following statements shall be true and the Agent shall have received for the account of such Bank certificates (each a "Borrowing Certificate") signed by a duly authorized officer of each Borrower, dated such date, stating that:

(i) the representations and warranties of such Borrower contained in each of the Basic Documents are correct on and as of the date of such Borrowing as though made on and as of such date;

(ii) no event has occurred and is continuing, or would result from such Borrowing or the issuance of such Note, which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both; provided, however, that no such Borrowing Certificate need advert to an Event of Default under Section 6.01(g) following a determination of the Majority Banks in accordance with Section 3.06 or otherwise, unless notice thereof has been received by such Borrower; and

(iii) giving effect to such Borrowing and the application of its proceeds, the unpaid principal amount of such Borrower's Notes does not exceed such Borrower's Loan Limit;

(b) there shall not have been a determination by the Majority Banks in accordance with Section 8.06 or otherwise that the revenues to be available to such Borrower will be insufficient to assure its ongoing financial viability;

(c) there shall not have been a determination by the Majority Banks in accordance with Section 8.06 or otherwise that there has occurred a change in the financial condition or prospects of such Borrower since May 29, 1979, which is material and adverse and substantially increases the risk that the Notes issued by such Borrower will not be repaid when due;

(d) the Agent and the Co-Agent shall have received such other approvals, opinions or documents as any Bank through the Agent may reasonably request.

SECTION 3.03. Additional Conditions Precedent to Acceptance of Notes on Each New Note Issue Date. The obligation of each Bank to accept a new Note on a New Note Issue Date shall be subject to the further conditions precedent that the Agent shall have received for the account of such Bank a new Note, dated such date, and payable on the first day of April or October next following drawn to the order of such Bank duly executed by such Borrower and a favorable opinion, dated such date, of Messrs. Berlack, Israels & Liberman, counsel to the Borrowers, confirming their opinion delivered pursuant to Section 3.01(vi)(p), with references therein to the Notes of such Borrower to mean the new Notes issued on such New Note Issue Date.

#### ARTICLE IV REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrowers. Each Borrower represents and warrants as at the Closing Date and as of the date of each Borrowing and on each New Note Issue Date with respect to itself as follows:

(a) Such Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation.



(b) The execution, delivery and performance by such Borrower of each Loan Document to which it is or is to be a party are within such Borrower's corporate powers, have been duly authorized by all necessary corporate action, do not contravene (i) such Borrower's charter or by-laws or (ii) law or any contractual restriction binding on or affecting such Borrower, and do not result in or require the creation of any lien, security interest or other charge or encumbrance (other than pursuant to the Collateral Agreements to which it is or is to be a party) upon or with respect to any of its properties.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by such Borrower of any Loan Document to which it is or is to be a party except for (i) in the case of each Borrower, appropriate orders of the SEC under the Utility Act, (ii) in the case of JC, an appropriate order or orders of the NJBPU and (iii) in the case of each of ME and PE, an appropriate order or orders of the PaPUC, each of which orders has been obtained, is in full force and effect and is sufficient for its purpose.

(d) This Agreement is, and each other Loan Document to which such Borrower is to be a party when delivered hereunder will be, legal, valid and binding obligations of such Borrower enforceable against such Borrower in accordance with their respective terms.

(e) The balance sheets of such Borrower and its subsidiaries as at December 31, 1973, and the related statements of income and retained earnings of such Borrower and its subsidiaries for the fiscal year then ended, copies of which have been furnished to each Bank, fairly present the financial condition of such Borrower and its subsidiaries as at such date and the results of the operations of such Borrower and its subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied, and since December 31, 1978, there has been no material adverse change in such condition or operations except such as shall have occurred in connection with or a result of the nuclear incident at the Three Mile Island facility which commenced on March 28, 1979, and since May 29, 1979, there has been no material adverse change in such condition or operations.

(f) There has not been any failure by such Borrower to file at or prior to the time required any reports or other filings with any regulatory authority having jurisdiction over it which would materially adversely affect its business or financial condition.

(g) No proceeds of any Advance will be used to acquire any security in any transaction which is subject to Sections 13 and 14 of the Securities Exchange Act of 1934.

(h) Such Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock.

(i) The outstanding principal amount of its Senior Debt as at the date hereof is as specified on Schedule I hereto.

(j) No "Reportable Event" (as that term is used in subsections (1) through (8) of Section 4043(b) of Title IV of the Employee Retirement Income Security Act of 1974 ("ERISA")) has occurred or is continuing with respect to the following: any employee benefit plan or other plan which is covered by Title IV of ERISA and (a) which is maintained for employees of such Borrower, or (b) with respect to which such Borrower has withdrawn during a plan year for which it was a substantial employer as defined under Title IV of ERISA. In addition, such Borrower has not terminated nor is it aware of any determination by the Pension Benefit Guaranty Corporation that there is a need to terminate any plan described in the preceding sentence.

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ARTICLE V  
COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. Each Borrower covenants that it will, so long as any Note shall remain unpaid or any Bank shall have any obligation to make Advances hereunder, unless the Super Majority Banks shall otherwise consent in writing:

(a) Payment of Taxes, Etc. Pay and discharge all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims which, if unpaid, might become a lien or charge upon any properties of such Borrower, provided it shall not be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings.

(b) Performance and Compliance with Other Agreements. Perform and comply with each of the material provisions of each material indenture, credit agreement, contract or other agreement by which such Borrower is bound, non-performance or non-compliance with which would have a material adverse effect upon its business or credit or in any way affect its ability to perform its obligations hereunder except material contracts or other agreements being contested in good faith.

(c) Preservation of Corporate Existence, Etc. Preserve and maintain its corporate existence in the jurisdiction of its incorporation, and qualify and remain qualified as a foreign corporation in each jurisdiction in which such qualification is necessary or desirable in view of its business and operations or the ownership of its properties and preserve its rights, franchises and privileges to conduct its business substantially as conducted on the date hereof.

(d) Compliance with Laws, Etc. Comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, non-compliance with which would have a material adverse effect upon its business or credit or in any way affect

its ability to perform its obligations hereunder except laws, rules, regulations and orders being contested in good faith.

(e) Maintenance of Insurance. Maintain insurance with responsible and reputable insurance companies or associations in such amounts as is available to such Borrower covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties (including, without limitation, the operation and ownership of nuclear generating facilities) in the same general areas in which it or they operate.

(f) Maintenance of Retained Earnings. Maintain at all times retained earnings of not less than, in the case of GPU and its subsidiaries on a consolidated basis, \$300,000,000 and, in the case of each of JC, ME and PE on an unconsolidated basis, \$1.00.

(g) Indebtedness Under External Lines. Will maintain at all times Indebtedness under such Borrower's External Lines in an aggregate outstanding principal amount of not less than the amount of such Indebtedness outstanding as at the Closing Date (less \$1,000,000 in the case of JC, \$1,000,000 in the case of ME and \$2,000,000 in the case of PE); provided, however, that if and for so long as the principal amount of Indebtedness of such Borrower outstanding under this Agreement shall be less than the amount of such Borrower's initial Borrowing then the aggregate outstanding principal amount of Indebtedness under such Borrower's External Lines which such Borrower is required by this subsection (g) to maintain shall be an amount not less than the net amount specified above for such Borrower multiplied by a fraction whose numerator shall be the principal amount of Indebtedness of such Borrower outstanding under this Agreement at the time of any such determination and whose denominator shall be the amount of such Borrower's initial Borrowing.

(h) Visitation Rights. At any reasonable time and from time to time, permit the Agent, the Co-Agent or any Bank or any agents or representatives thereof to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, such Borrower and to discuss the affairs, finances and accounts of such Borrower with any of its officers or directors.

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SECTION 5.02. Negative Covenants of the Borrowers.

Each Borrower covenants that it will not, so long as any Note shall remain unpaid or any Bank shall have any obligation to make Advances hereunder, without the prior written consent of the Super Majority Banks:

(a) Liens, Etc. Create any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance, or any other type of preferential arrangement, upon or with respect to any of its properties or rights, whether now owned or hereafter acquired, or assign any right to receive income, services or property, except that the foregoing restrictions shall not apply to mortgages, deeds of trust, pledges, liens, security interests, or other charges or encumbrances or any other type of preferential arrangement created by the Loan Documents or the Senior Debt Documents or:

(i) existing on the date hereof;

(ii) created by the Senior Debt Documents; provided, however, that no mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance or other type of preferential arrangement created by or in respect of any Senior Debt Document shall extend to or cover property of any type which is excluded therefrom on the date hereof;

(iii) for taxes, assessments or governmental charges or levies on property of such Borrower if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings;

(iv) imposed by law, such as carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business;

(v) arising out of pledges or deposits under workmen's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation; or

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(vi) arising out of purchase money mortgages or other liens on property acquired by such Borrower in the ordinary course of business to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of any such property to be subject to such mortgages or other liens, or mortgages or other liens existing on any such property at the time of acquisition, or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount, provided that no such mortgage or other lien shall extend to or cover any property other than the property being acquired, and no such extension, renewal or replacement shall extend to or cover any property not theretofore subject to the mortgage or lien being extended, renewed or replaced.

(b) Indebtedness. Create or suffer to exist any Indebtedness, except:

(i) Indebtedness of such Borrower hereunder or under the Notes;

(ii) Indebtedness directly secured by liens permitted by Section 5.02(a);

(iii) Indebtedness under Senior Debt Documents;

(iv) Prior to the Closing Date, Indebtedness under the JC Term Loan Agreement;

(v) Prior to the Closing Date, Indebtedness of such Borrower under Lines from the Banks;

(vi) Indebtedness of such Borrower under External Lines;

(vii) Indebtedness arising from the deferral of the purchase price of certain mobile transformers purchased by the Borrowers from Brown Boveri Corporation;

(viii) Indebtedness which is expressly and effectively subordinated to the Indebtedness hereunder and under the Notes on terms acceptable to the Majority Banks;

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(ix) Indebtedness arising from the purchase in the ordinary course of its business as conducted on the date hereof of fuel, supplies and services with respect to which no assertion that such Indebtedness is delinquent in payment has been made and outstanding for more than 60 days, unless such Borrower is contesting such assertion in good faith and by appropriate proceedings; or

(x) Indebtedness in respect of unfunded vested benefits under each plan maintained for employees of such Borrower and covered by Title IV of the Employee Retirement Income Security Act of 1974.

(c) Lease Obligations. Create, incur, assume or suffer to exist any obligations as lessee (other than lease obligations included in Indebtedness) (i) for the rental or hire of production, transmission or distribution property or fossil fuel in connection with any sale and leaseback transaction except transactions relating to air or water pollution control facilities, or (ii) for the rental or hire of personal property of any kind under leases or agreements to lease for a period of one year or more which would cause the annual rental payments in respect of all such obligations payable in any period of 12 consecutive months to exceed \$10,000,000.

(d) Assumptions, Guaranties, Etc. of Indebtedness of Other Persons. Assume, guarantee, endorse or otherwise become directly or contingently liable (including, without limitation, liable by way of agreement, contingent or otherwise, to purchase, to provide funds for payment, to supply funds to or otherwise invest in the debtor or otherwise to assure the creditor against loss) in connection with any obligation or Indebtedness of any other Person, except (i) guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (ii) guaranties of JC of obligations of the Florence Mining Company to General Electric Credit Corporation, (iii) obligations to pay insurance premiums, (iv) the Guaranties, (v) guaranties existing on the date hereof, (vi) guaranties by GPU of obligations of any Borrower for the purchase price of property (including, but not limited to, fuel) or services, (vii) indemnifications of any Borrower or GPU or GPU Service Corporation



for the benefit of suppliers and contractors of property or services to any Borrower (other than GPU) with respect to nuclear material and facilities, and (viii) guaranties by GPU of Indebtedness of ME under External Lines in amounts not exceeding those outstanding under such External Lines on the Closing Date.

(e) Mergers, Etc. Merge or consolidate with any Person sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all of its assets or properties, including its receivables (whether now owned or hereafter acquired) or any material asset or property (it being agreed that (i) the capital stock or assets of any wholly-owned (except for qualifying shares) subsidiary of such Borrower is a material asset or property and (ii) any nuclear material or any contract in respect of any nuclear material which has not been pledged or assigned to secure Indebtedness hereunder or under the Notes is not a material asset or property) to any Person, except pursuant to the Loan Documents, unless such disposition is effected for fair value in cash and such Borrower's Indebtedness hereunder is prepaid in an amount equal to the proceeds of any such disposition, or agree to do any of the foregoing.

(f) Investments in Other Persons. Make any loan or advance to any Person or purchase or otherwise acquire the capital stock, assets or obligations of, or any interest in, any Person except:

(i) in the ordinary course of such Borrower's business as presently conducted or as may arise in the course of transactions permitted by Section 5.02(d),

(ii) short-term readily marketable obligations of the kind in which such Borrower's Board of Directors has authorized investment on the date hereof,

(iii) loans or advances to, or purchases or acquisitions of the capital stock, assets or obligations of, any wholly-owned (except for qualifying shares) subsidiary of such Borrower, and

(iv) in the case of PE, loans or advances to, or purchases or acquisitions of the capital stock,

assets or obligations of, The Helen Mining Company or Helvetia Coal Company, the principal amount of, or purchase price for, which shall not exceed \$5,000,000 in respect of each such company in any year.

(g) Prepayment of External Lines. Use the proceeds of any Advance to make any payment on or in respect of Indebtedness of such Borrower under External Lines.

(h) Prepayment of GPU Loan Agreement. In the case of GPU, make any prepayment in any amount of the Indebtedness of GPU under the GPU Loan Agreement or the New GPU Notes, other than pursuant to an acceleration of such Indebtedness.

SECTION 5.03. Negative Covenant of GPU. GPU covenants that it will not, without the prior written consent of the Super Majority Banks, use the proceeds of any Advance made to it hereunder (a) for the purpose of making any capital contribution or loan to, of acquiring any equity or debt security of, or of paying directly or indirectly any obligation or liability of, any Borrower unless the aggregate amount of Advances to such Borrower outstanding hereunder on the date of any such Advance to GPU shall be equal to such Borrower's Loan Limit and (b) for any purpose other than (i) as set forth in clause (a) above, (ii), in the case of the initial Borrowing by GPU, the payment of the then outstanding principal amounts under all Lines to GPU from the Banks, (iii) the payment of the current operating expenses of GPU or GPU Service Corporation, or (iv) the payment of dividends on its capital stock.

SECTION 5.04. Covenants of GPU with Respect to GPU Service Corporation. GPU covenants that, so long as any Note shall remain unpaid or any Bank shall have any obligation to make Advances hereunder, unless the Super Majority Banks shall otherwise consent in writing, it will:

(a) cause GPU Service Corporation to perform, observe and comply with each of the covenants contained in Section 5.01 (except the covenant contained in Section 5.01(g)) and in Section 5.02(c), (d), (e) and (f), as fully and completely as if GPU Service Corporation were a Borrower other than GPU; and

(b) not permit GPU Service Corporation to:

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(i) Liens, Etc. Create any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance, or any other type of preferential arrangement, upon or with respect to any of its properties or rights, whether now owned or hereafter acquired, or assign any right to receive income, services or property, except that the foregoing restrictions shall not apply to mortgages, deeds of trust, pledges, liens, security interests, or other charges or encumbrances or any other type of preferential arrangement created by the Loan Documents or:

(A) existing on the date hereof;

(B) created by a mortgage in favor of Hartford National Bank on certain property of GPU Service Corporation in Parsippany, New Jersey;

(C) created by a mortgage in favor of The Fidelity Bank on certain property of GPU Service Corporation in Reading, Pennsylvania;

(D) for taxes, assessments or governmental charges or levies on property of GPU Service Corporation if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings;

(E) imposed by law, such as carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business;

(F) arising out of pledges or deposits under workmen's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation; or

(G) arising out of purchase money mortgages or other liens on property acquired by GPU Service Corporation in the ordinary course of business to secure the purchase

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price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of any such property to be subject to such mortgages or other liens, or mortgages or other liens existing on any such property at the time of acquisition, or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount, provided that no such mortgage or other lien shall extend to or cover any property other than the property being acquired, and no such extension, renewal or replacement shall extend to or cover any property not theretofore subject to the mortgage or lien being extended, renewed or replaced; or

(ii) Indebtedness. Create or suffer to exist any Indebtedness, except:

(A) Indebtedness of GPU Service Corporation existing on the date hereof;

(B) Indebtedness directly secured by liens permitted by clause (i), above;

(C) Indebtedness to GPU; or

(D) Indebtedness in respect of unfunded vested benefits under each plan maintained for employees of GPU Service Corporation and covered by Title IV of the Employee Retirement Income Security Act of 1974.

**SECTION 5.05. Reporting Requirements.** Each Borrower covenants that it will, so long as any Note shall remain unpaid or any Bank shall have any obligation to make Advances hereunder, unless the Majority Banks shall otherwise consent in writing, furnish to each Bank:

(a) as soon as possible and in any event within three days after the occurrence of each Event of Default or each event which, with the giving of notice or lapse of time or both, would constitute an Event of Default, continuing on the date of such statement, the statement of the chief financial officer of such Borrower setting forth details of such Event of Default or event and the action which it is proposed to take with respect thereto;

(b) (i) as soon as possible and in any event within three Business Days of the enactment or issuance of any statute, order, decree, rule or regulation having applicability to such Borrower which could or would increase or decrease the rates which such Borrower is entitled to charge its customers or could or would modify the basis thereof, the statement of the chief financial officer of such Borrower setting forth details of such statute, order, decree, rule or regulation and, if available, copies thereof; and (ii) within eight Business Days of such enactment or issuance, a detailed analysis of the anticipated effects of such statute, order, decree, rule or regulation upon the rates which such Borrower is entitled to charge to customers and upon the revenues of such Borrower, certified by the chief financial officer of such Borrower;

(c) as soon as available and in any event within 30 days after the end of each calendar month, summary financial statements (including a balance sheet and statements of income and sources and applications of funds) of each Borrower for such month, together with a summary pro forma analysis of such Borrower's sources and applications (including its construction costs) of funds for the 12-month period commencing immediately subsequent to the end of such calendar month;

(d) as soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of such Borrower, a balance sheet of such Borrower as of the end of such quarter and statements of income and retained earnings and of source and application of funds of such Borrower (in the case of GPU, on a consolidated and consolidating basis) for the 3-month and the 12-month periods ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the 3-month and the 12-month periods ending on the corresponding date of the preceding fiscal year, all in reasonable detail and duly certified (subject to year-end audit adjustments) by the chief financial officer of such Borrower as having been prepared in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01, together with a certificate of said officer stating that he has no knowledge that an Event of Default, or

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an event which, with notice or lapse of time, or both, would constitute an Event of Default, has occurred and is continuing or, if an Event of Default or such event has occurred and is continuing, a statement as to the nature thereof and the action which such Borrower proposes to take with respect thereto;

(e) as soon as available and in any event within 90 days after the end of each fiscal year of such Borrower, a copy of the annual audit report for such year for such Borrower including therein a balance sheet as of the end of such fiscal year and statements of income and retained earnings and of source and application of funds of such Borrower (in the case of GPU, on a consolidated and consolidating basis) for such fiscal year, in each case certified (except for the consolidating financial statements) by Coopers & Lybrand or other independent public accountants of recognized standing acceptable to the Agent, as having been prepared in accordance with generally accepted accounting principles consistently applied together with a certificate of (i) such accounting firm to the Agent stating that in the course of its audit of the business of such Borrower, which audit was conducted by such accounting firm in accordance with generally accepted auditing standards, such accounting firm has obtained no knowledge that an Event of Default, or an event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default, has occurred and is continuing, or if, in the opinion of such accounting firm, an Event of Default or such event has occurred and is continuing, a statement as to the nature thereof and (ii) the chief financial officer of such Borrower corresponding to the certificate referred to in the last clause of Section 5.05(d);

(f) as soon as available and in any event within 45 days after the end of each quarter of each fiscal year of such Borrower, detailed pro forma analyses of revenues, cash flows, expenditures and construction expenditures, each such analysis to be in form and substance satisfactory to the Agent, for the next succeeding quarter of such fiscal year and for the next succeeding 24 consecutive months, each certified by the chief financial officer of such Borrower;

(g) promptly after the sending or filing thereof, copies of all such proxy statements, financial state-

ments and reports which such Borrower sends to its stockholders (other than in the case of JC, ME and PE, proxy statements, financial statements and reports which are sent only to GPU), and copies of all regular, periodic and special reports, and all registration statements which such Borrower files with the SEC or any governments' authority which may be substituted therefor, with any national securities exchange, with the NJBPU or the PaPUC;

(h) as soon as possible and in any event within three days after (i) the occurrence of any cancellation or reduction of the principal amounts available to such Borrower under External Lines or (ii) such Borrower's receipt of any demand for repayment of its Indebtedness outstanding under Lines, the statement of the chief financial officer of such Borrower setting forth the details of such occurrence or demand and the action which it is proposed to take with respect thereto;

(i) as soon as possible and in any event within three days of the occurrence of a material adverse change in the financial condition or prospects of such Borrower, the statement of the chief financial officer of such Borrower setting forth the details of such change, the anticipated effects thereof and the action which it is proposed to take with respect thereto;

(j) promptly after the furnishing thereof, copies of any statement, certificate or report furnished to any other holder of the securities of such Borrower pursuant to the terms of any indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Banks pursuant to any other clause of this Section 5.05;

(k) promptly after the filing or receiving thereof, copies of all reports and notices which such Borrower files under the Employee Retirement Income Security Act of 1974 with the Pension Benefit Guaranty Corporation, the Internal Revenue Service or the U.S. Department of Labor or which such Borrower receives from such Corporation; and

(l) such other information respecting the business, properties or the condition or operations, financial or otherwise, of such Borrower as any Bank may through the Agent from time to time reasonably request.

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ARTICLE VI  
EVENTS OF DEFAULT

SECTION 6.01. Events of Default. As to a Borrower, if any of the following events ("Events of Default") shall occur and be continuing:

(a) Such Borrower shall fail to make any payment of principal of, or interest on, any Note when due; or

(b) Any representation or warranty or statement made by such Borrower (or any of its officers) in or in connection with any Loan Document or in any schedule, certificate or other document delivered pursuant to or in connection with any Loan Document shall prove to have been incorrect in any material respect when made; or

(c) Such Borrower shall fail to perform or observe any other term, covenant or agreement contained in any Loan Document on its part to be performed or observed and, except in respect of any such failure under Section 5.02, any such failure shall remain unremedied for 10 days after written notice thereof shall have been given to such Borrower by the Agent or any Bank (and, if such notice was given by a Bank, such Bank shall promptly give notice thereof to the Agent); or

(d) Such Borrower shall (i) fail to pay any Indebtedness (other than Indebtedness evidenced by the Notes) of such Borrower, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness, or (ii) fail to perform or observe any term, covenant or condition on its part to be performed or observed under any agreement or instrument relating to any such Indebtedness, when required to be performed or observed, and such failure shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such failure to perform or observe is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness; or any such Indebtedness (other than Indebtedness in an aggregate

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principal amount of not in excess of \$1,000,000 in the case of JC, of not in excess of \$1,000,000 in the case of ME and of not in excess of \$2,000,000 in the case of PE of such Borrower under one or more External Lines) shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or

(e) Such Borrower shall generally not pay its debts as they become due or shall admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors or shall institute any proceeding or voluntary case seeking to adjudicate it a bankrupt or insolvent or seeking reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or seeking the entry or an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property or such Borrower or any of its subsidiaries shall take any corporate action to authorize any of the actions described in this subsection (e); or

(f) Any proceeding shall be instituted against such Borrower seeking to adjudicate it a bankrupt or insolvent or seeking reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or seeking the entry or an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property; or

(g) There shall have occurred a change in the financial condition or prospects of such Borrower since May 29, 1979, which, in the determination of the Majority Banks in accordance with Section 8.06 or otherwise, is material and adverse and substantially increases the risk that the Notes issued by such Borrower will not be repaid when due; or

(h) A final judgment or order for the payment of money in excess of \$1,000,000 shall be rendered against such Borrower and such judgment or order shall continue

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unsatisfied and in effect for a period of 30 consecutive days (excluding therefrom any period during which enforcement of such judgment or order shall be stayed, whether by tendency of appeal or otherwise); or

(i) Such Borrower, if it is JC, shall fail, on or prior to June 30, 1979, to have issued, to have caused to be authenticated and to have sold to Persons other than the Banks not less than \$50,000,000 in aggregate principal amount of JC Bonds or, if less than such aggregate principal amount of JC Bonds are so sold, JC shall fail, on or prior to June 30, 1979, to have pledged to the Banks JC Bonds in an aggregate principal amount of \$50,000,000, minus the amount of JC Bonds so sold; provided, however, that, in respect of any JC Bonds pledged to the Banks, such pledge shall be pursuant to a Pledge Agreement in form substantially similar to Exhibit D hereto (the "JC Bond Pledge Agreement"), duly executed and delivered to the Co-Agent, together with such JC Bonds in bearer form or registered in the name of the Co-Agent or its nominee and an opinion of Messrs. Berlack, Israels & Liberman, counsel for JC, in substantially the form of Exhibit I hereto; or

(j) Any provision of any of the Guaranties or the Stock Pledge Agreement after delivery thereof under Section 3.01 shall for any reason cease to be valid and binding on GPU, or GPU shall so state in writing; or

(k) If such Borrower is ME, any provision of the ME Bond Pledge Agreement or the ME Security Agreement after delivery thereof under Section 3.01 shall for any reason cease to be binding on ME or ME or GPU shall so state in writing; or

(l) If such Borrower is JC, any provision of the JC Bond Pledge Agreement or the JC Security Agreement after delivery thereof under this Section 6.01 or Section 3.01, respectively, shall for any reason cease to be binding on JC or JC or GPU shall so state in writing; or

(m) If the Indebtedness of such Borrower (as guarantor or otherwise) purports to be secured thereby, any of the Collateral Agreements after its delivery

shall for any reason, except to the extent permitted by the terms thereof, cease to create a valid and perfected first priority security interest in any of the collateral purported to be covered thereby; or

(n) If such Borrower is JC, there shall be enacted by the State of New Jersey, a statute which by its terms is principally applicable to JC or to a group of which JC is a member and which could cause the revenues to be available to JC to be insufficient to assure its ongoing financial viability; or

(o) If such Borrower is ME or PE, there shall be enacted by the Commonwealth of Pennsylvania, a statute (including, without limitation, Pennsylvania Senate Bill Number 632, Session of 1979, as amended on Third Consideration, May 22, 1979) which by its terms is principally applicable to such Borrower or to a group of which such Borrower is a member and which could cause the revenues to be available to such Borrower to be insufficient to assure its ongoing financial viability;

then, and in any such event described in subsections (a)-(d) and (f)-(c), above, the Agent shall at the request, or may with the consent, of the Majority Banks: (i) by notice to such Borrower and any one or more of the other Borrowers, declare the obligation of each Bank to make Advances to such Borrower and any one or more of the other Borrowers to be terminated, whereupon the same shall immediately terminate; and/or (ii) by notice to such Borrower, declare the Notes issued by such Borrower, all interest thereon and all other amounts payable under this Agreement by such Borrower to be forthwith due and payable, whereupon such Notes, all such interest and all such amounts shall become and be immediately due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by each Borrower and in any such event described in subsection (e), above, the obligations of each Bank to make Advances to the Borrowers shall immediately terminate and the Notes issued by such Borrower, all interest thereon and all other amounts payable under this Agreement by such Borrower shall become and be immediately due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by each Borrower.

ARTICLE VII  
THE AGENT AND THE CO-AGENT

SECTION 7.01. Authorization and Action. Each Bank hereby appoints and authorizes the Agent and the Co-Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Agent and the Co-Agent, respectively, by the terms thereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of the Notes, the Guaranties or the Collateral Agreements), the Agent and the Co-Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Banks, and such instructions shall be binding upon all Banks and all holders of Notes; provided, however, that neither the Agent nor the Co-Agent shall be required to take any action which exposes the Agent or the Co-Agent to personal liability or which is contrary to any Loan Document or applicable law.

SECTION 7.02. The Agent and the Co-Agent. Under no circumstances whatsoever shall (a) the Agent, by reason of its being Agent, be responsible for or liable because of any action taken or omitted to be taken by the Co-Agent, its directors, officers, employees or agents, whether or not resulting from the gross negligence or wilful misconduct of the Co-Agent, and (b) the Co-Agent, by reason of its being Co-Agent, be responsible for or liable because of any action taken or omitted to be taken by the Agent, its directors, officers, employees or agents, whether or not resulting from the gross negligence or wilful misconduct of the Agent. In the event that either the Agent or the Co-Agent is held liable for the actions or omissions of the other, the Co-Agent or the Agent (as the case may be) agrees to indemnify the other from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the other as a result of such action or omission by it.

SECTION 7.03. Reliance of Agent and Co-Agent, Etc. Neither the Agent, the Co-Agent nor any of their respective directors, officers, agents or employees shall

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be liable for any action taken or omitted to be taken by any of them under or in connection with any Loan Document, except for their own gross negligence or wilful misconduct. Without limitation of the generality of the foregoing, the Agent and the Co-Agent: (i) may treat the payee of any Note as the holder thereof until the Agent and the Co-Agent receive written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to the Agent; (ii) may consult with legal counsel (including counsel for the Borrowers), independent public accountants (including the Borrowers' independent public accountants) and other experts selected by the Agent or the Co-Agent and shall not be liable for any action taken or omitted to be taken in good faith by either of them in accordance with the advice of such counsel, accountants or experts; (iii) make no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations made in or in connection with any Loan Document; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Loan Document or to inspect the property (including the books and records) of any Borrower; (v) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or collateral covered thereby or any other instrument or document furnished pursuant thereto; and (vi) shall incur no liability under or in respect of any Loan Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, cable or telex) believed by the recipient to be genuine and signed or sent by the proper party or parties.

SECTION 7.04. Citibank, Chemical Bank and Their Affiliates. With respect to their respective obligations to make Advances, the Advances made by them and the Notes issued to them, Citibank and Chemical Bank shall have the same rights and powers under the Loan Documents as any other Bank and may exercise the same as though they were not, respectively, the Agent and the Co-Agent; and the term "Banks" or "Banks" shall, unless otherwise expressly indicated, include Citibank and Chemical Bank in their individual capacities. Citibank, Chemical Bank and their affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, any Borrower, any of its subsidiaries and any person or entity who may do business with or own securities of any Borrower or any of its subsidiaries, all as if Citibank were not the Agent and Chemical Bank were not the Co-Agent and without any duty to account therefor to the Banks.

SECTION 7.05. Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent, the Co-Agent or any other Bank and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent, the Co-Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

SECTION 7.06. Indemnification. The Banks agree to indemnify the Agent and/or the Co-Agent (to the extent not reimbursed by any Borrower), ratably according to the respective principal amounts of the Notes then held by each of them, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent and/or the Co-Agent in any way relating to or arising out of the Loan Documents, or any of them, or any action taken or omitted by the Agent and/or the Co-Agent under the Loan Documents, or any of them, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or wilful misconduct of the indemnitee or from its status as a Trustee Bank. Without limitation of the foregoing, each Bank agrees to reimburse the Agent and/or the Co-Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent and/or the Co-Agent in connection with the preparation, execution, administration, or enforcement of, or legal advice in respect of rights or responsibilities under, the Loan Documents, or any of them, to the extent that the Agent and/or the Co-Agent is not reimbursed for such expenses by any Borrower.

SECTION 7.07. Successor Agent. The Agent or Co-Agent may resign at any time as Agent or Co-Agent (as the case may be) under the Loan Documents by giving written notice thereof to the Banks and each Borrower and may be removed as Agent or Co-Agent (as the case may be) under the

Loan Documents at any time with or without cause by the Majority Banks. Upon any such resignatic or removal, the Majority Banks shall have the right to appoint a successor Agent or Co-Agent thereunder. If no successor Agent or Co-Agent shall have been so appointed by the Majority Banks, and shall have accepted such appointment, within 30 days after the giving of notice of resignation or the Majority Banks' removal of the retiring Agent or Co-Agent, then the retiring Agent or Co-Agent (as the case may be) may, on behalf of the Banks, appoint a successor Agent or Co-Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$100,000,000. Upon the acceptance of any appointment as Agent or Co-Agent under the Loan Documents by a successor Agent or Co-Agent, such successor Agent or Co-Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent or Co-Agent, and the retiring Agent or Co-Agent shall be discharged from its duties and obligations as Agent or Co-Agent, respectively, under the Loan Documents. After any retiring Agent's or Co-Agent's resignation or removal as Agent or Co-Agent under the Loan Documents, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent or Co-Agent under the Loan Documents.

#### ARTICLE VIII MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of any Loan Document, nor consent to any departure by any Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Super Majority Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Banks, do any of the following: (a) waive any of the conditions specified in Article III, (b) increase any Bank's Percentage or subject any Bank to any additional obligations, (c) reduce the principal of, or interest on, the Notes or any fees hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees hereunder, (e) release any collateral except as shall be otherwise provided in any Loan Document,

(f) take any action which requires the consent of all the Banks pursuant to the terms of any Loan Document, (g) change any Bank's Percentage or of the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action under any Loan Document, except to the extent, if any, caused by banks becoming a party hereto after the Closing Date, or (h) amend the provisions of this Section 8.01.

SECTION 8.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telex, cable and telegram) and, unless otherwise provided, mailed or transmitted or delivered, if to GPU, at its address at 260 Cherry Hill Road, Parsippany, New Jersey 07054, Attention: Vice President and Chief Financial Officer; if to JC, at its address at Madison Avenue at Punch Bowl Road, Morristown, New Jersey 07960, Attention: Vice President, Finance; if to ME, at its address at 2800 Pottsville Pike, Muhlenberg Township, Berks County, Pennsylvania (P.O. Box 542, Reading, Pennsylvania 19640), Attention: Vice President, Finance; if to PE, at its address at 1001 Broad Street, Johnstown, Pennsylvania 15907, Attention: Vice President - Financial (in case of notices or other communications to JC, ME or PE, with a copy thereof to GPU at its address given above); if to any Bank, at its address set forth under its name on the signature pages of the counterpart hereof executed by such Bank; if to the Agent, at its address at 399 Park Avenue, New York, New York 10043 (Telex No. 125 507), Attention: Energy-East Department, National Banking Group; and, if to the Co-Agent, at its address at 277 Park Avenue, New York, New York 10017 (Telex No. 129 100), Attention: Public Utility District; or as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when mailed or transmitted, be effective when deposited in the mails or delivered to the transmission facility, respectively, except that notices and communications to the Agent or the Co-Agent pursuant to Article II or VII or Section 8.06 shall not be effective until received by the Agent or the Co-Agent as the case may be.

SECTION 8.03. No Waiver; Remedies. No failure on the part of any Bank or the Agent or the Co-Agent to exercise, and no delay in exercising, any right under any Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right under any Loan Document preclude any other or further exercise thereof or the exercise



of any other right. The remedies provided in the Loan Documents are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs, Expenses and Taxes. The Borrowers agree to pay on demand all costs and expenses in connection with the preparation, execution, delivery, filing, recording and administration of the Loan Documents and the other documents to be delivered under the Loan Documents, including, without limitation, the reasonable fees and out-of-pocket expenses of Messrs. Shearman & Sterling and Messrs. Cravath, Swaine & Moore, special counsel for the Banks, and local counsel who may be retained by said counsel, with respect thereto and with respect to advising the Agent and the Co-Agent as to their respective rights and responsibilities under the Loan Documents, and all costs and expenses, if any, in connection with the enforcement of the Loan Documents and the other documents to be delivered under the Loan Documents. The Borrowers also agree to indemnify the Agent, the Co-Agent and each Bank from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent, the Co-Agent or any Bank in any way relating to or arising out of the Loan Documents, or any of them, or any action taken or omitted by the Agent, the Co-Agent or any Bank under the Loan Documents or any of them. In addition, the Borrowers shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement, the other Loan Documents and the other documents to be delivered hereunder, and agree to save the Agent, the Co-Agent and each Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes.

SECTION 8.05. Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default as to a Borrower, and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Bank is hereby authorized at any time and from time to time, without notice to such Borrower (any such notice being expressly waived by each Borrower), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time



owing by such Bank to or for the credit or the account of such Borrower against any and all of the obligations of such Borrower now or hereafter existing under this Agreement or the Note of such Borrower held by such Bank, irrespective of whether or not such Bank shall have made any demand under this Agreement or such Note and although such obligations may be unmatured. Each Bank agrees promptly to notify such Borrower after any such set-off and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Bank may have.

SECTION 8.06. Certain Determinations; Suspension of Availability. (a) A determination by the Majority Banks for purposes of Section 3.02(b), Section 3.02(c) or Section 6.01(g) shall be evidenced by notices in writing (including by hand delivery, telex, cable or telegram, but not by mail) to the Agent from the Majority Banks. The Agent may (but under no circumstances, except pursuant to the next sentence, shall have any obligation to) poll the Banks at any time to afford the Majority Banks an opportunity to make such a determination. The Agent shall, reasonably promptly upon receipt of written notice (including by hand delivery, telex, cable or telegram, but not by mail), which notice must be received by the Agent prior to the giving of any notice of Borrowing, from Banks holding at least 15% of the then aggregate outstanding principal amount of the Notes or, if no such principal amount is outstanding, 15% of the Final Total Aggregate Commitment or 25% or more in number of the Banks (which notice shall state why it is believed that such a determination would be appropriate), give telex notice thereof to the Banks requesting their decision as to such a determination. A Bank which does not respond to such notice within two Business Days of its transmission shall be deemed not to have made such a determination.

(b) Each Bank shall, within the earlier of three Business Days of the forwarding by the Agent of the report of any Borrower delivered to the Agent pursuant to Section 5.05(b)(ii) and eleven Business Days of any enactment or issuance of which notice is given by a Borrower to the Agent pursuant to Section 5.05(b)(i), give written notice (including by hand delivery, telex, cable or telegram, but not by mail) as to whether such Bank has determined that the revenues to be available to such Borrower will be insufficient to assure its ongoing financial viability for purposes of

Section 3.02(b) or that there has been a change in such Borrower's financial condition or prospects since May 29, 1979, which is material and adverse and substantially increases the risk that the Notes issued by such Borrower will not be repaid when due for purposes of Section 3.02(c) or Section 6.01(g). A Bank which does not so respond within the allotted three Business Days shall be deemed not to have made such a determination.

(c) In the event of the enactment or issuance by the government of the Commonwealth of Pennsylvania or the State of New Jersey or any political subdivision or agency or commission of either thereof of any statute, order, decree, rule or regulation having applicability to JC, ME or PE, or the revocation, modification or termination of any of the foregoing, which could or would, directly or indirectly, reduce the revenues and/or the cash flow of JC, ME or PE, and notwithstanding any other provision hereof, the obligations of the Banks to make Advances to: (i) GPU and to such of the other Borrowers as are located in the state in which such action is taken shall be suspended upon receipt by the Agent of requests from Banks: (A) located in Pennsylvania and having not less than 66 2/3% of the Total Commitments of all the Banks located in Pennsylvania; (B) located in New Jersey and having not less than 66 2/3% of the Total Commitments of all the Banks located in New Jersey; or (C) having 66 2/3% of the Final Aggregate Total Commitment; and (ii) all the Borrowers shall be suspended upon receipt by the Agent of requests from Banks having 66 2/3 % of the Final Aggregate Total Commitment. Such suspension requests shall be in writing (including telex, cable and telegram) and shall be to the effect that an availability suspension is requested because of adverse regulatory action. Any such suspension shall be effective from the time of the Agent's receipt of the requisite requests; the Agent shall promptly notify the Borrowers and the Banks of any such suspension. Such a suspension shall not itself relieve the Banks of any obligation which they would otherwise have hereunder to accept Notes on a New Note Issue Date pursuant to Section 2.02. Such a suspension shall continue until the Agent shall have received requests for its revocation from the Super Majority Banks. Such revocation requests shall be in writing (including telex, cable and telegram) and a revocation resulting therefrom shall be effective in respect of the first Borrowing noticed subsequent to the receipt by the Agent of the requisite requests.

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SECTION 8.07. The Trustee Banks. Despite any provision contained herein or, in any other Loan Document: (a) obligations hereunder of a Borrower to its Trustee Bank shall not be, or be deemed to be, secured by such Borrower's Bond Pledge Agreement and shall not be, or be deemed to be, entitled to any benefit therefrom, whether in respect of any realization upon the Pledged Collateral (as defined therein) or otherwise; (b) the Indebtedness outstanding under the Note issued by a Borrower to its Trustee Bank shall not be reduced to less than the applicable Base Amount by virtue of any prepayment pursuant to Section 2.07 or otherwise if, at the time such prepayment would otherwise be made and giving effect thereto, there is any Indebtedness of such Borrower outstanding and secured by such Borrower's Bond Pledge Agreement, and any amount which would otherwise be applied to such a prepayment shall be applied to the ratable (in proportion to their respective Percentages) prepayment of such Borrower's Notes issued to the other Banks; and (c) a Trustee Bank shall not, by virtue of the operation of Section 2.10, obtain indirectly any benefit which it is prohibited from obtaining directly by clause (a) of this Section 8.07.

SECTION 8.08. Binding Effect; Governing Law. This Agreement is effective among the Borrowers, the Agent, the Co-Agent and the Banks which shall, on or prior to the Closing Date, have executed counterparts hereof and shall be binding upon and inure to the benefit of each Borrower, the Agent, the Co-Agent and each such Bank and their respective successors and assigns, except that no Borrower shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the Banks; provided, however, that in no event shall any Bank which is not a Confirming Bank have any obligation to make any Advance hereunder or otherwise, as at and subsequent to the Closing Date, be deemed to be a party hereto; provided, further, however, that no Bank shall be obligated to make its initial Advance hereunder if the Final Aggregate Total Commitment is less than \$400,000,000. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.09. Execution in Counterparts. This Agreement shall be executed in counterparts each of which shall be executed by the Borrowers, the Agent and the Co-Agent and one or more Banks and each of which shall be

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substantially identical except for the identities, Total Commitments and other information specifically relating to such Bank or Banks. All such counterparts, when so executed, shall be deemed to be an original and all such counterparts, taken together, shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

GENERAL PUBLIC UTILITIES  
CORPORATION

By VH Condon  
Title: VICE PRESIDENT

JERSEY CENTRAL POWER &  
LIGHT COMPANY

By VH Condon  
Title: VICE PRESIDENT

METROPOLITAN EDISON COMPANY

By VH Condon  
Title: VICE PRESIDENT

PENNSYLVANIA ELECTRIC  
COMPANY

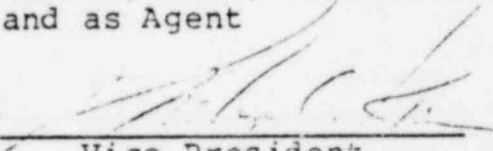
By VH Condon  
Title: VICE PRESIDENT

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Total  
Commitment

\$65,000,000

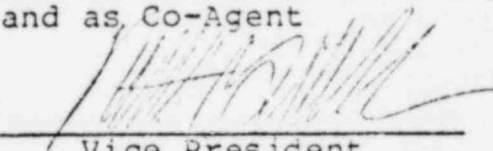
CITIBANK, N.A., Individually  
and as Agent

By   
Vice President

399 Park Avenue  
New York, New York 10043  
Attention: Energy-East  
Department, National  
Banking Group

\$50,000,000

CHEMICAL BANK, Individually  
and as Co-Agent

By   
Vice President

277 Park Avenue  
New York, New York 10017  
Attention: Public Utili-  
ties District

\$ \_\_\_\_\_

\_\_\_\_\_  
(Name of Bank)

By \_\_\_\_\_  
Title:

Address:

Telex No.: \_\_\_\_\_

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SCHEDULE I

SENIOR DEBT

SENIOR DEBT DOCUMENT	AMOUNT CURRENTLY OUTSTANDING
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GPU

Loan Agreement dated as of November 15, 1976, as amended by amendment thereto, dated March 30, 1979	\$ 39,000,000
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JC

First Mortgage Bonds

Indenture, dated as of March 1, 1946, to Citibank, N.A. (formerly Citibank Farmers Trust Company) as Trustee	\$690,560,000
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Mortgage and Deed of Trust, dated as of March 1, 1944 from New Jersey Power & Light Company to Morgan Guaranty Trust Company of New York (formerly Guaranty Trust Company of New York) as Trustee	\$ 39,200,000
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Debentures

Indenture, dated as of October 1, 1963, to Irving Trust Company, as Trustee	\$ 74,203,000
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Indenture, dated as of July 1, 1964 from New Jersey Power & Light Company to The Chase Manhattan Bank, N.A., as Trustee	\$ 7,800,000
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Term Loan Agreement, dated as of May 21, 1979, as amended and restated by amendment dated May 25, 1979	\$ 24,000,000
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## SENIOR DEBT DOCUMENT

## AMOUNT CURRENTLY OUTSTANDING

Other Long Term Debt

Amendment No. 3, dated as of  
May 20, 1977 to Agreement, dated  
as of February 16, 1970 with  
Brown Boveri Corporation

\$ 18,362,170

MEFirst Mortgage Bonds

Indenture, dated November 1,  
1944 to Morgan Guaranty Trust  
Company of New York (formerly  
Guaranty Trust Company of New York)  
as Trustee

\$463,098,377

Debentures

Indenture, dated as of June 1,  
1965, to the Marine Midland Bank  
(formerly The Marine Midland Trust  
Company of New York) as Trustee

\$ 84,560,000

PEFirst Mortgage Bonds

Mortgage and Deed of Trust  
dated as of January 1, 1942 to  
Bankers Trust Company of New  
York as Trustee

\$579,397,895

Indenture, dated as of January 1,  
1945 of Northern Pennsylvania  
Power Co.

\$ 500,000

Indenture dated as of November 1,  
1919 of Erie County Electric Company

\$ 74,000

1474 052

## SENIOR DEBT DOCUMENT

## AMOUNT CURRENTLY OUTSTANDING

Debentures

Indenture, dated as of June 1, 1961  
to Chemical Bank (formerly Chemical  
Bank New York Trust Company) as  
Trustee

\$ 72,680,000

1474 053

# SCHEDULE II

## Outstanding Indebtedness Under Lines As At May 31, 1979 (Amounts in Thousands)

Name of Bank	GPU	JCP&L	Met-Ed	Penelec	Total System
<u>New York</u>					
Citibank, N.A.	\$11,400	\$ 9,120	\$ 5,000	-	\$ 25,520
The Chase Manhattan Bank, N.A.	-	17,788	-	-	17,788
Chemical Bank	2,500	4,704	5,000	-	12,204
Marine Midland Bank - N.Y.	4,000	5,152	2,000	-	11,152
Bankers Trust Co.	-	1,416	1,000	-	2,416
Manufacturers Hanover Trust Co.	4,500	4,352	2,000	-	10,852
Morgan Guaranty Trust Co. of N.Y.	-	1,416	4,000	-	5,416
Irving Trust Co.	4,000	9,352	3,000	-	16,352
Freedom National Bank	-	-	-	-	-
Total New York	\$26,400	\$53,300	\$22,000	-	\$101,700
<u>New Jersey</u>					
Fidelity Union Trust Co.	-	\$ 3,000	-	-	\$ 3,000
Midlantic National Bank	-	3,000	-	-	3,000
New Jersey Bank, N.A.	-	3,000	-	-	3,000
National Community Bank	-	3,000	-	-	3,000
United Jersey Bank	-	4,000	-	-	4,000
The Central Jersey Bank & Trust	-	3,000	-	-	3,000
The First Jersey National Bank	-	1,500	-	-	1,500
Heritage Bank North, N.A.	-	2,500	-	-	2,500
The Nat. State Bank of Elizabeth	-	2,500	-	-	2,500
Colonial First National Bank	-	2,000	-	-	2,000
New Jersey National Bank	-	2,000	-	-	2,000
The Bank of New Jersey	-	1,000	-	-	1,000
United Counties Trust Co.	-	1,500	-	-	1,500
First Nat. State Bank of West Jersey	-	2,000	-	-	2,000
First Nat. State Bank of New Jersey	-	-	-	-	-
First Merchants National Bank	-	500	-	-	500
Franklin State Bank	-	2,000	-	-	2,000
Summit and Elizabeth Trust Co.	-	1,000	-	-	1,000
American National Bank & Trust	-	2,000	-	-	2,000
First National Bank of South Jersey	-	1,000	-	-	1,000
The Hunterdon County National Bank of Flemington	-	700	-	-	700
First National State Bank of Northwest Jersey	-	500	-	-	500
Ocean County National Bank of Point Pleasant	-	400	-	-	400
Total New Jersey	\$ -	\$42,100	\$ -	\$ -	\$ 42,100

1474 054

## SCHEDULE II

Outstanding Indebtedness Under Lines  
As At May 31, 1979  
(Amounts in Thousands)

Name of Bank	GPU	JCP&L	Met-Ed	Penelec	Total System
<u>Pennsylvania</u>					
Mellon National Bank, N.A.	\$ 2,000	\$ -	\$ -	\$ 2,000	\$ 4,000
Pittsburgh National Bank (Penna.)	-	-	-	4,000	4,000
First Pennsylvania Bank, N.A.	2,000	-	4,000	-	6,000
American Bank and Trust Co. of Pennsylvania	-	-	5,000	-	5,000
The Fidelity Bank	2,000	-	3,000	-	5,000
National Central Bank	-	-	2,500	-	2,500
Provident National Bank	-	-	2,000	-	2,000
Bank of Pennsylvania	-	-	1,000	-	1,000
Industrial Valley Bank & Trust Co.	-	-	2,000	-	2,000
Equibank, N.A.	-	-	-	2,000	2,000
United States National (Penna.)	-	-	-	1,000	1,000
The York Bank and Trust Co.	-	-	1,000	-	1,000
First National of Pa. - Erie	-	-	-	2,000	2,000
First Valley Bank	-	-	-	-	-
Northeastern Bank of Pennsylvania	-	-	500	-	500
Mid-State Bank & Trust (Penna.)	-	-	-	-	-
Northwest Pa. Bank & Trust (Penna.)	-	-	-	-	-
Pennsylvania Bank & Trust (Penna.)	-	-	-	500	500
First Seneca Bank & Trust (Penna.)	-	-	-	-	-
Johnstown Bank & Trust Co. (Penna.)	-	-	-	1,000	1,000
The National Bank of Ecyertown	-	-	-	-	-
Security - Peoples Trust Co. - Erie (Penna.)	-	-	-	1,000	1,000
The Wyoming National Bank of Wilkes Barre	-	-	-	-	-
CCNB Bank, N.A.	-	-	250	-	250
Lebanon Valley National Bank	-	-	250	-	250
Laurel National Bank	-	-	-	500	500
National Bank of the Commonwealth	-	-	-	400	400
Nazareth National Bank & Trust Co.	-	-	-	-	-
Central Counties Bank of Altoona	-	-	-	-	-
Clearfield Bank & Trust Co.	-	-	-	-	-
Union Bank & Trust (Penna.)	-	-	-	-	-
Eaton National Bank & Trust Co.	-	-	-	-	-
Farmers Bank & Trust Co. of Hanover	-	-	-	-	-

1474 055



## SCHEDULE II

Outstanding Indebtedness Under Lines  
As At May 31, 1979  
(Amounts in Thousands)

## Short-Term Debt Outstanding @ 5/31/79

Name of Bank	GPU	JCP&L	Met-Ed	Penelec	Total System
<u>Pennsylvania (cont'd)</u>					
Lafayette Trust Bank	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth Bank & Trust Co.	-	-	-	-	-
Mansfield (Penna.)	-	-	-	-	-
The Moxham National Bank,	-	-	-	-	-
Johnstown (Penna.)	-	-	-	300	300
Warren National Bank (Penna.)	-	-	-	-	-
Lebanon County Trust Co.	-	-	-	-	-
Penn Central National Bank -	-	-	-	-	-
Huntingdon	-	-	-	-	-
The Merchants National Bank	-	-	-	-	-
of Bangor	-	-	200	-	200
Commonwealth National Bank	-	-	-	-	-
Keystone National Bank	-	-	-	-	-
Dale National Bank	-	-	-	-	-
The Savings and Trust Co. -	-	-	-	-	-
Indiana (Penna.)	-	-	-	-	-
Union National Bank &	-	-	-	-	-
Trust Co. Huntington (Penna.)	-	-	-	-	-
The Valley Trust Co. of Palmyra	-	-	-	-	-
Unibank Bank & Trust Co.	-	-	-	-	-
Deposit National Bank	-	-	-	-	-
Hollidaysburg Trust Co.	-	-	-	-	-
Somerset Trust Co.	-	-	-	-	-
Union Banking & Trust Co.	-	-	-	-	-
Dubois (Penna.)	-	-	-	-	-
Homer City State Bank	-	-	-	-	-
National Bank of Western	-	-	-	-	-
Pennsylvania - EAerlin	-	-	-	-	-
Hartley National Bank -	-	-	-	-	-
Bedford	-	-	-	-	-
Total Pennsylvania	\$ 6,000	\$ -	\$21,700	\$14,700	\$ 42,400
<u>Other</u>					
Hartford Nation Bank	-	-	-	-	-
& Trust Co.	\$ -	\$ 1,000	\$ -	\$ -	\$ 1,000
Total Other	\$ -	\$ 1,000	\$ -	\$ -	\$ 1,000
Total Short-Term Debt	\$32,400	\$96,400	\$43,700	\$14,700	\$187,200

1474 056

EXHIBIT A-1  
PROMISSORY NOTE

\*Dated \_\_\_\_\_, 19\_\_

FOR VALUE RECEIVED, GENERAL PUBLIC UTILITIES CORPORATION, a Pennsylvania corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of [NAME OF BANK] (the "Bank") the aggregate unpaid principal amount of all Advances made by the Bank to the Borrower pursuant to the Credit Agreement (as hereinafter defined), on\*\* \_\_\_\_\_, 19\_\_, together with interest on the principal amount from time to time outstanding hereunder from the date hereof until payment in full, payable monthly on the first day of each calendar month during the term hereof and on the date of payment in full, at a fluctuating rate per annum equal at all times to (a) 105% of the Alternate Base Rate on that portion of such principal amount which is not in excess of the Bank's Percentage (as defined in the Credit Agreement) of \$30,000,000, (b) 108% of the Alternate Base Rate on that portion of such principal amount which is greater than the Bank's Percentage of \$30,000,000 but not in excess of the Bank's Percentage of \$60,000,000 and (c) 111% of the Alternate Base Rate on that portion of such principal amount which is greater than the Bank's Percentage of \$60,000,000. The "Alternate Base Rate" means the higher of:

(a) The base rate of Citibank, N.A. on 90-day loans to responsible and substantial commercial borrowers in effect from time to time, or

(b) 1/2 of one percent above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly by the Agent (as hereinafter defined) on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by the Agent from three New York certificate of deposit dealers of recognized standing, in either case adjusted to the nearest 1/4 of one percent or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent,

\* The date of the initial Borrowing or the appropriate New Note Issue Date.

\*\* October 1, 1979, April 1, 1980, October 1, 1980, April 1, 1981, or October 1, 1981, as appropriate.

1474 057

but in no event higher than the maximum rate permitted by law.

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Agent, at 399 Park Avenue, New York, New York 10043, in immediately available funds.

This Promissory Note is one of the Notes referred to in and is entitled to the benefits of, the Revolving Credit Agreement, dated as of June 15, 1979 (the "Credit Agreement"), among the Borrower, the other borrowers, the Bank, certain other banks parties thereto, Citibank, N.A., as Agent for the Bank and such other banks, and Chemical Bank, as co-agent for the Bank and such other banks, and the Loan Documents referred to therein. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

GENERAL PUBLIC UTILITIES  
CORPORATION

By \_\_\_\_\_  
Title:

1474 058

EXHIBIT A-2  
PROMISSORY NOTE

\*Dated \_\_\_\_\_, 19\_\_

FOR VALUE RECEIVED, JERSEY CENTRAL POWER & LIGHT COMPANY, a New Jersey corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of [NAME OF BANK] (the "Bank") the aggregate unpaid principal amount of all Advances made by the Bank to the Borrower pursuant to the Credit Agreement (as hereinafter defined), on\*\* \_\_\_\_\_, 19\_\_, together with interest on the principal amount from time to time outstanding hereunder from the date hereof until payment in full, payable monthly on the first day of each calendar month during the term hereof and on the date of payment in full, at a fluctuating rate per annum equal at all times to (a) 105% of the Alternate Base Rate on that portion of such principal amount which is not in excess of the Bank's Percentage (as defined in the Credit Agreement) of \$35,000,000, (b) 108% of the Alternate Base Rate on that portion of such principal amount which is greater than the Bank's Percentage of \$35,000,000 but not in excess of the Bank's Percentage of \$70,000,000 and (c) 111% of the Alternate Base Rate on that portion of such principal amount which is greater than the Bank's Percentage of \$70,000,000. The "Alternate Base Rate" means the higher of:

(a) The base rate of Citibank, N.A. on 90-day loans to responsible and substantial commercial borrowers in effect from time to time, or

(b) 1/2 of one percent above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly by the Agent (as hereinafter defined) on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by the Agent from three New York certificate of deposit dealers of recognized standing, in either case adjusted to the nearest 1/4 of one percent or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent,

1474 059

\* The date of the initial Borrowing or the appropriate New Note Issue Date.

\*\* October 1, 1979, April 1, 1980, October 1, 1980, April 1, 1981, or October 1, 1981, as appropriate.

but in no event higher than the maximum rate permitted by law.

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Agent, at 399 Park Avenue, New York, New York 10043, in immediately available funds.

This Promissory Note is one of the Notes referred to in and is entitled to the benefits of, the Revolving Credit Agreement, dated as of June 15, 1979 (the "Credit Agreement"), among the Borrower, the other borrowers, the Bank, certain other banks parties thereto, Citibank, N.A., as Agent for the Bank and such other banks, and Chemical Bank, as co-agent for the Bank and such other banks, and the Loan Documents referred to therein. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

JERSEY CENTRAL POWER & LIGHT  
COMPANY

By \_\_\_\_\_  
Title:

1474 060



EXHIBIT A-3  
PROMISSORY NOTE

\*Dated \_\_\_\_\_, 19\_\_

FOR VALUE RECEIVED, METROPOLITAN EDISON COMPANY, a Pennsylvania corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of [NAME OF BANK] (the "Bank") the aggregate unpaid principal amount of all Advances made by the Bank to the Borrower pursuant to the Credit Agreement (as hereinafter defined), on\*\* \_\_\_\_\_, 19\_\_, together with interest on the principal amount from time to time outstanding hereunder from the date hereof until payment in full, payable monthly on the first day of each calendar month during the term hereof and on the date of payment in full, at a fluctuating rate per annum equal at all times to (a) 105% of the Alternate Base Rate on that portion of such principal amount which is not in excess of the Bank's Percentage (as defined in the Credit Agreement) of \$25,000,000, (b) 108% of the Alternate Base Rate on that portion of such principal amount which is greater than the Bank's Percentage of \$25,000,000 but not in excess of the Bank's Percentage of \$50,000,000 and (c) 111% of the Alternate Base Rate on that portion of such principal amount which is greater than the Bank's Percentage of \$50,000,000. The "Alternate Base Rate" means the higher of:

(a) The base rate of Citibank, N.A. on 90-day loans to responsible and substantial commercial borrowers in effect from time to time, or

(b) 1/2 of one percent above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly by the Agent (as hereinafter defined) on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by the Agent from three New York certificate of deposit dealers of recognized standing, in either case adjusted to the nearest 1/4 of one percent or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent,

1474 061

\* The date of the initial Borrowing or the appropriate New Note Issue Date.

\*\* October 1, 1979, April 1, 1980, October 1, 1980, April 1, 1981, or October 1, 1981, as appropriate.

but in no event higher than the maximum rate permitted by law.

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Agent, at 399 Park Avenue, New York, New York 10043, in immediately available funds.

This Promissory Note is one of the Notes referred to in and is entitled to the benefits of, the Revolving Credit Agreement, dated as of June 15, 1979 (the "Credit Agreement"), among the Borrower, the other borrowers, the Bank, certain other banks parties thereto, Citibank, N.A., as Agent for the Bank and such other banks, and Chemical Bank, as co-agent for the Bank and such other banks, and the Loan Documents referred to therein. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

METROPOLITAN EDISON COMPANY

By \_\_\_\_\_  
Title: \_\_\_\_\_

1474 062

100 AYAC

## EXHIBIT A-4

## PROMISSORY NOTE

\*Dated \_\_\_\_\_, 19\_\_

FOR VALUE RECEIVED, PENNSYLVANIA ELECTRIC COMPANY, a Pennsylvania corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of [NAME OF BANK] (the "Bank") the aggregate unpaid principal amount of all Advances made by the Bank to the Borrower pursuant to the Credit Agreement (as hereinafter defined), on\*\* \_\_\_\_\_, 19\_\_, together with interest on the principal amount from time to time outstanding hereunder from the date hereof until payment in full, payable monthly on the first day of each calendar month during the term hereof and on the date of payment in full, at a fluctuating rate per annum equal at all times to (a) 105% of the Alternate Base Rate on that portion of such principal amount which is not in excess of the Bank's Percentage (as defined in the Credit Agreement) of \$10,000,000, (b) 108% of the Alternate Base Rate on that portion of such principal amount which is greater than the Bank's Percentage of \$10,000,000 but not in excess of the Bank's Percentage of \$20,000,000 and (c) 111% of the Alternate Base Rate on that portion of such principal amount which is greater than the Bank's Percentage of \$20,000,000. The "Alternate Base Rate" means the higher of:

(a) The base rate of Citibank, N.A. on 90-day loans to responsible and substantial commercial borrowers in effect from time to time, or

(b) 1/2 of one percent above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly by the Agent (as hereinafter defined) on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by the Agent from three New York certificate of deposit dealers of recognized standing, in either case adjusted to the nearest 1/4 of one percent or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent,

\* The date of the initial Borrowing or the appropriate New Note Issue Date.

\*\* October 1, 1979, April 1, 1980, October 1, 1980, April 1, 1981, or October 1, 1981, as appropriate.

1474 063

but in no event higher than the maximum rate permitted by law.

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Agent, at 399 Park Avenue, New York, New York 10043, in immediately available funds.

This Promissory Note is one of the Notes referred to in and is entitled to the benefits of, the Revolving Credit Agreement, dated as of June 15, 1979 (the "Credit Agreement"), among the Borrower, the other borrowers, the Bank, certain other banks parties thereto, Citibank, N.A., as Agent for the Bank and such other banks, and Chemical Bank, as co-agent for the Bank and such other banks, and the Loan Documents referred to therein. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

PENNSYLVANIA ELECTRIC COMPANY

By \_\_\_\_\_  
Title:

1474 064

EXHIBIT B

GUARANTY

GUARANTY, dated as of June 20, 1979, made by GENERAL PUBLIC UTILITIES CORPORATION, a Pennsylvania corporation (the "Guarantor"), in favor of [the Banks (the "Banks") parties to the Credit Agreement (as defined below), CITIBANK, N.A., as agent (the "Agent") for the Banks and CHEMICAL BANK, as co-agent (the "Co-Agent") for the Banks] [Hartford National Bank and The Fidelity Bank (the "Banks").]

PRELIMINARY STATEMENT. [The Banks, the Agent and the Co-Agent have entered into a Revolving Credit Agreement, dated as of June 15, 1979 (said Agreement, as it may hereafter be amended or otherwise modified from time to time, being the "Credit Agreement", the terms defined therein and not otherwise defined herein being used herein as therein defined), with the Guarantor, JERSEY CENTRAL POWER & LIGHT COMPANY, a New Jersey corporation, METROPOLITAN EDISON COMPANY, a Pennsylvania corporation, and PENNSYLVANIA ELECTRIC COMPANY, a Pennsylvania corporation. It is a condition precedent to the obligation of the Banks to make Advances under the Credit Agreement that the Guarantor, as the beneficial owner of 100 percent of the outstanding shares of common stock of JC, ME and PE, shall have executed and delivered this Guaranty.] [Hartford National Bank and Citibank, N.A., have agreed, in anticipation of this Guaranty, to modify the terms of the indebtedness of GPU Service Corporation ("ServCo") to them pursuant to that certain Letter of Intent, dated April 4, 1978, from ServCo to Hartford National Bank and Citibank, N.A., with respect to the acquisition and improvement of certain property in Parsippany, New Jersey (the "Parsippany Agreement"). Pursuant to that certain Loan Agreement, dated December 31, 1973, as amended by an Amendment, dated November 30, 1977, between ServCo and The Fidelity Bank with respect to the acquisition and improvement of certain property in Reading, Pennsylvania, ServCo is indebted to The Fidelity Bank (the "Reading Agreement"; together with the Parsippany Agreement, the "Credit Agreement", the promissory notes issued under the Credit Agreement being the "Notes").]

NOW, THEREFORE, in consideration of the premises [and in order to induce the Banks to make Advances under the Credit Agreement], the Guarantor hereby agrees as follows:

1474 005



SECTION 1. Guaranty. The Guarantor hereby unconditionally guarantees the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all obligations of [JC] [ME] [PE] [GPU Service Corporation] (the "Obligor") now or hereafter existing under the Credit Agreement and the Notes, whether for principal, interest, fees, expenses or otherwise (such obligations being the "Obligations"), and any and all expenses incurred by [the Agent, the Co-Agent or] the Banks in enforcing any rights under this Guaranty[; provided, however, that the Guarantor shall make no payment with respect to the Obligations under this Guaranty, so long as the Guarantor shall have any obligations with respect to the JC Guaranty, the ME Guaranty or the PE Guaranty (as each such term is defined in that certain Revolving Credit Agreement, dated as of June 15, 1979, among the Guarantor, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company, the banks parties thereto and Citibank, as Agent and Chemical Bank, as Co-Agent for such Banks) as the same may from time to time be amended, modified or supplemented].

SECTION 2. Guaranty Absolute. The Guarantor guarantees that the Obligations will be paid strictly in accordance with the terms of the Credit Agreement and the Notes. The liability of the Guarantor under this Guaranty shall be absolute and unconditional irrespective of:

(i) any lack of validity or enforceability of the Credit Agreement, the Notes or any other agreement or instrument relating thereto;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from the Credit Agreement or the Notes;

(iii) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Obligations; or

(iv) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Obligor in respect of the Obligations or the Guarantor in respect of this Guaranty,

except to the extent that this Guaranty may finally be determined to be unenforceable as contrary to public policy. This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by [the Agent, the Co-Agent or] any Bank upon the insolvency, bankruptcy or reorganization of the Obligor or otherwise, all as though such payment had not been made.

SECTION 3. Waiver. The Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations and this Guaranty and any requirement that [the Agent, the Co-Agent or] any Bank exhaust any right or take any action against the Obligor or any other Person or any collateral.

SECTION 4. Subrogation. The Guarantor will not exercise any rights which it may acquire by way of subrogation under this Guaranty, by any payment made hereunder or otherwise, until all the Obligations shall have been paid in full. If any amount shall be paid to the Guarantor on account of such subrogation rights at any time when all the Obligations shall not have been paid in full, such amount shall be held in trust for the benefit of [the Agent, the Co-Agent and] the Banks and shall forthwith be paid to the [Agent] [Banks] to be credited and applied upon the Obligations, whether matured or unmatured, in accordance with the terms of the Credit Agreement. If (i) the Guarantor shall make payment to [the Agent, the Co-Agent or] the Banks of all or any part of the Obligations and (ii) all the Obligations shall be paid in full, [the Agent, the Co-Agent and] the Banks will, at the Guarantor's request, execute and deliver to the Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Obligations resulting from such payment by the Guarantor.

SECTION 5. Amendments, Etc. No amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by [the Agent, the Co-Agent and] the Banks.

1474 067

SECTION 6. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including telegraphic communication) and, if to the Guarantor, mailed or telegraphed or delivered to it, addressed to it at 260 Cherry Hill Road, Parsippany, New Jersey 07054, Attention of Vice President and Chief Financial Officer, if to [the Agent, the Co-Agent or] any Bank, mailed or delivered to it, addressed to it at the address of [the Agent, the Co-Agent or] such Bank (as the case may be) specified in the Credit Agreement, or as to each party at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section. All such notices and other communications shall, when mailed or telegraphed, respectively, be effective when deposited in the mails or delivered to the telegraph company, respectively, addressed as aforesaid.

SECTION 7. No Waiver; Remedies. No failure on the part of [the Agent, the Co-Agent or] any Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8. Right of Set-off. Upon [(i)] the occurrence and during the continuance of any Event of Default [and (ii) the making of the request or the granting of the consent specified by Section 6.01 of the Credit Agreement to authorize the Agent to declare the Notes due and payable pursuant to the provisions of said Section 6.01], each Bank is hereby authorized at any time and from time to time, without notice to the Guarantor (any such notice being expressly waived by the Guarantor), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of the Guarantor against any and all of the obligations of the Guarantor now or hereafter existing under this Guaranty, irrespective of whether or not such Bank shall have made any demand under this Guaranty and although such obligations may be contingent and unmatured. Each Bank agrees promptly to notify the Guarantor after any such set-off and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Bank may have.

SECTION 9. Continuing Guaranty: Transfer of Notes.

This Guaranty is a continuing guaranty and shall (i) remain in full force and effect until payment in full [(after the Termination Date)] of the Obligations and all other amounts payable under this Guaranty, (ii) be binding upon the Guarantor, its successors and assigns, and (iii) inure to the benefit of and be enforceable by the Banks[, the Agent, the Co-Agent] and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), any Bank may assign or otherwise transfer any Note held by it to any other Person, and such other Person shall thereupon become vested with all the rights in respect thereof granted to such Bank herein or otherwise[, subject, however, to the provisions of Article VII (concerning the Agent) of the Credit Agreement].

SECTION 10. Governing Law. This Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

GENERAL PUBLIC UTILITIES  
CORPORATION

By \_\_\_\_\_  
Title: \_\_\_\_\_

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## EXHIBIT C

PLEDGE AGREEMENT dated as of June 20, 1979, made by GENERAL PUBLIC UTILITIES CORPORATION, a Pennsylvania corporation (the "Pledgor"), to CHEMICAL BANK as agent (the "Agent") for the banks parties to the Credit Agreement, the GPU Loan Agreement, the Parsippany Agreement and the Reading Agreement (each as hereinafter defined);

### PRELIMINARY STATEMENTS:

(1) The Pledgor is the owner of the shares (the "Pledged Shares") of stock described in Schedule I hereto and issued by the corporations named therein.

(2) Certain banks, CITIBANK, N.A., as agent (the "Credit Agreement Agent") and CHEMICAL BANK, as co-agent, have entered into a Revolving Credit Agreement, dated as of June 15, 1979 (said Agreement, as it may hereafter be amended or otherwise modified from time to time, being the "Credit Agreement", the terms defined therein and not otherwise defined herein being used herein as therein defined), with the Pledgor, JERSEY CENTRAL POWER & LIGHT COMPANY, a New Jersey corporation, METROPOLITAN EDISON COMPANY, a Pennsylvania corporation, and PENNSYLVANIA ELECTRIC COMPANY, a Pennsylvania corporation; certain banks and Citibank, N.A., as agent, (the "GPU Loan Agreement Agent") are parties to the GPU Loan Agreement. Hartford National Bank is a party to that certain Letter of Intent, dated April 4, 1978, as amended, from GPU Service Corporation ("ServCo") with respect to the acquisition and improvement of certain property located in Parsippany, New Jersey (the "Parsippany Agreement"); and The Fidelity Bank is a party to that certain Loan Agreement, dated December 31, 1973, as amended by an Amendment, dated November 30, 1977, with ServCo with respect to the acquisition and improvement of certain property located in Reading, Pennsylvania (the "Reading Agreement") (the banks parties to one or more of the Credit Agreement, the GPU Loan Agreement, the Parsippany Agreement and the Reading Agreement being the "Banks"). It is a condition precedent to the obligations of the Banks to make Advances to the Borrowers under the Credit Agreement and to the effectiveness of the GPU Loan Agreement Restatement that the Pledgor shall have made the pledge contemplated by this Agreement. The Parsippany Agreement has been modified in anticipation of the pledge contemplated by this Agreement. Pursuant to the Reading Agreement, ServCo, a wholly-owned subsidiary of the Pledgor, is indebted to The Fidelity Bank.

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NOW, THEREFORE, in consideration of the premises, the Pledgor hereby agrees with the Agent for its benefit, the benefit of the Co-Agent and the ratable benefit of the Banks as follows:

SECTION 1. Pledge. The Pledgor hereby pledges to the Agent for its benefit, the benefit of the Credit Agreement Agent, the GPU Loan Agreement Agent and the ratable (in accordance with the Indebtedness of the Borrowers to the Banks outstanding under the Credit Agreement, the GPU Loan Agreement the Parsippany Agreement and the Reading Agreement) benefit of the Banks, and grants to the Agent for its benefit, the benefit of the Credit Agreement Agent, the GPU Loan Agreement Agent and the ratable benefit of the Banks a security interest in, the following (the "Pledged Collateral"):

(i) the Pledged Shares and the certificates representing the Pledged Shares, and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares;

(ii) all additional shares of stock of any issuer of the Pledged Shares from time to time acquired by the Pledgor in any manner, and the certificates representing such additional shares, and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares; and

(iii) any and all proceeds of the foregoing.

SECTION 2. Security for Obligations. This Agreement secures the payment of all obligations of the Borrowers now or hereafter existing under the Credit Agreement, the notes issued thereunder, the GPU Loan Agreement, the promissory notes issued thereunder, the Parsippany Agreement, the promissory note issued thereunder, the Reading Agreement and the promissory note issued thereunder (all such promissory notes being referred to herein, collectively, as the "Notes"), whether for principal, interest, fees, expenses or otherwise, and all obligations of the Pledgor now or hereafter existing under the Guaranties or this Agreement (all such obligations of the Borrower and the Pledgor being the "Obligations").

SECTION 3. Delivery of Pledged Collateral. All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by or on behalf of the Agent pursuant hereto and shall be in suitable

form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Agent. The Agent shall have the right, at any time in its discretion and without notice to the Pledgor, to transfer to or to register in the name of the Agent or any of its nominees any or all of the Pledged Collateral, subject only to the receipt of the appropriate orders referred to in Section 4.02(c), below, and to the revocable rights specified in Section 6(a). In addition, the Agent shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

SECTION 4. Representations and Warranties. The Pledgor represents and warrants as follows:

(a) All of the outstanding common stock of JC, ME, PE, and GPU Service Corporation has been validly issued, is fully paid and non-assessable and is owned by the Pledgor free and clear of all mortgages, deeds of trust, pledges, liens, security interests and other charges or encumbrances, other than those created by this Agreement, and the Pledged Shares constitute 100% of the outstanding common stock of JC, ME, PE and GPU Service Corporation. GPU is the record and beneficial owner of all of the Pledged Shares, except for twelve shares of the common stock of ME which are nominally registered in the names of certain employees of ME for convenience in the conduct of meetings of shareholders, but which are beneficially owned by GPU.

(b) The pledge of the Pledged Shares pursuant to this Agreement creates a valid and perfected first priority security interest in the Pledged Shares, securing the payment of the Obligations.

(c) Except for any appropriate order of the SEC under the Utility Act, of the NJBPU as to the shares of JC constituting Pledged Shares and of the PaPUC as to the shares of ME and PE constituting Pledged Shares (all of which orders are in full force and effect), no authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the pledge by the Pledgor of the Pledged Collateral pursuant to this Agreement or for the execution, delivery or performance of the Agreement by the Pledgor.

SECTION 5. Further Assurances. The Pledgor agrees that at any time and from time to time, at the expense of the Pledgor, the Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Agent may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Agent to exercise and enforce its rights and remedies hereunder with respect to any Pledged Collateral.

SECTION 6. Voting Rights; Dividends; Etc. (a) So long as no Event of Default or event which, with the giving of notice or the lapse of time, or both, would become an Event of Default shall have occurred and be continuing:

(i) The Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Credit Agreement; provided, however, that the Pledgor shall not exercise or refrain from exercising any such right if, in the Agent's judgment, such action would have a material adverse effect on the value of the Pledged Collateral or any part thereof, and, provided, further, that the Pledgor shall give the Agent at least five days' written notice of the manner in which it intends to exercise, or the reasons for refraining from exercising, any such right.

(ii) The Pledgor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Pledged Collateral, provided, however, that any and all

(A) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral,

(B) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and

(C) cash paid, payable or otherwise distributed in exchange for, any Pledged Collateral,

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shall be, and shall forthwith delivered to the Agent to hold as, Pledged Collateral and shall, if received by the Pledgor, be received in trust for the benefit of the Agent, be segregated from the other property or funds of the Pledgor, and be forthwith delivered to the Agent as Pledged Collateral in the same form as so received (with any necessary indorsement).

(iii) The Agent shall execute and deliver (or cause to be executed and delivered) to the Pledgor all such proxies and other instruments as the Pledgor may reasonably request for the purpose of enabling the Pledgor to exercise the voting and other rights which it is entitled to exercise pursuant to paragraph (i) above and to receive the dividends or interest payments which it is authorized to receive and retain pursuant to paragraph (ii) above.

(b) Upon the occurrence and during the continuance of an Event of Default or an event which, with the giving of notice or the lapse of time, or both, would become an Event of Default:

(i) Subject to any required approval or consent of the SEC under the Utility Act, of the NJBPU and of the PaPUC, all rights of the Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 6(a)(i) may, at the election of the Majority Banks, and all rights of the Pledgor to receive the dividends and payments which it would otherwise be authorized to receive and retain pursuant to Section 6(a)(ii) shall, cease, and all such rights shall thereupon become vested in the Agent who shall thereupon have the sole right to exercise such voting and other consensual rights and to receive and hold as Pledged Collateral such dividends and payments.

(ii) All dividends and payments which are received by the Pledgor contrary to the provisions of paragraph (i) of this Section 6(b) shall be received in trust for the benefit of the Agent, shall be segregated from other funds of the Pledgor and shall be forthwith paid over to the Agent as Pledged Collateral in the same form as so received (with any necessary indorsement).

SECTION 7. Transfers and Other Liens; Additional Shares. (a) The Pledgor agrees that it will not (i) sell or otherwise dispose of, or grant any option with respect to,

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any of the Pledged Collateral, or (ii) create or permit to exist any lien, security interest, or other charge or encumbrance upon or with respect to any of the Pledged Collateral, except for the security interest under this Agreement.

(b) The Pledgor agrees that it will (i) cause each issuer of the Pledged Shares not to issue any common stock in addition to, or issue any stock or other securities in substitution for, the Pledged Shares issued by such issuer, except to the Pledgor and (ii) pledge hereunder, immediately upon its acquisition (directly or indirectly) thereof, any and all additional shares of common stock and any and all such stock or other securities of each issuer of the Pledged Shares.

SECTION 8. Agent Appointed Attorney-in-Fact. The Pledgor hereby appoints the Agent the Pledgor's attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time in the Agent's discretion to take any action and to execute any instrument which the Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to receive, indorse and collect all instruments made payable to the Pledgor representing any dividend, payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same.

SECTION 9. Agent May Perform. If the Pledgor fails to perform any agreement contained herein, the Agent may itself perform, or cause performance of, such agreement, and the expenses of the Agent incurred in connection therewith shall be payable by the Pledgor under Section 13.

SECTION 10. Reasonable Care. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if the Pledged Collateral is accorded treatment substantially equal to that which Chemical Bank accords its own property, it being understood that neither the Agent, the Credit Agreement Agent, the GPU Loan Agreement Agent nor any Bank shall have responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Collateral, whether or not the Agent, the Credit Agreement Agent, the GPU Loan Agreement Agent or any Bank has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Pledged Collateral.



SECTION 11. Remedies upon Default. If any Event of Default shall have occurred and be continuing and subject to any required approval or consent of the SEC under the Utility Act, of the NJBPU and of the PaPUC:

(a) The Agent may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code (the "Code") in effect in the State of New York at that time, and the Agent may also, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Agent's offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Agent may deem commercially reasonable. The Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Agent shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Any cash held by the Agent as Pledged Collateral and all cash proceeds received by the Agent in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral may, in the discretion of the Agent, be held by the Agent as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Agent pursuant to Section 13) in whole or in part by the Agent first for the ratable (in accordance with the Indebtedness of the Borrowers to the Banks outstanding under the Credit Agreement and the GPU Loan Agreement) benefit of the Banks against all or any part of the Obligations existing in respect of the Credit Agreement and the GPU Loan Agreement until all such Obligations shall have been paid in full and, thereafter, for the ratable benefit of the Banks party to the Parsippany Agreement and the Reading Agreement against all or any part of the Obligations existing in

respect of the Parsippany Agreement and the Reading Agreement until all such Obligations shall have been paid in full. Any surplus of such cash or cash proceeds held by the Agent and remaining after payment in full of all the Obligations shall be paid over to the Pledgor or to whomsoever may be lawfully entitled to receive such surplus.

SECTION 12. Registration Rights. If the Agent shall determine to exercise its right to sell all or any of the Pledged Collateral pursuant to Section 11, the Pledgor agrees that, upon request of the Agent, the Pledgor will, at its own expense:

(a) execute and deliver, and cause each issuer of the Pledged Collateral contemplated to be sold and the directors and officers thereof to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts and things, as may be necessary or, in the opinion of the Agent, advisable to register such Pledged Collateral under the provisions of the Securities Act of 1933, as from time to time amended (the "Securities Act"), and to cause the registration statement relating thereto to become effective and to remain effective for such period as prospectuses are required by law to be furnished, and to make all amendments and supplements thereto and to the related prospectus which, in the opinion of the Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the SEC applicable thereto;

(b) use its best efforts to qualify the Pledged Collateral under the state securities or "Blue Sky" laws and to obtain all necessary governmental approvals for the sale of the Pledged Collateral, as requested by the Agent;

(c) cause each such issuer to make available to its security holders, as soon as practicable, an earning statement which will satisfy the provisions of Section 11(a) of the Securities Act; and

(d) do or cause to be done all such other acts and things as may be necessary (including, without limitation, obtaining any necessary or desirable approval of the SEC under the Utility Act and of the

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NJBPU and the PaPUC) to make such sale of the Pledged Collateral or any part thereof valid and binding and in compliance with applicable law.

The Pledgor further acknowledges the impossibility of ascertaining the amount of damages which would be suffered by the Agent, the Credit Agreement Agent, the GPU Loan Agreement perform any of the covenants contained in this Section and, consequently, agrees that, if the Pledgor shall fail to perform any of such covenants, it shall pay, as liquidated damages and not as a penalty, an amount equal to the value of the Pledged Collateral on the date the Agent shall demand compliance with this Section.

SECTION 13. Expenses. The Pledgor will upon demand pay to the Agent the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Pledged Collateral, (iii) the exercise or enforcement of any of the rights of the Agent, the Credit Agreement Agent, the GPU Loan Agreement Agent or the Banks hereunder or (iv) the failure by the Pledgor to perform or observe any of the provisions hereof.

SECTION 14. Security Interest Absolute. All rights of the Agent and security interests hereunder, and all obligations of the Pledgor hereunder, shall be absolute and unconditional irrespective of:

(i) any lack of validity or enforceability of any Principal Agreement (meaning the Credit Agreement, the GPU Loan Agreement, the Parsippany Agreement and the Reading Agreement), the Notes or any other agreement or instrument relating thereto;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from any Principal Agreement or the Notes;

(iii) any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations; or

(iv) any other circumstance which might otherwise constitute a defense available to, or a discharge of, any Borrower in respect of the Obligations or the Pledgor in respect of this Agreement,

except to the extent that this Agreement may finally be determined to be unenforceable as contrary to public policy.

SECTION 15. Amendments, Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Pledgor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 16. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including telegraphic communication) and, if to the Pledgor, mailed or telegraphed or delivered to it, addressed to it at 260 Cherry Hill Road, Parsippany, New Jersey 07054, Attention of Vice President and Chief Financial Officer, if to the Agent, mailed or delivered to it, addressed to it at the address of the Agent specified in the Credit Agreement, or as to each party at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section. All such notices and other communications shall, when mailed or telegraphed, respectively, be effective when deposited in the mails or delivered to the telegraph company, respectively, addressed as aforesaid.

SECTION 17. Continuing Security Interest; Transfer of Notes. This Agreement shall create a continuing security interest in the Pledged Collateral and shall (i) remain in full force and effect until payment in full (in respect of the Credit Agreement, after the Termination Date) of the Obligations, (ii) be binding upon the Pledgor, its successors and assigns, and (iii) inure, together with the rights and remedies of the Agent hereunder, to the benefit of the Agent, the Credit Agreement Agent, the GPU Loan Agreement Agent, the Banks, and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), any Bank may assign or otherwise transfer any Note held by it to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Bank herein or otherwise, subject, however, to the provisions of Article VII

(concerning the Agent and the Co-Agent thereunder) of the Credit Agreement and of Article VI (concerning the Agent thereunder) of the GPU Loan Agreement with respect to the Notes issued thereunder. Upon the payment in full (in respect of the Credit Agreement, after the Termination Date) of the Obligations, the Pledgor shall be entitled to the return, upon its request and at its expense, of such of the Pledged Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof.

SECTION 18. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, except as required by mandatory provision of law and except to the extent that the validity or perfection of the security interest hereunder, or remedies hereunder, in respect of any particular Pledged Collateral are governed by the laws of a jurisdiction other than the State of New York. Unless otherwise defined herein or in the Credit Agreement, terms defined in Article 9 of the Uniform Commercial Code in the State of New York are used herein as therein defined.

IN WITNESS WHEREOF, the Pledgor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

GENERAL PUBLIC UTILITIES  
CORPORATION

By \_\_\_\_\_  
Title:

CHEMICAL BANK,  
as Agent

By \_\_\_\_\_  
Vice President

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SCHEDULE I

Attached to and forming a part of that certain Pledge Agreement dated as of June 20, 1979, by General Public Utilities Corporation, as Pledgor, to Chemical Bank, as Agent

<u>Stock Issuer</u>	<u>Class of Stock</u>	<u>Stock Certificate No(s).</u>	<u>Par Value</u>	<u>Number of Shares</u>
Jersey Central Power & Light Company	Common	Nos. C-30 C-31	\$10	6,978,770 8,392,500
Metropolitan Edison Company	Common	Nos. 291 294 297 300 301 303 304	none	859,488 2 2 2 2 2 2
Pennsylvania Electric Company	Common	Nos. A-30 A-34	\$20	5,290,591 5
GPU Service Corporation	Common	No. 1	\$10	5,000

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## EXHIBIT D

PLEDGE AGREEMENT dated as of June 20, 1979, between [JERSEY CENTRAL POWER & LIGHT COMPANY] [METROPOLITAN EDISON COMPANY] a [New Jersey] [Pennsylvania] corporation (the "Pledgor"), and CHEMICAL BANK as agent (the "Agent") for the banks (the "Banks") parties to the Credit Agreement (as hereinafter defined);

### PRELIMINARY STATEMENT:

The Banks, CITIBANK, N.A., as agent (the "Credit Agreement Agent") and CHEMICAL BANK as co-agent, have entered into a Revolving Credit Agreement, dated as of June 15, 1979 (said Agreement, as it may hereafter be amended or otherwise modified from time to time, being the "Credit Agreement", the terms defined therein and not otherwise defined herein being used herein as therein defined), with GENERAL PUBLIC UTILITIES CORPORATION, the Pledgor, [JERSEY CENTRAL POWER & LIGHT COMPANY, a New Jersey corporation,] [METROPOLITAN EDISON COMPANY, a Pennsylvania corporation,] and PENNSYLVANIA ELECTRIC COMPANY, a Pennsylvania corporation. It is a condition precedent to the obligations of the Banks to make and maintain Advances to the Pledgor under the Credit Agreement that the Pledgor shall have made the pledge contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Banks to make Advances to the Pledgor under the Credit Agreement, the Pledgor hereby agrees with the Agent for its benefit, the benefit of the Credit Agreement Agent and the ratable benefit of the Banks as follows:

SECTION 1. Pledge. The Pledgor hereby pledges to the Agent for its benefit, the benefit of the Credit Agreement Agent and the ratable benefit of the Banks, and grants to the Agent for its benefit, the benefit of the Credit Agreement Agent and the ratable benefit of the Banks a security interest in, the following (the "Pledged Collateral"):

(i) the Bonds (the "Pledged Bonds") described in Schedule I hereto and the certificates representing the Pledged Bonds, and all interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Bonds;

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(ii) all interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Bonds; and

(iii) any and all proceeds of the foregoing.

SECTION 2. Security for Obligations. This Agreement secures the payment of all obligations of the Pledgor now or hereafter existing under the Credit Agreement and the Notes, whether for principal, interest, fees, expenses or otherwise (except such obligations of the Pledgor to [Citibank] [Morgan Guaranty Trust Company of New York]), and all obligations of the Pledgor now or hereafter existing under this Agreement (all such obligations of the Pledgor being the "Obligations").

SECTION 3. Delivery of Pledged Collateral. All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by or on behalf of the Agent pursuant hereto and shall be, in the case of the Pledged Bonds, registered in the name of the Agent or in the name of such nominee as the Agent shall select and, in the case of Pledged Collateral other than the Pledged Bonds, shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Agent. The Agent shall have the right, at any time in its discretion and without notice to the Pledgor, to transfer to or to register in the name of the Agent or any of its nominees any or all of the Pledged Collateral, subject only to the revocable rights specified in Section 6(a) and to the requirements of the [JC] [ME] Indenture. In addition, the Agent shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

SECTION 4. Representations and Warranties. The Pledgor represents and warrants as follows:

(a) The pledge of the Pledged Bonds pursuant to this Agreement creates a valid and perfected first priority security interest in the Pledged Bonds, securing the payment of the Obligations.

(b) Except for any appropriate order of the SEC under the Utility Act and of the [NJBPU] [PaPUC]

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(all of which orders are in full force and effect), no authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the pledge by the Pledgor of the Pledged Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement by the Pledgor.

SECTION 5. Further Assurances. The Pledgor agrees that at any time and from time to time, at the expense of the Pledgor, the Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Agent may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Agent to exercise and enforce its rights and remedies hereunder with respect to any Pledged Collateral.

SECTION 6. Voting Rights; Etc. (a) So long as no Event of Default (meaning, for purposes of this Agreement, an Event of Default as to the Pledgor under Section 6.01 of the Credit Agreement) or event which, with the giving of notice or the lapse of time, or both, would become an Event of Default shall have occurred and be continuing:

(i) The Pledgor shall be entitled to exercise any and all voting and other consensual rights which it may have, if any, pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Credit Agreement; provided, however, that the Pledgor shall not exercise or refrain from exercising any such right if, in the Agent's judgment, such action would have a material adverse effect on the value of the Pledged Collateral or any part thereof, and, provided, further, that the Pledgor shall give the Agent at least five days' written notice of the manner in which it intends to exercise, or the reasons for refraining from exercising, any such right.

(ii) The Pledgor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Pledged Collateral, provided, however, that any and all

(A) dividends and interest paid or payable other than in cash in respect of, and instruments

and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral,

(B) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and

(C) cash paid, payable or otherwise distributed in exchange for, any Pledge Collateral,

shall be, and shall forthwith be delivered to the Agent to hold as, Pledged Collateral and shall, if received by the Pledgor, be received in trust for the benefit of the Agent, be segregated from the other property or funds of the Pledgor, and be forthwith delivered to the Agent as Pledged Collateral in the same form as so received (with any necessary indorsement).

(iii) The Agent shall execute and deliver (or cause to be executed and delivered) to the Pledgor all such proxies and other instruments as the Pledgor may reasonably request for the purpose of enabling the Pledgor to exercise the voting and other rights which it is entitled to exercise pursuant to paragraph (i) above and to receive the dividends or interest payments which it is authorized to receive and retain pursuant to paragraph (ii) above.

(b) Upon the occurrence and during the continuance of an Event of Default or an event which, with the giving of notice or the lapse of time, or both, would become an Event of Default:

(i) Subject to any required approval or consent of the SEC under the Utility Act, of the NJBPU and of the PaPUC, all rights of the Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 6(a)(i) may, at the election of the Majority Banks, and all rights of the Pledgor to receive the dividends and payments which it would otherwise be authorized to receive and retain pursuant to Section 6(a)(ii) shall, cease, and all such rights shall thereupon become

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vested in the Agent who shall thereupon have the sole right to exercise such voting and other consensual rights and to receive and hold as Pledged Collateral such dividends and payments.

(ii) All dividends and payments which are received by the Pledgor contrary to the provisions of paragraph (i) of this Section 6(b) shall be received in trust for the benefit of the Agent, shall be segregated from other funds of the Pledgor and shall be forthwith paid over to the Agent as Pledged Collateral in the same form as so received (with any necessary indorsement).

SECTION 7. Transfers and Other Liens; Additional Shares. The Pledgor agrees that it will not (i) sell or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral, or (ii) create or permit to exist any lien, security interest, or other charge or encumbrance upon or with respect to any of the Pledged Collateral, except for the security interest under this Agreement.

SECTION 8. Agent Appointed Attorney-in-Fact. The Pledgor hereby appoints the Agent the Pledgor's attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time in the Agent's discretion to take any action and to execute any instrument which the Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to receive, indorse and collect all instruments made payable to the Pledgor representing any dividend, payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same.

SECTION 9. Agent May Perform. If the Pledgor fails to perform any agreement contained herein, the Agent may itself perform, or cause performance of, such agreement, and the expenses of the Agent incurred in connection therewith shall be payable by the Pledgor under Section 13.

SECTION 10. Reasonable Care. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if the Pledged Collateral is accorded treatment substantially equal to that which Chemical Bank accords its own property, it being understood that neither the Agent, the Credit Agreement Agent nor any Bank shall have responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Collateral, whether or not the Agent,

the Credit Agreement Agent or any Bank has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Pledged Collateral.

SECTION 11. Remedies upon Default. If any Event of Default shall have occurred and be continuing and subject to any required approval or consent of the SEC under the Utility Act or of the [NJBPU] [PaPUC]:

(a) The Agent may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code (the "Code") in effect in the State of New York at that time, and the Agent may also, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Agent's offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Agent may deem commercially reasonable. The Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Agent shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Any cash held by the Agent as Pledged Collateral and all cash proceeds received by the Agent in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral may, in the discretion of the Agent, be held by the Agent as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Agent pursuant to Section 13) in whole or in part by the Agent for the ratable benefit of obligees of the Obligations against, all or any part of the Obligations in such order as the Agent shall elect.

Any surplus of such cash or cash proceeds held by the Agent and remaining after payment in full of all the Obligations shall be paid over to the Pledgor or to whomsoever may be lawfully entitled to receive such surplus.

SECTION 12. Registration Rights. If the Agent shall determine to exercise its right to sell all or any of the Pledged Collateral pursuant to Section 11, the Pledgor agrees that, upon request of the Agent, the Pledgor will, at its own expense:

(a) execute and deliver, and cause each issuer of the Pledged Collateral contemplated to be sold and the directors and officers thereof to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts and things, as may be necessary or, in the opinion of the Agent, advisable to register such Pledged Collateral under the provisions of the Securities Act of 1933, as from time to time amended (the "Securities Act"), and to cause the registration statement relating thereto to become effective and to remain effective for such period as prospectuses are required by law to be furnished, and to make all amendments and supplements thereto and to the related prospectus which, in the opinion of the Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the SEC applicable thereto;

(b) use its best efforts to qualify the Pledged Collateral under the state securities or "Blue Sky" laws and to obtain all necessary governmental approvals for the sale of the Pledged Collateral, as requested by the Agent;

(c) cause each such issuer to make available to its security holders, as soon as practicable, an earning statement which will satisfy the provisions of Section 11(a) of the Securities Act; and

(d) do or cause to be done all such other acts and things as may be necessary (including, without limitation, obtaining any necessary or desirable approval of the SEC under the Utility Act or of the [NJBPU] [PaPUC]) to make such sale of the Pledged Collateral or any part thereof valid and binding and in compliance with applicable law.

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The Pledgor further acknowledges the impossibility of ascertaining the amount of damages which would be suffered by the Agent, the Credit Agreement Agent or the Banks by reason of the failure by the Pledgor to perform any of the covenants contained in this Section and, consequently, agrees that, if the Pledgor shall fail to perform any of such covenants, it shall pay, as liquidated damages and not as a penalty, an amount equal to the value of the Pledged Collateral on the date the Agent shall demand compliance with this Section.

SECTION 13. Expenses. The Pledgor will upon demand pay to the Agent the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Pledged Collateral, (iii) the exercise or enforcement of any of the rights of the Agent, the Credit Agreement Agent or the Banks hereunder or (iv) the failure by the Pledgor to perform or observe any of the provisions hereof.

SECTION 14. Security Interest Absolute. All rights of the Agent and security interests hereunder, and all obligations of the Pledgor hereunder, shall be absolute and unconditional irrespective of:

(i) any lack of validity or enforceability of the Credit Agreement, the Notes or any other agreement or instrument relating thereto;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement or the Notes;

(iii) any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations; or

(iv) any other circumstance which might otherwise constitute a defense available to, or a discharge of, any Borrower in respect of the Obligations or the Pledgor in respect of this Agreement,

except to the extent that this Agreement may finally be determined to be unenforceable as contrary to public policy.

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SECTION 15. Amendments, Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Pledgor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 16. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including telegraphic communication) and, if to the Pledgor, mailed or telegraphed or delivered to it, addressed to it at its address specified in the Credit Agreement, if to the Agent, mailed or delivered to it, addressed to it at the address of the Agent specified in the Credit Agreement, or as to each party at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section. All such notices and other communications shall, when mailed or telegraphed, respectively, be effective when deposited in the mails or delivered to the telegraph company, respectively, addressed as aforesaid.

SECTION 17. Continuing Security Interest; Transfer of Notes. This Agreement shall create a continuing security interest in the Pledged Collateral and shall (i) remain in full force and effect until payment in full (after the Termination Date) of the Obligations, (ii) be binding upon the Pledgor, its successors and assigns, and (iii) inure, together with the rights and remedies of the Agent hereunder, to the benefit of the Agent, the Credit Agreement Agent, the Banks, and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), any Bank may assign or otherwise transfer any Note held by it to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Bank herein or otherwise, subject, however, to the provisions of Article VII (concerning the Credit Agreement Agent) of the Credit Agreement. Upon the payment in full (after the Termination Date) of the Obligations, the Pledgor shall be entitled to the return, upon its request and at its expense, of such of the Pledged Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof.

SECTION 18. Payment of Obligations. So long as the Pledgor shall make due and punctual payment of all of the Obligations, the Agent or any holder of, or any other



Person who has acquired any interest in, the Pledged Bonds shall have no right to and shall not demand, collect or receive any principal of or interest on any of the Pledged Bonds.

SECTION 19. Release of Pledged Bonds. In the event that the Pledgor shall sell any of its First Mortgage Bonds to Persons other than the Banks, the Agent will release a like principal amount of the Pledged Bonds from the pledge and security interest granted hereby against receipt by it from the purchaser of the purchase price of such First Mortgage Bonds.

SECTION 20. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, except as required by mandatory provision of law and except to the extent that the validity or perfection of the security interest hereunder, or remedies hereunder, in respect of any particular Pledged Collateral are governed by the laws of a jurisdiction other than the State of New York. Unless otherwise defined herein or in the Credit Agreement, terms defined in Article 9 of the Uniform Commercial Code in the State of New York are used herein as therein defined.

IN WITNESS WHEREOF, the Pledgor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

[JERSEY CENTRAL POWER & LIGHT  
COMPANY]

[METROPOLITAN EDISON COMPANY]

By \_\_\_\_\_  
Title:

CHEMICAL BANK, as Agent

By \_\_\_\_\_  
Vice President

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Attached to and forming a part of that certain Pledge Agreement dated as of June 20, 1979, by [Jersey Central Power & Light Company] [Metropolitan Edison], as Pledgor to Chemical Bank, as Agent

Bonds

Principal Amount

Certificate No(s)

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EXHIBIT E

AMENDMENT

Dated as of June 20, 1979

GENERAL PUBLIC UTILITIES CORPORATION, a Pennsylvania corporation (the "Borrower"), and certain Banks are parties to the Loan Agreement, dated as of November 15, 1976, as amended by an Agreement made as of March 20, 1979 (the "GPU Loan Agreement"), pursuant to which such Banks lent an aggregate of \$50,000,000 principal amount to the Borrower, of which \$39,000,000 principal amount remains outstanding. It is proposed that the GPU Loan Agreement be amended and restated to modify the repayment schedule thereunder, to change the applicable interest rate and to effect certain other changes.

Accordingly, it is hereby agreed that the GPU Loan Agreement is, subject to the satisfaction of the conditions specified in Section 3.01 and Section 3.02 of the Revolving Credit Agreement, dated as of June 15, 1979, among the Borrower, Jersey Central Power & Light Company, Metropolitan Edison Company, Pennsylvania Electric Company, certain Banks and Citibank, N.A., as Agent, and Chemical Bank, as Co-Agent, hereby amended and restated to read in its entirety as set forth in Exhibit A hereto; such amendment and restatement shall be effective as of the date of the satisfaction of such conditions.

This Amendment shall be governed by and construed in accordance with the laws of the State of New York and shall be effective when a counterpart hereof has been executed and delivered by each of the parties hereto.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date first above written.

GENERAL PUBLIC UTILITIES  
CORPORATION

By \_\_\_\_\_

CITIBANK, N.A.,  
Individually and  
as Agent

CHEMICAL BANK

By \_\_\_\_\_  
Title:

By \_\_\_\_\_  
Title:

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IRVING TRUST COMPANY

By \_\_\_\_\_  
Title:

MANUFACTURERS HANOVER  
TRUST COMPANY

By \_\_\_\_\_  
Title:

MARINE MIDLAND BANK

By \_\_\_\_\_  
Title:

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EXHIBIT A TO  
GPU LOAN AGREEMENT  
RESTATEMENT

LOAN AGREEMENT

Dated as of November 15, 1976,  
As Amended and Restated Pursuant to  
The Amendment, Dated as of June 20, 1979

GENERAL PUBLIC UTILITIES CORPORATION, a Pennsylvania corporation (the "Borrower"), CITIBANK, N.A., CHEMICAL BANK, IRVING TRUST COMPANY, MANUFACTURERS HANOVER TRUST COMPANY AND MARINE MIDLAND BANK (the "Banks"), and CITIBANK, N.A. ("Citibank") as agent (the "Agent") for the Banks hereunder, agree as follows:

ARTICLE I  
DEFINITIONS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Amendment" means the Amendment, dated as of June 20, 1979, hereto.

"Business Day" means any day other than a Saturday, Sunday or day on which commercial banks in the State of New York are authorized by law to close.

"Event of Default" shall have the meaning assigned to that term in Section 5.01.

"Indebtedness" of any Person means (i) indebtedness for borrowed money or for the deferred purchase price of property or services in respect of which such Person is liable, contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which such Person otherwise assures a creditor against loss, (ii) obligations under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases in respect of which obligations such Person is liable, contingently or otherwise, as obligor, guaran-

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tor or otherwise, or in respect of which obligations such Person otherwise assures a creditor against loss, and (iii) unfunded vested benefits under each plan maintained for employees of such Person and covered by Title IV of the Employee Retirement Income Security Act of 1974.

"Loan" means, as to any Bank, the principal amount of the Indebtedness of the Borrower to such Bank outstanding from time to time hereunder.

"Loan Documents" means this Agreement, the Notes, and the Stock Pledge Agreement.

"Majority Banks" means at any time Banks holding at least 66 2/3% of the then aggregate unpaid principal amount of the Notes held by Banks.

"Note" means each promissory note of the Borrower to the order of a Bank evidencing the Indebtedness of the Borrower hereunder to such Bank in substantially the form of Exhibit A-1 to the Amendment.

"Person" means any individual, corporation, partnership, joint venture, trust, unincorporated organization or other judicial entity, or a government or any agency or political subdivision thereof.

"Revolving Credit Agreement" means the Revolving Credit Agreement among the Borrower, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company, the banks parties thereto and Citibank, as Agent, and Chemical Bank, as Co-Agent for such Banks, as the same may from time to time be amended, modified or supplemented.

"SEC" means the Securities and Exchange Commission.

"Stock Pledge Agreement" shall have the meaning assigned to that term in the Revolving Credit Agreement.

"Utility Act" means the Public Utility Holding Company Act of 1935.

SECTION 1.02. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistently applied.

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ARTICLE II  
THE LOANS

SECTION 2.01. The Notes and Repayment. The Loans are evidenced by, and the Borrower shall repay the principal of each Loan and interest thereon in accordance with, the Notes received by the Banks.

SECTION 2.02. Optional Prepayments. The Borrower may, upon at least five Business Days' written notice to the Agent signed by a duly authorized officer of such Borrower, prepay the Notes in whole or ratably in part with accrued interest to the date of such prepayment on the amount prepaid, provided that each partial prepayment shall be in an aggregate principal amount not less than \$5,000,000.

SECTION 2.03. Payments and Computations. The Borrower shall make each payment under any Loan Document not later than 12:00 noon (New York City time) on the day when due in lawful money of the United States of America to the Agent at its address referred to in Section 7.02 in immediately available funds. The Agent will promptly thereafter distribute to each Bank its ratable share of each such payment received by it for the account of the Banks. The Borrower hereby authorizes each Bank, if and to the extent payment owed to such Bank is not made when due under any Loan Document, to charge from time to time against any account of the Borrower with such Bank any amount so due. All computations of interest under the Notes hereunder shall be made on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days (including the first day but excluding the last day) elapsed.

SECTION 2.04. Payment on Non-Business Days. Whenever any payment to be made hereunder or under the Notes shall be stated to be due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest.

SECTION 2.05. Sharing of Payments, Etc. If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Notes held by it in excess of its ratable share of payments on account of the Notes obtained by all

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the Banks, such Bank shall purchase from the other Banks such participations in the Notes held by them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them, provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.05 may exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

### ARTICLE III REPRESENTATIONS AND WARRANTIES

SECTION 3.01. Representations and Warranties of the Borrower. The Borrower represents and warrants that:

(a) It is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania.

(b) The execution, delivery and performance by the Borrower of each Loan Document to which it is a party are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, do not contravene (i) the Borrower's charter or by-laws or (ii) law or any contractual restriction binding on or affecting the Borrower, and do not result in or require the creation of any lien, security interest or other charge or encumbrance (other than pursuant to the Stock Pledge Agreement) upon or with respect to any of its properties.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of any Loan Document to which it is or is to be a party except for appropriate orders of the SEC under the Utility Act, each of which orders has been obtained, is in full force and effect and is sufficient for its purpose.

(d) This Agreement is, and each other Loan Document to which the Borrower is to be a party when delivered will be, legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms.

#### ARTICLE IV COVENANT OF THE BORROWER

SECTION 4.01. Covenant of the Borrower. The Borrower covenants that it will, so long as any Note shall remain unpaid, unless the Majority Banks shall otherwise consent in writing, perform, observe and adhere to each and every covenant of the Borrower contained in Article V of the Revolving Credit Agreement (provided, however, that references in respect of such covenants to "Notes" shall mean the Notes as defined herein and to "Majority Banks" shall mean the Majority Banks as defined herein) just as if each and every such covenant were set out herein and, by this reference, such covenants (together with the definitions of the defined terms used therein) are hereby incorporated herein. In the event that the Revolving Credit Agreement shall for any reason (including by reason of the final payment in full of all obligations of the Borrowers thereunder), terminate or cease to be binding upon the Borrower, then the covenants contained in Article V of the Revolving Credit Agreement (together with the definitions of the defined terms used therein) as in effect on the date of such termination or cessation, shall be deemed to be set out herein and, by this reference, such covenants are hereby incorporated herein.

#### ARTICLE V EVENTS OF DEFAULT

SECTION 5.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Borrower shall fail to make any payment of principal of, or interest on, any Note when due;  
or

(b) Any representation or warranty or statement made by the Borrower (or any of its officers) in or on

connection with any Loan Document or the Revolving Credit Agreement or in any schedule, certificate or other document delivered pursuant to or in connection with any Loan Document (as defined herein and in the Revolving Credit Agreement) shall prove to have been incorrect in any material respect when made; or

(c) The Borrower shall fail to perform or observe any other term, covenant or agreement contained or incorporated by reference in any Loan Document on its part to be performed or observed and any such failure shall remain unremedied for 10 days after written notice thereof shall have been given to the Borrower by the Agent or any Bank; or

(d) The Borrower shall (i) fail to pay any Indebtedness (other than Indebtedness evidenced by the Notes) of such Borrower, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness, or (ii) fail to perform or observe any term, covenant or condition on its part to be performed or observed under any agreement or instrument relating to any such Indebtedness, when required to be performed or observed, and such failure shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such failure to perform or observe is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or

(e) The Borrower shall generally fail to pay its debts as they become due or shall admit in writing its inability to pay its debts or shall make a general assignment for the benefit of creditors or shall institute any proceeding or voluntary case seeking to adjudicate it a bankrupt or insolvent or seeking reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law



relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property or such Borrower or any of its subsidiaries shall take any corporate action to authorize any of the actions described in this subsection (e); or

(f) Any proceeding shall be instituted against such Borrower seeking to adjudicate it a bankrupt or insolvent or seeking reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property; or

(g) There shall have occurred change in the financial condition or prospects of the Borrower since May 29, 1979, which, in the opinion of the Majority Banks, is material and adverse and substantially increases the risk that the Notes will not be repaid when due; or

(h) A final judgment or order for the payment of money in excess of \$1,000,000 shall be rendered against the Borrower and such judgment or order shall continue unsatisfied and in effect for a period of 30 consecutive days (excluding therefrom any period during which enforcement of such judgment or order shall be stayed, whether by pendency of appeal or otherwise); or

(i) If any provision of the Stock Pledge Agreement after delivery thereof shall for any reason cease to be valid and binding on the Borrower, or, except to the extent permitted by the terms thereof, cease to create a valid and perfected first priority security interest in any of the collateral purported to be covered thereby, or the Borrower shall so state in writing;

then, and in any such event described in subsections (a)-(d) and (f)-(i), above, the Agent shall at the request, or may with the consent, of the Majority Banks, by notice to the Borrower, declare the Notes, all interest thereon and all other amounts payable under this Agreement by the Borrower to be immediately due and payable, whereupon the

Notes, all such interest and all such amounts shall become and be immediately due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower (provided however, that no such declaration shall or may be made unless prior thereto or concurrently therewith the promissory notes of the Borrower issued under the Revolving Credit Agreement shall have been or shall be declared to be due and payable pursuant to Section 6.01 of the Revolving Credit Agreement, and in any such event described in subsection (e), above, the Notes, all interest thereon and all other amounts payable under this Agreement by the Borrower shall become and be immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower.

#### ARTICLE VI THE AGENT

SECTION 6.01. Authorization and Action. Each Bank hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of the Notes or the Stock Pledge Agreement), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Banks, and such instructions shall be binding upon all Banks and all holders of Notes; provided, however, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to any Loan Document or applicable law.

SECTION 6.02. Reliance of Agent. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by any of them under or in connection with any Loan Document, except for its or their own gross negligence or wilful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may treat the payee of any Note as the holder thereof until the Agent receives written

notice of the assignment or transfer thereof signed by such payee and in form satisfactory to the Agent; (ii) may consult with legal counsel (including counsel for the Borrower), independent public accountants (including the Borrower's independent public accountants) and other experts selected by the Agent and shall not be liable for any action taken or omitted to be taken in good faith by either of them in accordance with the advice of such counsel, accountants or experts; (iii) make no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations made in or in connection with any Loan Document; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Loan Document or to inspect the property (including the books and records) of the Borrower; (v) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or collateral covered thereby or any other instrument or document furnished pursuant thereto; and (vi) shall incur no liability under or in respect of any Loan Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, cable or telex) believed by the recipient to be genuine and signed or sent by the proper party or parties.

SECTION 6.03. Citibank and Its Affiliates. With respect to its Loan and the Note issued to it, Citibank shall have the same rights and powers under the Loan Documents as any other Bank and may exercise the same as though it were not the Agent; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include Citibank in its individual capacity. Citibank and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrower, any of its subsidiaries and any person or entity who may do business with or own securities of any Borrower or any of its subsidiaries, all as if Citibank were not the Agent and without any duty to account therefor to the Banks.

SECTION 6.04. Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the Amendment. Each Bank also acknowledges that it will, independently and without reliance upon the Agent

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or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

SECTION 6.05. Indemnification. The Banks agree to indemnify the Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amount of the Note then held by each of them, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of the Loan Documents, or any of them, or any action taken or omitted by the Agent under the Loan Documents, or any of them, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or wilful misconduct of the indemnitee. Without limitation of the foregoing, each Bank agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, administration, or enforcement of, or legal advice in respect of rights or responsibilities under, the Loan Documents, or any of them, to the extent that the Agent is not reimbursed for such expenses by the Borrower.

SECTION 6.06. Successor Agent. The Agent may resign at any time as Agent under the Loan Documents by giving written notice thereof to the Banks and the Borrower and may be removed as Agent under the Loan Documents at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor Agent thereunder. If no successor Agent shall have been so appointed by the Majority Banks, and shall have accepted such appointment, within 30 days after the giving of notice of resignation or the Majority Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$5,000,000. Upon the acceptance of any appointment as Agent under the Loan Documents by a successor Agent, such



successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Loan Documents. After any retiring Agent's resignation or removal as Agent under the Loan Documents, the provisions of this Article VI shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under the Loan Documents.

## ARTICLE VII MISCELLANEOUS

SECTION 7.01. Amendments, Etc. No amendment or waiver of any provision of any Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Banks, do any of the following: (a) subject the Banks to any additional obligations, (b) reduce the principal of, or interest on, the Notes, (c) postpone any date fixed for any payment of principal of, or interest on, the Notes, (d) release any collateral except as shall be otherwise provided in any Loan Document or (e) change the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action under any Loan Document.

SECTION 7.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telegraphic communication) and mailed or telegraphed or delivered, if to the Borrower, at its address at 260 Cherry Hill Road, Parsippany, New Jersey 07054, Attention: Vice President and Chief Financial Officer; if to any Bank, at its address set forth under its name on the signature pages of the Revolving Credit Agreement; and if to the Agent, at its address at 399 Park Avenue, New York, New York 10043, Attention: Energy-East Department, National Banking Group; or as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when mailed or telegraphed, be effective when deposited in the

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mails or delivered to the telegraph company, respectively, except that notices and communications to the Agent pursuant to Article VI shall not be effective until received by the Agent as the case may be.

SECTION 7.03. No Waiver; Remedies. No failure on the part of any Bank or the Agent to exercise, and no delay in exercising, any right under any Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right under any Loan Document preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in the Loan Documents are cumulative and not exclusive of any remedies provided by law.

SECTION 7.04. Costs, Expenses and Taxes. The Borrower agrees to pay on demand all costs and expenses in connection with the preparation, execution, delivery, filing, recording, and administration of the Loan Documents and the other documents to be delivered under the Loan Documents, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Agent and special counsel for the Banks, and local counsel who may be retained by said counsel, with respect thereto and with respect to advising the Agent as to its rights and responsibilities under the Loan Documents, and all costs and expenses, if any, in connection with the enforcement of the Loan Documents and the other documents to be delivered under the Loan Documents. In addition, the Borrower shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, of this Agreement, the Amendment, the Notes and the other documents delivered hereunder, and agrees to save the Agent and each Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes.

SECTION 7.05. Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 5.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 5.01, each Bank is hereby authorized at any time and from time to time, without notice to the Borrower (any such notice being expressly waived by the Borrower), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of the Borrower

against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the Note held by such Bank, irrespective of whether or not such Bank shall have made any demand under this Agreement or such Note and although such obligations may be unmatured. Each Bank agrees promptly to notify the Borrower after any such set-off and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Bank may have.

SECTION 7.06. Binding Effect; Governing Law.

This Agreement shall be binding upon and inure to the benefit of the Borrower, the Agent and each Bank and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Banks. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

GENERAL PUBLIC UTILITIES  
CORPORATION

By \_\_\_\_\_ \*

CITIBANK, N.A., Individually  
and as Agent

By \_\_\_\_\_ \*

CHEMICAL BANK

By \_\_\_\_\_ \*

IRVING TRUST COMPANY

By \_\_\_\_\_ \*

MANUFACTURERS HANOVER  
COMPANY

By \_\_\_\_\_ \*

MARINE MIDLAND BANK

By \_\_\_\_\_ \*

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\* Executed through execution of the Amendment.

EXHIBIT A-1  
TO GPU LOAN AGREEMENT RESTATEMENT

PROMISSORY NOTE

\$ \_\_\_\_\_

Dated \_\_\_\_\_, 19\_\_

FOR VALUE RECEIVED, GENERAL PUBLIC UTILITIES CORPORATION, a Pennsylvania corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of [NAME OF BANK] (the "Bank") the amount of \$ \_\_\_\_\_ (\_\_\_\_\_ Dollars) on October 1, 1981, , together with interest on the principal amount from time to time outstanding hereunder from the date hereof until payment in full, payable monthly on the first day of each calendar month during the term hereof and on the date of payment in full, at a fluctuating rate per annum equal at all times to 108% of the Alternate Base Rate. The "Alternate Base Rate" means the higher of:

(a) The base rate of Citibank, N.A. on 90-day loans to responsible and substantial commercial borrowers in effect from time to time, or

(b)  $1/2$  of one percent above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly by the Agent (as hereinafter defined) on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by the Agent from three New York certificate of deposit dealers of recognized standing, in either case adjusted to the nearest  $1/4$  of one percent or, if there is no nearest  $1/4$  of one percent, to the next higher  $1/4$  of one percent,

but in no event higher than the maximum rate permitted by law.

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Agent, at 399 Park Avenue, New York, New York 10043, in immediately available funds. All payments made on account of principal hereof shall, prior to any transfer hereof, be endorsed on the grid attached hereto which is part of this Promissory Note.

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This Promissory Note is one of the Notes referred to in and is entitled to the benefits of, the Loan Agreement, dated as of November 15, 1976, as amended and restated pursuant to an Amendment, dated as of June 20, 1979 (the "Credit Agreement") among the Borrower, the Bank, certain other banks parties thereto and Citibank, N.A., as Agent for the Bank and such other banks, and the Loan Documents referred to therein. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

GENERAL PUBLIC UTILITIES  
CORPORATION

By \_\_\_\_\_  
Title:

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## EXHIBIT F

[AMENDED AND RESTATED] SECURITY AGREEMENT, dated [as of May 21, 1979, as amended and restated] as of June 20, 1979, made by [JERSEY CENTRAL POWER & LIGHT COMPANY, a New Jersey corporation] [METROPOLITAN EDISON CORPORATION, a Pennsylvania corporation] (the "Borrower"), to CHEMICAL BANK, as agent (the "Agent") for the Banks (as defined below);

PRELIMINARY STATEMENT. The Banks have agreed to make, subject to certain terms and conditions, certain Advances (the "Advances") to the Borrower pursuant to the Revolving Credit Agreement, dated as of June 15, 1979, among the Borrower, General Public Utilities Corporation, [Jersey Central Power & Light Company] [Metropolitan Edison Company], Pennsylvania Electric Company, the Banks parties thereto (the "Banks"), Citibank, N.A., as Agent, and Chemical Bank, as Co-Agent (the "Credit Agreement"). [The proceeds of such Advances will be applied in part to pay the indebtedness of the Borrower to certain of the Banks under the Term Loan Agreement, dated as of May 21, 1979, as amended and restated as of May 25, 1979, among the Borrower, certain of such Banks and Citibank, N.A., as Agent (the "Term Loan Agreement").] It is a condition precedent to the making of such Advances by the Banks that the Borrower shall have [confirmed and] granted the security interest contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Banks to make such Advances, the Borrower hereby agrees with the Agent for its benefit and the ratable benefit of the Banks as follows:

SECTION 1. Grant of Security. The Borrower hereby assigns and pledges to the Agent for its benefit and the ratable benefit of the Banks, and hereby [confirms and] grants to the Agent for its benefit and the ratable benefit of the Banks a security interest in all of the Borrower's right, title and interest in and to the following (the "Collateral"):

(a) All right, title and interest of the Borrower in, to and under the Contract for Conversion Services, dated January 30, 1975, among the Borrower, [Jersey Central Power & Light Company] [Metropolitan Edison Company] and Pennsylvania Electric Company, each acting through GPU Service Corporation, and Kerr-McGee Nuclear Corporation (the "Contract");

(b) All right, title and interest of the Borrower in "concentrates" and "UF<sub>6</sub>" (each as defined in the Contract) under the Contract (the Borrower's interest in concentrates and UF<sub>6</sub> pursuant to the Contract being the "Uranium"); and

(c) All proceeds of the Collateral and, to the extent not otherwise included, all payments under insurance (whether or not the Agent is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to the Collateral or any other property covered thereby.

SECTION 2. Security for Obligations. This Agreement secures the payment of all obligations of the Borrower to the Banks now or hereafter existing under (i) the [Term Loan Agreement and the promissory notes of the Borrower evidencing the indebtedness of the Borrower to the respective Banks under the Term Loan Agreement and (ii) the] Credit Agreement and the Notes, whether for principal, interest, expenses or otherwise, and [(iii)] [(ii)] all obligations of the Borrower now or hereafter existing under this Agreement (all such obligations of the Borrower being the "Obligations").

SECTION 3. Borrower Remains Liable. Anything herein to the contrary notwithstanding, (a) the Borrower shall remain liable under the Contract to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Agent of any of the rights hereunder shall not release the Borrower from any of its duties or obligations under the Contract and (c) neither the Agent nor any Bank shall have any obligation or liability under the Contract by reason of this Agreement, nor shall the Agent or any Bank be obligated to perform any of the obligations or duties of the Borrower thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 4. Representations and Warranties. The Borrower represents and warrants as follows:

(a) The chief place of business and chief executive office of the Borrower and the office where the Borrower keeps its records concerning accounts and contract rights is located at [Madison Avenue at Punch

Bowl Road, Morristown, New Jersey 07960] [2800 Pottsville Pike, Muhlenberg Township, Berks County, Pennsylvania]; all Uranium which is owned by the Borrower or in which the Borrower has an interest pursuant to the Contract is located at Gore, Oklahoma.

(b) The Borrower has not assigned or otherwise transferred or encumbered the Contract or any interest in or related to the Contract or the Uranium, except for the security interest created by this Agreement; no effective financing statement or other instrument similar in effect covering the Contract or any interest in or related to the Contract or the Uranium or any account or contract right is on file in any office[, except such as may have been filed in favor of the Agent relating to this Agreement].

(c) This Agreement creates a valid and a perfected first priority security interest in the Collateral, securing the payment of the Obligations.

SECTION 5. Further Assurances. (a) The Borrower agrees that from time to time, at the expense of the Borrower, the Borrower will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Agent may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Borrower will execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Agent may request, in order to perfect and preserve the security interests granted or purported to be granted hereby.

(b) The Borrower hereby authorizes the Agent to file one or more notices and financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of the Borrower where permitted by law.

(c) The Borrower will furnish to the Agent from time to time statements and schedules and such other reports in connection with the Collateral as the Agent may reasonably request, all in reasonable detail.

(d) The Borrower will take no action under or in respect of the Contract or the Uranium (other than a sale permitted by the Credit Agreement) which might adversely affect the rights of the Banks or the protections intended to be afforded hereby without the prior consent of the Agent; the Borrower will not cause or permit any Uranium to be delivered by Kerr-McGee Nuclear Corporation to any person without the prior written consent of the Agent.

SECTION 6. Transfers and Other Liens. The Borrower shall not:

(a) Sell, assign (by operation of law or otherwise) or otherwise dispose of any of the Collateral or any interest in or related to the Contract; or

(b) Create or suffer to exist any lien, security interest or other charge or encumbrance upon or with respect to any of the Collateral except for the security interest created by this Agreement.

SECTION 7. Agent Appointed Attorney-in-Fact. The Borrower hereby irrevocably appoints the Agent the Borrower's attorney-in-fact, with full authority in the place and stead of the Borrower and in the name of the Borrower or otherwise, from time to time in the Agent's discretion, to take any action and to execute any instrument which the Agent may deem necessary or advisable to accomplish the purposes of this Agreement.

SECTION 8. Agent May Perform. If the Borrower fails to perform any agreement contained herein, the Agent may itself perform, or cause performance of, such agreement, and the expenses of the Agent incurred in connection therewith shall be payable by the Borrower under Section 15.

SECTION 9. The Agent's Duties. The powers conferred on the Agent hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Agent shall have no duty as to the Contract or any Collateral.

SECTION 10. Remedies. If any Event of Default (meaning, for purposes of this Agreement, an Event of Default as to the Borrower under 6.01 of the Credit Agree-

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ment) shall have occurred and be continuing, the Agent may, subject to obtaining any required approvals and licenses of and from the United States Government, exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code (whether or not the Code applies to the affected Collateral) and all cash proceeds received by the Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Agent, be held by the Agent as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Agent pursuant to Section 11 or 15) in whole or in part by the Agent for the ratable benefit of the Banks against, all or any part of the Obligations in such order as the Agent shall elect. Any surplus of such cash or cash proceeds held by the Agent and remaining after payment in full of all the Obligations shall be paid over to the Borrower or to whomsoever may be lawfully entitled to receive such surplus.

SECTION 11. Indemnity by Borrower. The Borrower agrees to indemnify the Agent and each Bank from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting from the Agent's gross negligence or wilful misconduct.

SECTION 12. Amendments; Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Borrower herefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 13. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including telegraphic communication) and, if to the Borrower or the Agent, mailed or delivered to it, addressed to it at its address specified in the Credit Agreement, or as to either party at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section. All such notices and other communications shall, when mailed or telegraphed, respectively, be effective when deposited in the mails or delivered to the telegraph company, respectively, addressed as aforesaid.

SECTION 14. Continuing Security Interest; Transfer of Notes. This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the final payment in full of the Obligations after the Termination Date (as defined in the Credit Agreement), (ii) be binding upon the Borrower, its successors and assigns and (iii) inure, together with the rights and remedies of the Agent hereunder, to the benefit of the Agent, the Banks and their respective successors, transferees and assigns; provided, however, that the security interest created and confirmed hereby shall terminate in the event and to the extent that the Borrower shall sell or assign all or part of the Collateral for fair market value and shall apply the net cash proceeds from the sale or sales of such Collateral in accordance with Section 2.07 of the Credit Agreement. Without limiting the generality of the foregoing clause (iii), any Bank may assign or otherwise transfer any Note held by it to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Bank herein or otherwise. Upon the payment in full of the Obligations, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Borrower. Upon any such termination, the Agent will, at the Borrower's expense, execute and deliver to the Borrower such documents as the Borrower shall reasonably request to evidence such termination.

SECTION 15. Costs, Expenses and Taxes. The Borrower agrees to pay on demand all costs and expenses in connection with the preparation, execution, delivery, filing, recording, and administration of this Agreement and the other documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Agent, and local counsel who may be retained by said counsel, with respect thereto and with respect to advising the Agent as to its rights and responsibilities hereunder, and all costs and expenses, if any, in connection with the enforcement of the Loan Documents and the other documents to be delivered under this Agreement.

SECTION 16. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, except as required by mandatory provisions of law and except to the extent that the validity or perfection of the security interest hereunder,

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or remedies hereunder, in respect of any particular Collateral are governed by the laws of a jurisdiction other than the State of New York. Unless otherwise defined herein or in the Credit Agreement, terms used in Article 9 of the Uniform Commercial Code in the State of New York are used herein as therein defined.

IN WITNESS WHEREOF, the Grantor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

[JERSEY CENTRAL POWER & LIGHT  
COMPANY]

[METROPOLITAN EDISON COMPANY]

By \_\_\_\_\_  
Vice President

ACKNOWLEDGED:

GPU SERVICE CORPORATION

PENNSYLVANIA ELECTRIC COMPANY

By \_\_\_\_\_  
Executive Vice President

By \_\_\_\_\_  
Vice President

[METROPOLITAN EDISON COMPANY]

[JERSEY CENTRAL POWER &  
LIGHT COMPANY]

By \_\_\_\_\_  
Vice President

By \_\_\_\_\_  
Vice President

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EXHIBIT G

[Letterhead of Messrs. Berlack, Israels & Liberman]

[Date of initial Borrowings]

To each of the Banks parties  
to: (a) the Revolving Credit  
Agreement dated as of June  
15, 1979, among General Public  
Utilities Corporation, Jersey  
Central Power & Light Company,  
Metropolitan Edison Company and  
Pennsylvania Electric Company,  
said Banks and Citibank, N.A.,  
as Agent, and Chemical Bank,  
as Co-Agent, for said Banks;  
and (b) the Loan Agreement,  
dated as of November 15, 1976,  
as amended and restated effective  
as of the date hereof, among  
General Public Utilities Corpo-  
ration, said Banks and Citibank,  
N.A., as Agent, and to Citibank,  
N.A., as Agent, and to Chemical  
Bank, as Co-Agent

General Public Utilities Corporation, Jersey  
Central Power & Light Company, Metropolitan  
Edison Company and Pennsylvania Electric Company

Gentlemen:

This opinion is furnished to you pursuant to  
Section 3.01(vi)(p) of the Revolving Credit Agreement, dated  
as of June 15, 1979 (the "Credit Agreement") among General  
Public Utilities Corporation, Jersey Central Power & Light  
Company, Metropolitan Edison Company and Pennsylvania  
Electric Company, the Banks parties thereto and Citibank,  
N.A., as Agent, and Chemical Bank, as Co-Agent, for said  
Banks. Terms defined in the Credit Agreement are used  
herein as therein defined unless otherwise defined here-  
in; the Loan Documents, together with the GPU Loan Agree-  
ment, the GPU Loan Agreement Restatement, the New GPU Notes  
and the Supplemental Indenture (as defined below), are from  
time to time referred to hereinafter as the "Basic Documents".

We have acted as counsel for the Borrowers in connection with the preparation, execution and delivery of, and the initial Borrowings made under, the Credit Agreement.

In that connection we have examined:

- (1) The Credit Agreement.
- (2) The documents furnished by the Borrowers pursuant to Article III of the Credit Agreement.
- (3) The Indenture, dated November 1, 1944, by ME to Morgan Guaranty Trust Company of New York and all Supplemental Indentures thereto (the "Indenture"), including the Supplemental Indenture, dated as of June 1, 1979, pursuant to which the ME Bonds have been issued (the "Supplemental Indenture"), and the ME Bonds.
- (4) The Articles or the Certificate of Incorporation of each Borrower and all amendments thereto (such Borrower's "Charter").
- (5) The by-laws of each Borrower and all amendments thereto (such Borrower's "By-laws").
- (6) A certificate of the Secretary of the Commonwealth of Pennsylvania, dated \_\_\_\_\_, 1979, attesting to the continued corporate existence and good standing of each Borrower (other than Jersey Central Power & Light Company) in that Commonwealth.
- (7) A certificate of the Secretary of State of New Jersey, dated \_\_\_\_\_, 1979, attesting to the continued corporate existence and good standing of Jersey Central Power & Light Company in that State.

We have also made such further investigation as we have deemed necessary as a basis for this opinion. We have relied, as to all matters covered hereby which are governed by the laws of New Jersey, Pennsylvania or Oklahoma, on the attached opinions of Robert O. Brokaw, Esq., Messrs. Ryan, Russell & McConaghy and Messrs. Ballard, Spahr, Andrews & Ingersoll and Messrs. Lawrence, Scott & Lamb, respectively, upon which opinions we believe you and we are justified in relying. We have assumed the due execution and delivery, pursuant to due authorization, of the Amendment and the Credit Agreement by the Banks and the Agent.

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Based upon the foregoing and upon such investigation as we have deemed necessary, we are of the opinion that:

1. Each Borrower is a corporation duly incorporated validly existing and in good standing under the laws of its jurisdiction of incorporation.

2. The execution, delivery and performance by each Borrower of each Basic Document to which it is a party are within such Borrower's corporate powers, have been duly authorized by all necessary corporate action, do not contravene (i) such Borrower's Charter or By-laws or (ii) law or any contractual restriction binding on or affecting such Borrower, and do not, except as created thereunder, result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of its properties.

3. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by each Borrower of any Basic Document to which it is a party except for (i) in the case of each Borrower, appropriate orders of the SEC under the Utility Act, (ii) in the case of JC an appropriate order of the NJBPU and (iii) in the case of each of ME and PE, an appropriate order of the PaPUC, all of which orders have been obtained, are in full force and effect and are sufficient for their purpose.

4. The Credit Agreement and each other Basic Document is the legal, valid and binding obligation of each Borrower which is a party thereto, enforceable against such Borrower in accordance with its respective terms.

5. The Pledged Shares (as defined in the Stock Pledge Agreement) constitute 100% of the outstanding common stock of each of JC, ME, PE and GPU Service Corporation and 100% of the capital stock having ordinary voting rights of each of JC, ME, PE and GPU Service Corporation and the Pledged Shares have been duly and validly issued and are fully paid and non-assessable. GPU is the record and beneficial owner of all of the Pledged Shares, except for twelve shares of the common stock of ME which are nominally registered

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in the names of certain employees of ME for convenience in the conduct of meetings of shareholders, but which are beneficially owned by GPU.

6. The pledge of the Pledged Shares pursuant to the Stock Pledge Agreement creates a valid and perfected first priority security interest in the collateral in existence on the date hereof subject to, or purported to be subject to, the Stock Pledge Agreement securing the payment of the Obligations (as defined in the Stock Pledge Agreement).

7. The ME Bonds have been duly and validly issued, and the Indenture effectively creates a valid first lien on all property owned by ME purported to be covered thereby for the benefit of the holders of all bonds issued thereunder, including the ME Bonds, subject to restrictions, easements, leases, covenants, reservations, the lien of current taxes and minor encumbrances and defects which are common to properties of the character and size of that of ME, none of which in our opinion is material.

8. The pledge of the ME Bonds pursuant to the ME Bond Pledge Agreement creates a valid and perfected first priority security interest in the collateral in existence on the date hereof subject to, or purported to be subject to, the ME Bond Pledge Agreement securing the payment of the Obligations (as defined in the ME Bond Pledge Agreement), and to the extent of the principal amount of the ME Bonds, the Banks are entitled to the benefits of the Indenture in respect of the obligations of ME under the Credit Agreement and its Notes.

9. The JC Security Agreement and the ME Security Agreement and the filing of the Financing Statements (copies of which were delivered to the Agent pursuant to Sections 3.01(vi)(i)(i) and 3.01(vi)(h)(i), respectively, of the Credit Agreement) create valid and perfected first priority security interests (subject, in the case of the JC Security Agreement and as to priority only, to the filing of termination statements with respect to the financing statement filed with the Secretary of State of the State of New Jersey on May 22, 1979 (File No. 545939) and the financing statement filed with the County Clerk of Oklahoma County, Oklahoma on May 22, 1979 (File No. 146216)) in and to the Collateral (as defined in the JC Security Agreement and

the ME Security Agreement, respectively) securing the payment of the obligations purported to be secured thereby, and all actions necessary to perfect and protect such security interests have been taken and completed.

The opinions set forth above are subject to the following qualifications:

(a) The enforceability of each Borrower's obligations under the Credit Agreement and the other Basic Documents to which it is a party is subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and the remedies of the Banks under the Security Agreements and the ME Bond Pledge Agreement are subject to the effect of the Atomic Energy Act of 1954, as amended, and the regulations thereunder.

(b) The enforceability of each Borrower's obligations under the Credit Agreement and the other Basic Documents to which it is a party may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) We express no opinion as to (i) Section 2.10 of the Credit Agreement or Section 2.05 of the GPU Loan Agreement insofar as they provide that any Bank purchasing a participation from another Bank pursuant thereto may exercise set-off or similar rights with respect to such participation, (ii) Section 8.05 of the Credit Agreement or Section 7.05 of the GPU Loan Agreement insofar as they authorize each Bank to set off and apply any deposits at any time held, and any other indebtedness at any time owing, by such Bank to or for the account of the Borrower and (iii) the effect of the law of any jurisdiction other than the State of New York wherein any Bank may be located or wherein enforcement of the Credit Agreement, the Notes, the GPU Loan Agreement or the New GPU Notes may be sought which limits the rates of interest legally chargeable or collectible.

(d) The Borrowers' indemnification obligations under the third sentence of Section 8.04 of the Credit Agreement may be unenforceable as contrary to public policy.

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We also wish to call to your attention that remedies available to the Agent and the Banks under the Stock Pledge Agreement and the JC Security Agreement and the ME Security Agreement may be limited in that: (a) the consent of the SEC may be required prior to the transfer of the shares of JC, ME or PE or to the exercise of rights in respect of such shares; (b) the consent of the NJBPU is required prior to the transfer of the shares of JC or to the exercise of rights in respect of such shares; (c) the consent of Kerr-McGee Nuclear Corporation may be required prior to the assignment of any rights in respect of the Contract (as defined in the JC Security Agreement and the ME Security Agreement); and (d) the consent of the Department of Energy may be required in respect of any action purporting to affect the Uranium (as defined in the Contract).

Very truly yours,

1474 124

EXHIBIT H

[Letterhead of Shearman & Sterling]

[Closing Date]

To the Confirming Banks (as defined in the Revolving Credit Agreement referred to below) to Citibank, N.A., as Agent thereunder, and Chemical Bank, as Co-Agent thereunder.

General Public Utilities Corporation,  
Jersey Central Power & Light Company,  
Metropolitan Edison Company and  
Pennsylvania Electric Company

Gentlemen:

We have acted as your special counsel in connection with the preparation, execution and delivery of, and the initial Borrowings made under, the Revolving Credit Agreement, dated as of June 15, 1979 (the "Credit Agreement"), among General Public Utilities Corporation, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company, each of you, Citibank, N.A., as Agent, and Chemical Bank, as Co-Agent. Unless otherwise indicated, terms defined in the Credit Agreement are used herein and in Schedule I hereto as therein defined.

In this connection we have examined the documents listed on Schedule I hereto [being the Loan Documents and the other documents delivered pursuant to Article III of the Credit Agreement].

In our examination of the documents listed on such Schedule I, we have assumed the authenticity of all such documents submitted to us as originals, the genuineness of all signatures, the due authority of the parties executing such documents and the conformity to the originals of



all such documents submitted to us as copies. We have relied, as to factual matters, on the documents we have examined and, as to the matters of law covered by the opinion of counsel listed in Item \_\_\_ of such Schedule I, on such opinion. We are qualified to practice law in the State of New York and we do not purport to be experts on, or to express any opinions herein concerning, the law of any other jurisdiction.

Based upon and subject to the foregoing and while we have not independently considered the matters covered by the opinion listed in Item \_\_\_ of such Schedule I to the extent necessary to enable us to express the conclusions stated therein, we are of the opinion that (i) such opinion, the Credit Agreement and other documents listed in such Schedule I appear to be in substantially acceptable legal form, and (ii) the documents listed in such Schedule I furnished pursuant to Article II of the Credit Agreement (except the orders of the SEC, the NJBPU and the PaPUC listed in Items \_\_\_, \_\_\_, \_\_\_ and \_\_\_, respectively, of such Schedule I, as to which we express no opinion) are substantially responsive to the requirements of the Credit Agreement.

Very truly yours,

SHEARMAN & STERLING

1474 126

EXHIBIT I

[Letterhead of Messrs. Berlack, Israels & Liberman]

[Date of the JC Pledge Agreement]

To each of the Banks parties  
to the Revolving Credit  
Agreement dated as of June  
15, 1979, among General  
Public Utilities Corporation,  
Jersey Central Power & Light  
Company, Metropolitan Edison  
Company and Pennsylvania  
Electric Company, said Banks  
and Citibank, N.A., as Agent,  
and Chemical Bank, as Co-Agent,  
for said Banks, and to Citibank,  
N.A., as Agent, and to Chemical  
Bank, as Co-Agent

Jersey Central Power  
& Light Company

Gentlemen:

This opinion is furnished to you in connection with the execution and delivery of that certain Pledge Agreement, dated as of June 20, 1979 (the "JC Bond Pledge Agreement"), made by Jersey Central Power & Light Company ("JC") to Citibank, N.A., as your AGent (the "Agent"), in connection with the Revolving Credit Agreement, dated as of June 15, 1979 (the "Credit Agreement") among General Public Utilities Corporation, JC, Metropolitan Edison Company and Pennsylvania Electric Company, each of you and Citibank, N.A., as your Agent, and Chemical Bawnk, as your Co-Agent. Terms defined in the Credit Agreement are used herein as therein defined unless otherwise defined herein.

We have acted as counsel for JC in connection with the preparation, execution and delivery of the JC Bond Pledge Agreement.

In that connection we have examined

(1) The JC Bond Pledge Agreement.

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(2) The Indenture, dated March 1, 1946, from JC to Citibank, N.A., as Trustee, and all Supplemental Indentures thereto (the "JC Indenture"), including the Supplemental Indenture, dated as of June \_\_, 1979, pursuant to which the JC Bonds have been issued (the "JC Supplemental Indenture"), and the JC Bonds.

(3) Orders of the SEC and the NJBPU, authorizing the JC Bond Pledge Agreement and the JC Supplemental Indenture and the transactions contemplated thereby.

(4) The Articles or the Certificate of Incorporation of JC and all amendments thereto (JC's "Charter").

(5) The by-laws of JC and all amendments thereto (JC's "By-laws").

(6) A certificate of the Secretary of State of New Jersey, dated \_\_\_\_, 1979, attesting to the continued corporate existence and good standing of JC in that State.

We have also made such further investigation as we have deemed necessary as a basis for this opinion. We have relied, as to all matters covered hereby which are governed by the laws of New Jersey, on the attached opinion of Robert O. Brokaw, Esq., upon which opinion we believe you and we are justified in relying.

Based upon the foregoing and upon such investigation as we have deemed necessary, we are of the opinion that:

1. JC is a corporation duly incorporated, validly existing and in good standing under the laws of New Jersey.

2. The execution, delivery and performance by JC of the JC Bond Pledge Agreement and the JC Supplemental Indenture are within JC's corporate powers, have been duly authorized by all necessary corporate action, do not contravene (i) JC's Charter or By-laws or (ii) law or any contractual restriction binding on or affecting JC, and do not, except as created thereunder, result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of its properties.

3. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution,

delivery and performance by JC of the JC Bond Pledge Agreement or the JC Supplemental Indenture except for (i) appropriate orders of the SEC under the Utility Act and (ii) an appropriate order of the NJBPU, each of which orders has been obtained, is in full force and effect and is sufficient for their purpose.

4. The JC Bond Pledge Agreement is the legal, valid and binding obligation of JC, enforceable against JC in accordance with its terms.

5. The JC Bonds have been duly and validly issued, and the JC Indenture effectively creates a valid first lien on all property owned by JC purported to be owned thereby for the benefit of the holders of all bonds issued thereunder, including the JC Bonds, subject to restrictions, easements, leases, covenants, reservations, the lien of current taxes and minor encumbrances and defects which are common to properties of the character and size of that of JC, none of which in our opinion is material.

6. The pledge of the JC Bonds pursuant to the JC Bond Pledge Agreement creates a valid and perfected first priority security interest in the collateral in existence on the date hereof subject to, or purported to be subject to, the JC Bond Pledge Agreement securing the payment of the Obligations (as defined in the JC Bond Pledge Agreement), and to the extent of the principal amount of the JC Bonds, the Banks are entitled to the benefits of the JC Indenture in respect of the obligations of JC under the Credit Agreement and its Notes.

The opinions set forth above are subject to the following qualifications:

(a) The enforceability of JC's obligations under the JC Bond Pledge Agreement is subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and the remedies of the Banks under the JC Bond Pledge Agreement are subject to the effect of the Atomic Energy Act of 1954, as amended, and the regulations thereunder.

(b) The enforceability of JC's obligations under the JC Bond Pledge Agreement may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,

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EXHIBIT J

COMMITMENT INCREASE REQUEST

[date]

Citibank, N.A., as Agent  
399 Park Avenue  
New York, New York, 10043  
Attention: Energy-East Department  
National Banking Group

Gentlemen:

Reference made to that certain Revolving Credit Agreement, dated as of June 15, 1979, among the undersigned, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company (the "Borrowers"), the Banks parties thereto, yourselves as Agent and Chemical Bank, as Co-Agent (the "Credit Agreement"; terms defined therein being used herein as therein defined).

[The undersigned hereby requests that, in accordance with the definition of Loan Limit contained in Section 1.01 of the Credit Agreement, that the Loan Limit of the undersigned be increased from \$75,000,000 to \$\_\_\_\_\_, or such lesser amount as the Majority Banks shall consent to in writing, effective on [date].]

[The undersigned hereby requests on behalf of each of the Borrowers that, in accordance with the provisions of Section 2.01(b)(ii) of the Credit Agreement, the Final Aggregate Total Commitment be increased from the amount thereof available on the date hereof to \$\_\_\_\_\_ or such lesser amount as the Super Majority Banks shall consent to in writing, effective [date].]

Very truly yours,

GENERAL PUBLIC UTILITIES  
CORPORATION

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By \_\_\_\_\_  
Chief Financial Officer



LETTER AMENDMENT

As of October 10, 1979

To the Banks parties to the  
Revolving Credit Agreement  
dated as of June 15, 1979,  
among General Public Utilities  
Corporation, Jersey Central  
Power & Light Company,  
Metropolitan Edison Company,  
Pennsylvania Electric Company,  
said Banks, Citibank, N.A., as  
agent for said Banks, and  
Chemical Bank, as co-agent for  
said Banks

We refer to the Revolving Credit Agreement, dated as  
of June 15, 1979 (the "Credit Agreement"), among each of the  
undersigned, each of you, Citibank, N.A., as your agent (the  
"Agent") and Chemical Bank, as your co-agent (the "Co-Agent").  
Unless otherwise defined herein, the terms defined in the  
Credit Agreement shall be used herein as therein defined.

It is hereby agreed by you and us as follows:

The Credit Agreement is, effective the date first  
above written, hereby amended so that:

(a) Section 5.01(g) shall read as follows:

"(g) [Section 5.01(g) deleted inten-  
tionally.]"

(b) Section 5.02(b)(vi) shall read as  
follows:

"(vi) Indebtedness of such Borrower  
under External Lines; provided, however,  
that the aggregate principal amount of such  
Indebtedness shall not exceed at any time

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outstanding \$7,500,000 in the case of JC, \$5,000,000 in the case of GPU, \$5,000,000 in the case of ME and \$5,000,000 in the case of PE, and provided, further, that the aggregate principal amount of such indebtedness of all Borrowers shall not exceed at any time outstanding \$15,000,000;"

(c) The words "the Florence Mining Company" appearing in clause (ii) of Section 5.02(d) shall be deleted and the words "The Rochester & Pittsburgh Coal Company" substituted therefor.

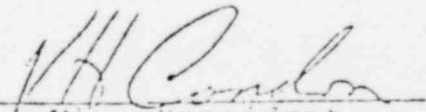
On and after the effective date of this letter amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", or words of like import referring to the Credit Agreement, and each reference in the other Basic Documents to "the Credit Agreement", "thereunder", "thereof", or words of like import referring to the Credit Agreement, shall mean the Credit Agreement as amended by this letter amendment. The Credit Agreement, as amended by this letter amendment, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed.

This letter amendment may be executed in any number of counterparts and by any combination of the parties hereto in separate counterparts, each of which counterparts shall be an original and all of which taken together shall constitute one and the same letter amendment.

If you agree to the terms and provisions hereof, please evidence your agreement by executing and returning at least two counterparts of this letter amendment to Citibank, N.A., 399 Park Avenue, New York, New York 10043, Attention: Energy-East Department, National Banking Group. This letter amendment shall become effective as of the date first above written when and if counterparts of this letter amendment shall have been executed by us and the Majority Banks and the consent attached hereto shall have been executed by GPU, as guarantor.

Very truly yours,

GENERAL PUBLIC UTILITIES  
CORPORATION

By   
Vice President

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JERSEY CENTRAL POWER &  
LIGHT COMPANY

By *VH Condon*  
Vice President

METROPOLITAN EDISON  
COMPANY

By *VH Condon*  
Vice President

PENNSYLVANIA ELECTRIC  
COMPANY

By *VH Condon*  
Vice President

Agreed as of the date  
first above written:

CITIBANK, N.A., Individ-  
ually and as Agent

By \_\_\_\_\_  
Vice President

CHEMICAL BANK, Individ-  
ually and as Co-Agent

By \_\_\_\_\_  
Vice President

\_\_\_\_\_  
[NAME OF BANK]

By \_\_\_\_\_  
[TITLE]

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CONSENT

The undersigned, as Guarantor under those certain Guaranties, dated as of June 20, 1979 (the "Guaranties"), in favor of the Banks parties to the Credit Agreement referred to in the foregoing letter amendment, hereby consents to said letter amendment and hereby confirms and agrees that the Guaranties are, and shall continue to be, in full force and effect and are hereby confirmed and ratified in all respects except that, upon the effectiveness of, and on and after the date of, said letter amendment, all references in the Guaranties to the Credit Agreement, "thereunder", "thereof", or words of like import referring to the Credit Agreement shall mean the Credit Agreement as amended by said letter amendment.

GENERAL PUBLIC UTILITIES  
CORPORATION

By   
Vice President

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AMENDMENT NO. 2

Dated as of November 1, 1979

This AMENDMENT among GENERAL PUBLIC UTILITIES CORPORATION, a Pennsylvania corporation ("GPU"), JERSEY CENTRAL POWER & LIGHT COMPANY, a New Jersey corporation ("JC"), METROPOLITAN EDISON COMPANY, a Pennsylvania corporation ("ME"), and PENNSYLVANIA ELECTRIC COMPANY, a Pennsylvania corporation ("PE") (GPU, JC, ME and PE being, collectively, the "Borrowers" and each, individually, a "Borrower"), the banks parties to the Credit Agreement referred to below (the "Banks"), CITIBANK, N.A., as agent (the "Agent") for the Banks, and CHEMICAL BANK as co-agent (the "Co-Agent").

FRELIMINARY STATEMENT. The Borrowers, the Banks, the Agent and the Co-Agent have entered into a Revolving Credit Agreement, dated as of June 15, 1979, and a Letter Amendment thereto, dated as of October 10, 1979 (said Credit Agreement as so amended being the "Credit Agreement", the terms defined therein being used herein as therein defined unless otherwise defined herein). It has been proposed that the Credit Agreement be further amended upon the conditions hereinafter set forth in order to permit the First National State Bank of New Jersey and the Farmers Bank and Trust Company of Hanover (each a "New Bank" and collectively the "New Banks") to become parties thereto.

NOW THEREFORE, the parties agree as follows

SECTION 1. Amendments to Credit Agreement. The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, hereby amended so that:

(a) The term "Bank" in Section 1.01 thereof shall be defined as follows:

"Bank" means, (i) prior to the Closing Date, each bank which has, together with the Borrowers, the Agent and Co-Agent, executed a counterpart hereof on or prior to the date hereof, (ii) as at



the Closing Date, each Confirming Bank and, (iii) subsequent to the Closing Date, each Confirming Bank and each New Bank; collectively, the "Banks".

(b) The term "Confirming Bank" in Section 1.01 thereof shall be defined as follows:

"Confirming Bank" means (i) each Bank which, prior to the Closing Date, has confirmed, orally or in writing (including by telex, cable or telegram), to the Agent or the Co-Agent that the Rate Orders are satisfactory to it and (ii) each New Bank; collectively, the "Confirming Banks".

(c) The following defined term shall be added to Section 1.01 thereof:

"Second Amendment" means the Amendment, dated as of November 1, 1979, hereto.

"New Banks" means, upon the effectiveness of the Second Amendment with respect to such bank, the First National State Bank of New Jersey and the Farmers Bank and Trust Company of Hanover, each individually a "New Bank".

(d) The following shall be inserted at the end of the definition of the term "Note" in Section 1.01 thereof:

"or pursuant to the Second Amendment"

(e) The third sentence of Section 2.01(a) thereof shall read in full as follows:

"Except as provided in Section 2.01(c) and Section 2.03(b), each Borrowing shall consist of Advances made on the same day by the Banks, each in the amount of their respective Percentages of the aggregate amount of such Borrowing."

(f) Section 2.03 thereof is hereby amended by inserting after the heading thereof the designation "(a)" and inserting at the end of such section, the following:

"(b) Notwithstanding the provisions of Section 2.03(a), with respect to each Borrower, the first Advance by a New Bank shall be in an amount equal to such New Bank's Percentage (giving effect to the Second Amendment) of the aggregate principal

amount of the Advances outstanding, if any, to such Borrower immediately prior to such effectiveness. Such Borrower shall, notwithstanding the provisions of Section 2.06 of this Agreement, apply the proceeds of each such Advance forthwith to the ratable prepayment of the Advances, if any, of the Banks (other than the New Bank) to such Borrower (the Agent hereby being authorized to effect such applications).

(g) The following shall be inserted immediately after the phrase "the obligation of each Bank to make its initial Advance" occurring in the third line of Section 3.01 thereof:

"(other than a first Advance by a New Bank)"

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective as of the date first above written with respect to a New Bank when, and only when, the Agent shall have received: (i) counterparts of this Amendment duly executed by the Borrowers, the Agent, the Co-Agent, and the Super Majority Banks; (ii) counterparts of the Credit Agreement, the Letter Amendment, dated as of October 10, 1979, thereto and this Amendment, duly executed by such New Bank (by such execution, each New Bank agreeing, subject to the terms and conditions hereof, to be bound by all the provisions of the Credit Agreement as so amended as if it were an original Bank party thereto); (iii) all of the following documents, each document (unless otherwise indicated) being dated the date first written above and otherwise in form and substance satisfactory to the Agent and in sufficient copies for each Bank (including the New Bank):

(a) Certified copies of the resolutions of the Board of Directors (or an authorized Executive Committee thereof) of each Borrower approving this Amendment and the New Bank Notes (as defined below);

(b) Certificates of the Secretary or Assistant Secretary of each Borrower, certifying the names and true signatures of the officers of such Borrower authorized to sign this Amendment, the New Bank Notes and the other documents contemplated hereby;

(c) Certified copies of all necessary governmental authorizations and approvals, if any, with respect to

this Amendment and the New Bank Notes, other than the order of the Securities and Exchange Commission referred to in Section 5 hereof;

(d) A favorable opinion of Messrs. Berlack, Israels & Liberman, counsel for the Borrowers, to the effect that this Amendment and the New Bank Notes have been duly authorized, executed and delivered by the Borrowers and confirming the opinion of such counsel dated June 20, 1979, furnished pursuant to Section 3.01(vi)(p) of the Credit Agreement with references therein to each of the Loan Documents to mean the Loan Documents as amended by the Letter Amendment, dated as of October 10, 1979, thereto and this Amendment and with references therein to the Notes to include the New Bank Notes;

(iv) the Agent shall have received for the account of the New Bank on or prior to the date first above written all of the following documents, each (unless otherwise indicated) dated the date first written above and otherwise in form and substance satisfactory to the Agent and the Co-Agent:

(a) A Note of each Borrower payable to the order of such New Bank (a "New Bank Note");

(b) Counterparts of the JC Guaranty, the ME Guaranty, the PE Guaranty and the Stock Pledge Agreement, each dated as of June 20, 1979, duly executed by GPU;

(c) Counterparts of the ME Bond Pledge Agreement, and the ME Security Agreement, each dated as of June 20, 1979, duly executed by ME;

(d) Counterparts of the JC Security Agreement, dated as of May 21, 1979, as amended and restated as of June 20, 1979, duly executed by JC;

(e) Federal Reserve Forms U-1 provided for in Regulation U issued by the Board of Governors of the Federal Reserve System, the statements made in which shall be such, in the opinion of the Agent, as to permit the transactions contemplated hereby in accordance with said Regulation U; and

(v) the New Bank shall have made its first Advance to be applied as provided in Section 2.03(b) of the Credit Agreement, as amended hereby, which such first Advance shall

be made on the date first written above unless all other conditions of effectiveness with respect to such New Bank have not been met on or before such date in which event such first Advance shall be made on the first day of the next succeeding calendar month.

SECTION 3. Representations and Warranties of the Borrowers. Each Borrower represents and warrants as follows:

(a) Each Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation;

(b) The execution, delivery and performance by such Borrower of this Amendment, the New Bank Notes and the Loan Documents as amended by the Letter Amendment dated as of October 10, 1979, thereto and by this Amendment to which it is or is to be a party are within such Borrower's corporate powers, have been duly authorized by all necessary corporate action and do not contravene (i) such Borrower's charter or by-laws, or (ii) law or any contractual restriction binding on or affecting such Borrower, and do not result in, or require the creation of any lien, security interest or other charge or encumbrance (other than pursuant to the Collateral Agreements to which it is a party) upon or with respect to any of its properties;

(c) No authorization, approval or other action by any governmental authority or regulatory body is required for the due execution, delivery and performance by such Borrower of this Amendment, the New Bank Notes or any of the Loan Documents, as amended by the Letter Amendment, dated as of October 10, 1979, thereto and by this Amendment except for (i) such authorizations and approvals which have been delivered to the Agent on or prior to the date first written above, and (ii) an appropriate order of the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 authorizing payment by the Borrowers of certain costs, expenses and other fees as provided in Section 5 hereof; and

(d) This Amendment, the New Bank Notes and each of the other Loan Documents, as amended by the Letter Amendment, dated October 10, 1979, thereto and by this Amendment, to which each Borrower is a party constitute legal, valid and binding obligations of each Borrower enforceable against each Borrower in accordance with their respective terms.

SECTION 4. Reference to and Effect on the Loan Documents. (a) Upon the effectiveness of Section 1 hereof, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import, and each reference in the other Loan Documents to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended hereby, and each reference in the Loan Documents to the Notes, shall mean and be a reference to the Notes including the New Bank Notes.

(b) Except as specifically amended above the Credit Agreement and the Notes, and all other Loan Documents, shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Bank, the Agent or the Co-Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION 5. Costs, Expenses and Taxes. The Borrowers agree to pay on demand all costs and expenses of the Agent in connection with the preparation, reproduction, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder or thereunder, including the reasonable fees and out-of-pocket expenses of Messrs. Shearman & Sterling, special counsel for the Banks, with respect thereto and of local counsel, if any, who may be retained by said special counsel with respect thereto. In addition, the Borrower shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery, filing or recording of this Amendment and the other instruments and documents to be delivered hereunder or thereunder, and agree to save the Agent and each Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees. The Borrowers agree promptly to take all action necessary and appropriate to obtain an appropriate order of the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 authorizing and approving the payment by them of such costs, expenses and other fees provided for in this Section 5.



SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

SECTION 7. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

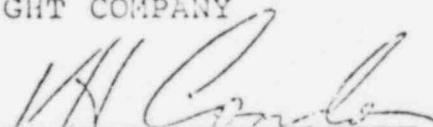
SECTION 8. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

GENERAL PUBLIC UTILITIES  
CORPORATION\*

By   
Vice President

JERSEY CENTRAL POWER &  
LIGHT COMPANY

By   
Vice President

METROPOLITAN EDISON  
COMPANY

By   
Vice President

---

\* As Borrower and as the Guarantor under the JC Guaranties, The ME Guaranties and the PE Guaranties.

PENNSYLVANIA ELECTRIC  
COMPANY

By

*VH Condon*  
Vice President

Agreed as of the date  
first above written:

CITIBANK, N.A., Individ-  
ually and as Agent

By

\_\_\_\_\_  
Vice President

CHEMICAL BANK, Individ-  
ually and as Co-Agent

By

\_\_\_\_\_  
Vice President

\_\_\_\_\_  
[NAME OF BANK]

By

\_\_\_\_\_  
[TITLE]

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ME/PN Exhibit A-2  
Witnesses: J. G. Graham;  
F. D. Hafer

LAW OFFICES  
RYAN, RUSSELL & MCCONAGHY  
530 PENN SQUARE CENTER  
P. O. BOX 699  
READING, PA. 19603  
215-372-4761

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

HAROLD J. RYAN (1972)

JOHN S. MCCONAGHY  
COUNSEL

November 1, 1979

**RECEIVED**

NOV 1 1979

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

SECRETARY'S OFFICE  
Public Utility Commission

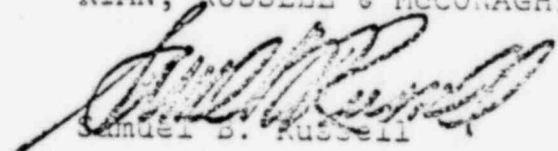
Re: Pennsylvania Public Utility Commission et al.  
v. Metropolitan Edison Company and  
Pennsylvania Electric Company, Respondents  
Docket No. I-79040308

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

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**POOR ORIGINAL**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, :  
et 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.

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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

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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

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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.

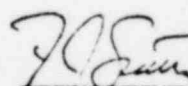
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14. The 6.9 mill requested increase is reasonable based on the level of energy costs experienced by Met-Ed since July 1, 1979. Met-Ed's energy costs are expected to continue at this level well into 1980 due to the unavailability of TMI-1, as shown 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.

METROPOLITAN EDISON COMPANY

By



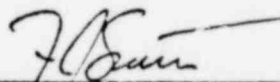
F.J. Smith

Senior Vice President

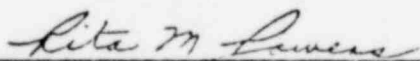
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Commonwealth of Pennsylvania  
County of Berks

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


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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

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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

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## 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.

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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

T = 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.

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(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.

(C) Change

Issued June 22, 1979

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

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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).

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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
- TABLE 6 - Indicated Increase in Level Charge Based on Energy Costs Experienced in July, August and September, 1979
- TABLE 7 - Increase in Level Charge That would be Required to Recover during 1980 the Energy Costs Projected to be Unrecovered as of December 31, 1979
- TABLE 8 - "Full Cost Recovery" Increase in Level Charge
- TABLE 9 - Residential Rate Comparison, Current Level Charge vs. Proposed Increase
- FIGURE 6 - Residential Rate Comparisons, Met-Ed (Including Clause Increase) vs. Other Pennsylvania Utilities
- TABLE 10 - Overall Increase to All Retail Customers

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

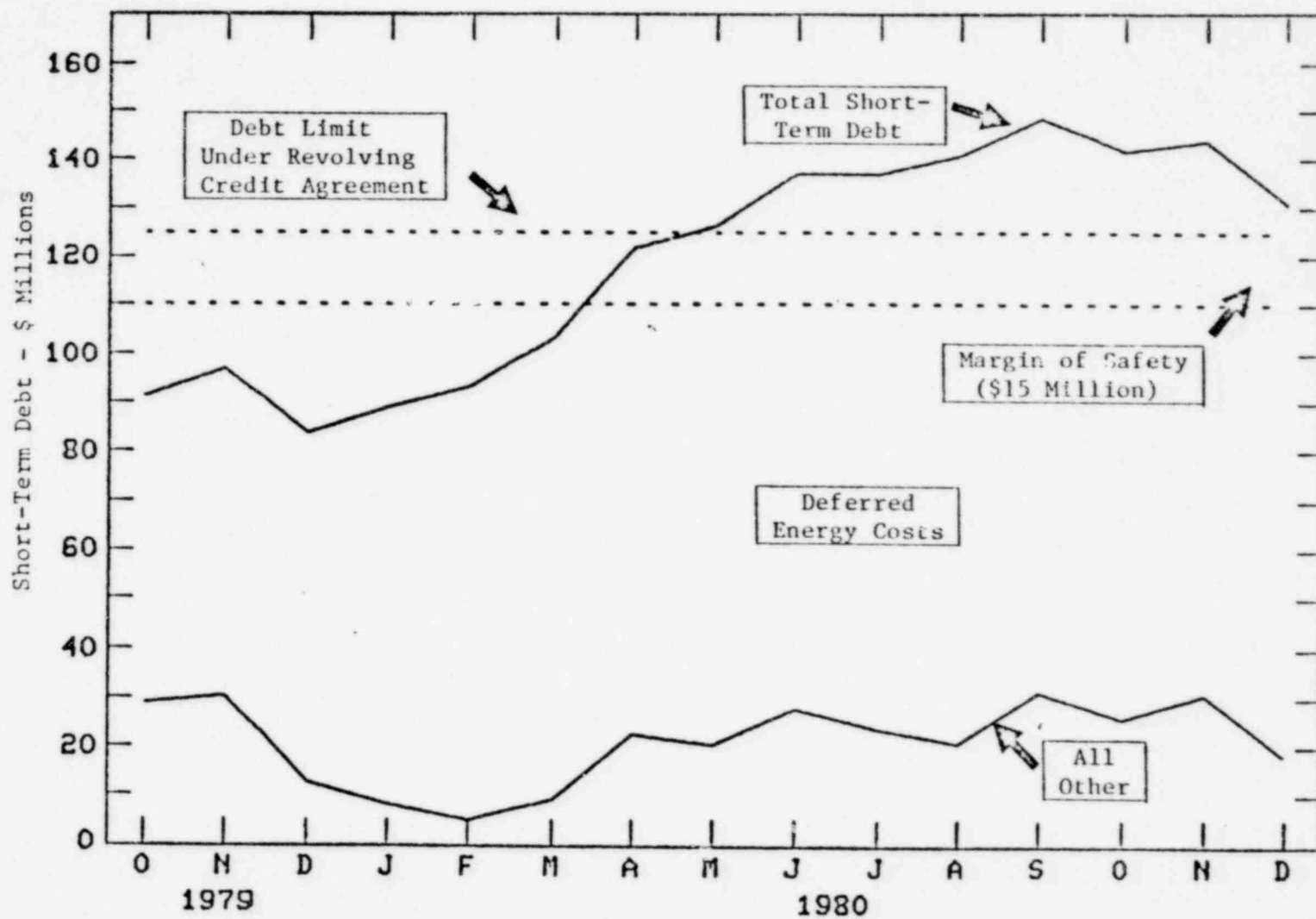


FIGURE 1

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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 <u>Costs (1)</u>	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.

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

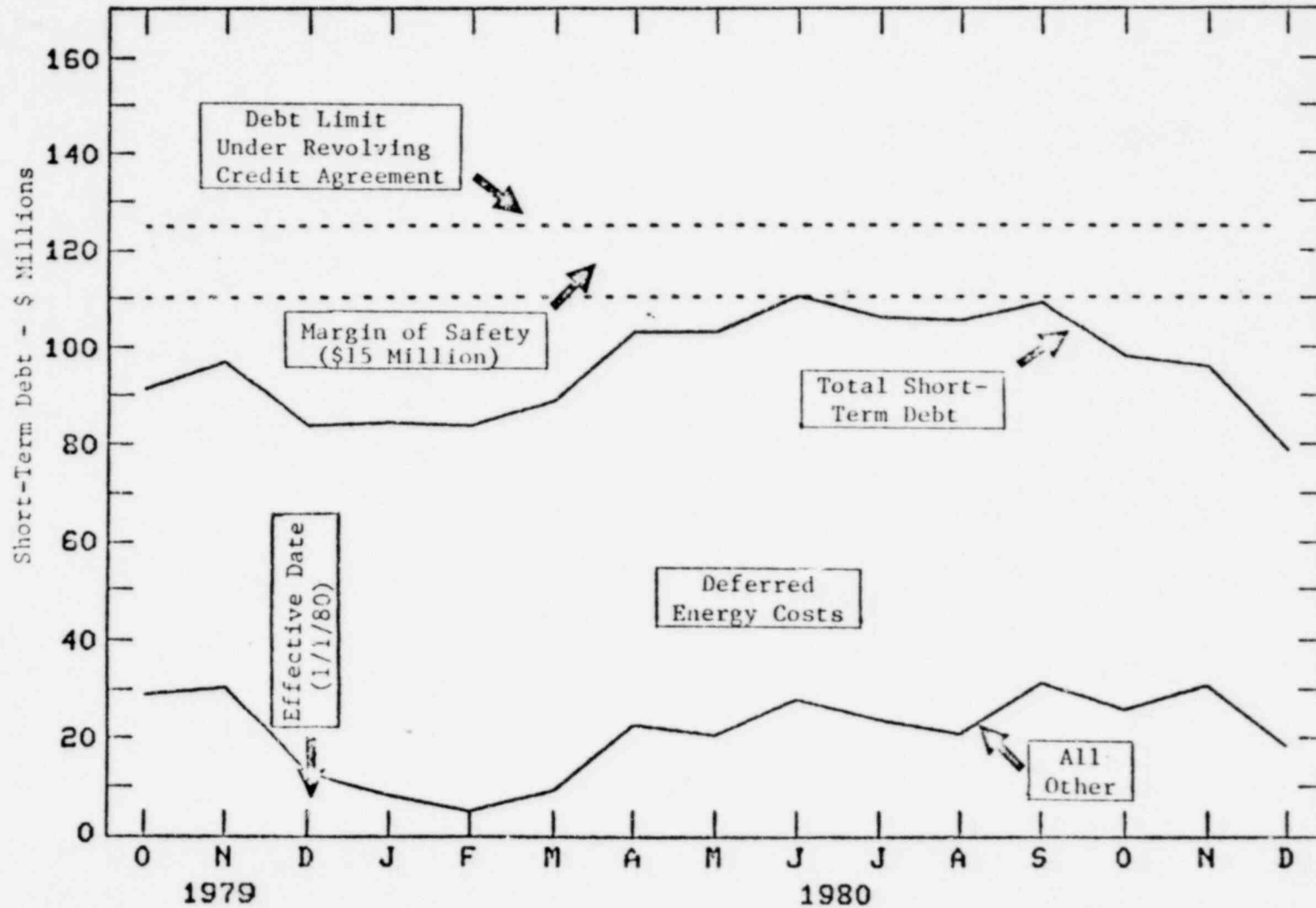


FIGURE 2

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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.

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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. "	17.8	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.

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

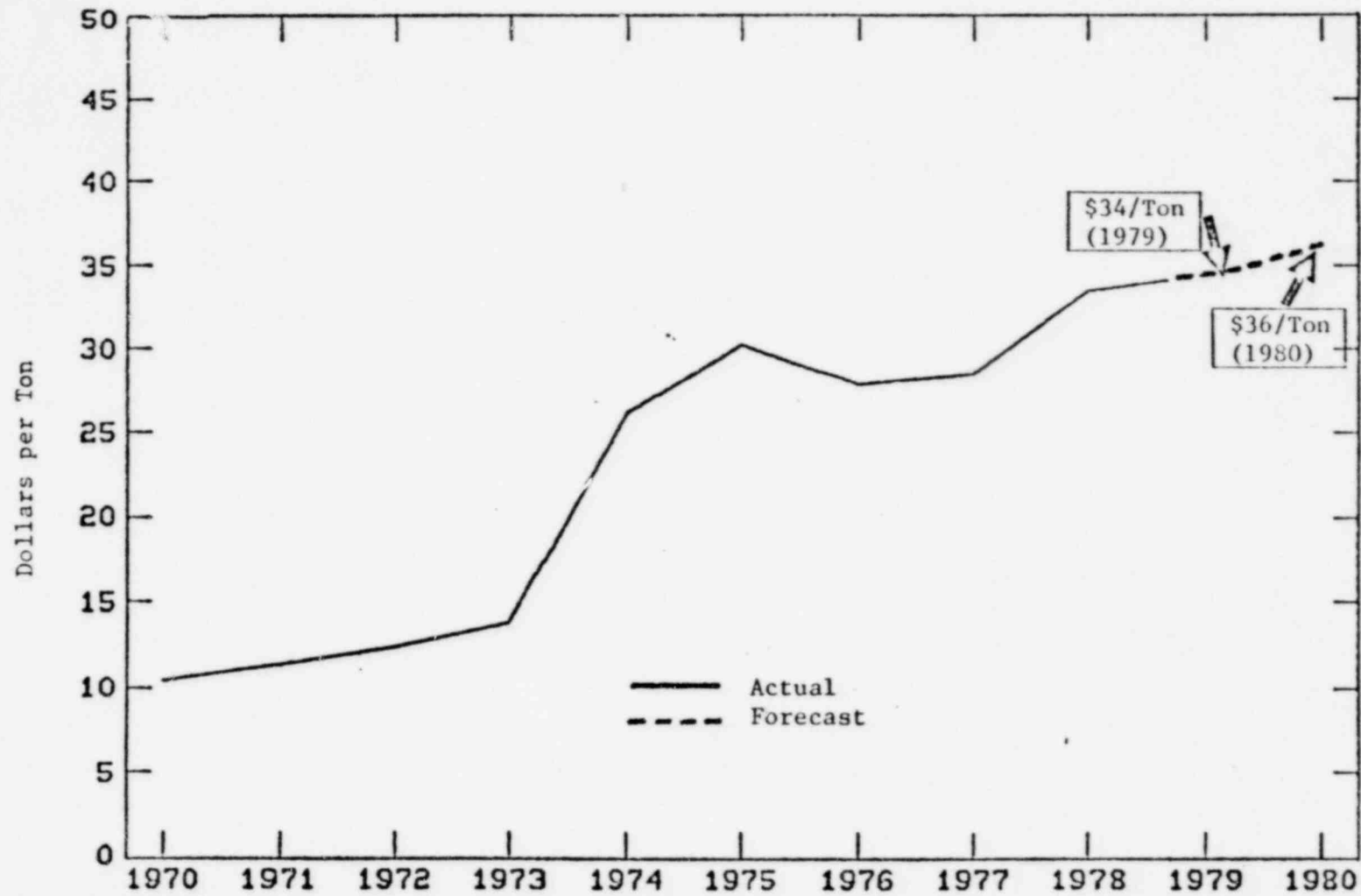


FIGURE 3

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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

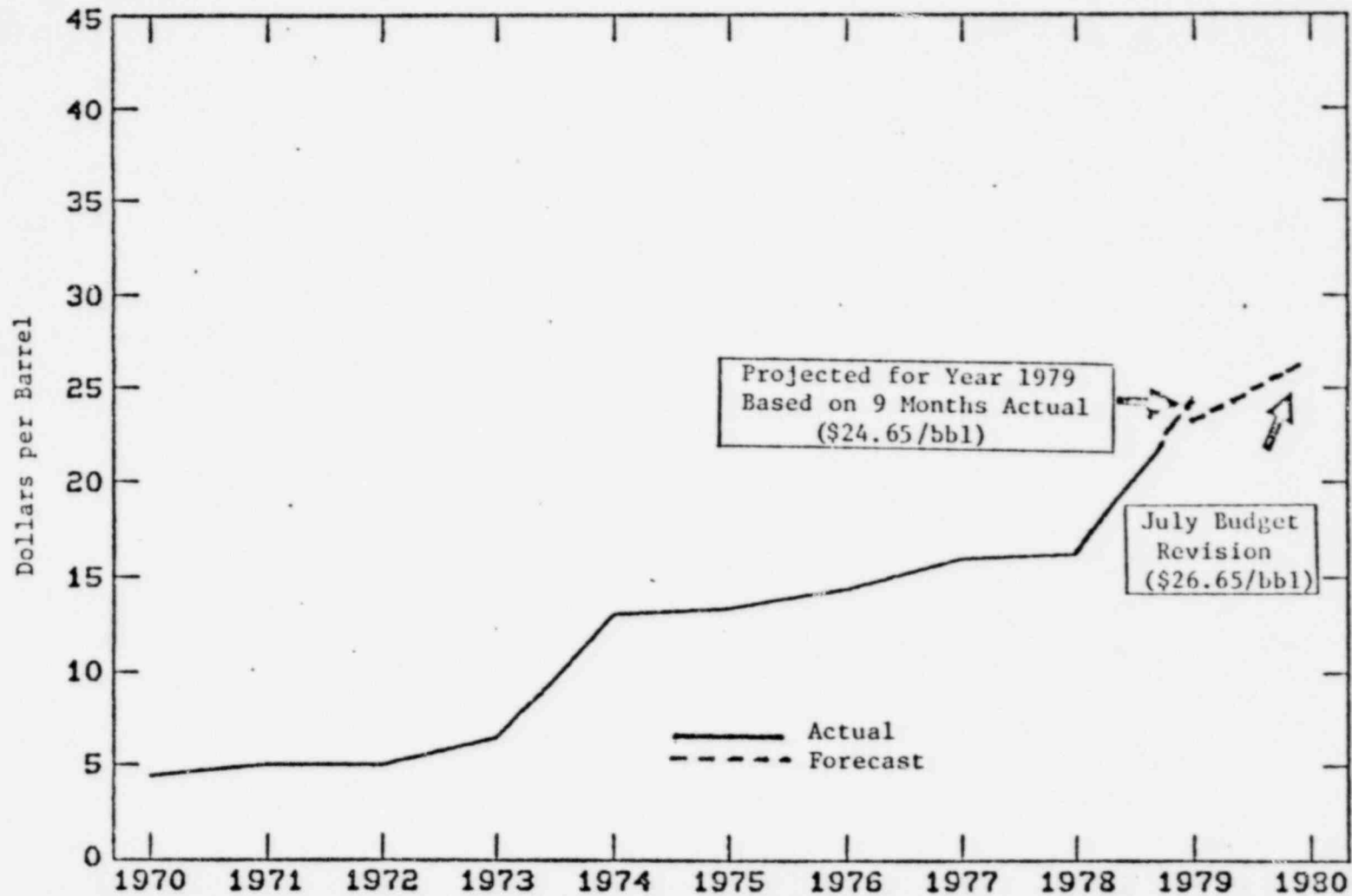


FIGURE 4

1474 165



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

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

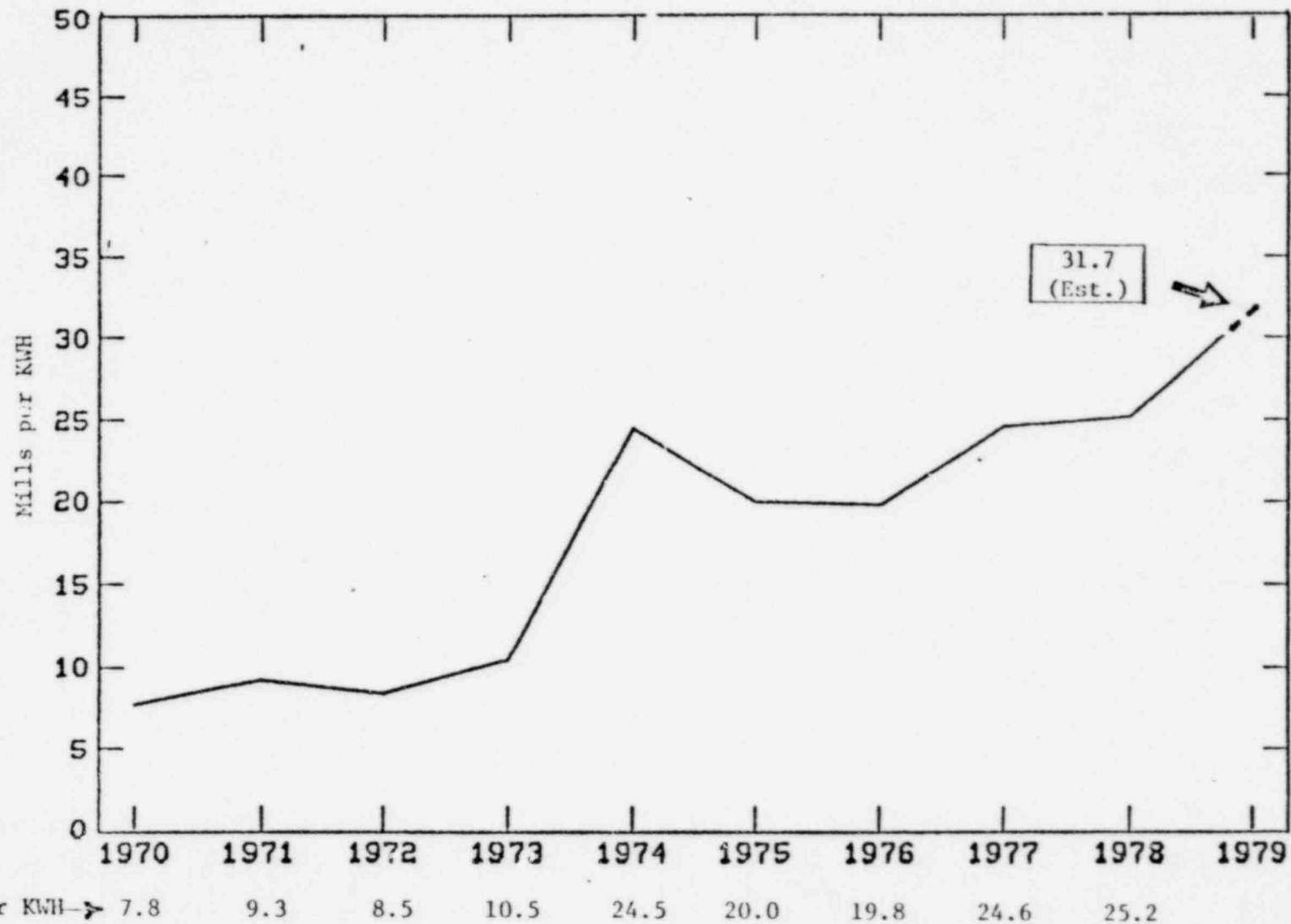


FIGURE 5

1474 157

TABLE 6

## METROPOLITAN EDISON COMPANY

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

	1979 Actual			3 Months Sept
	<u>July</u>	<u>Aug</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><u>8.2</u></u>

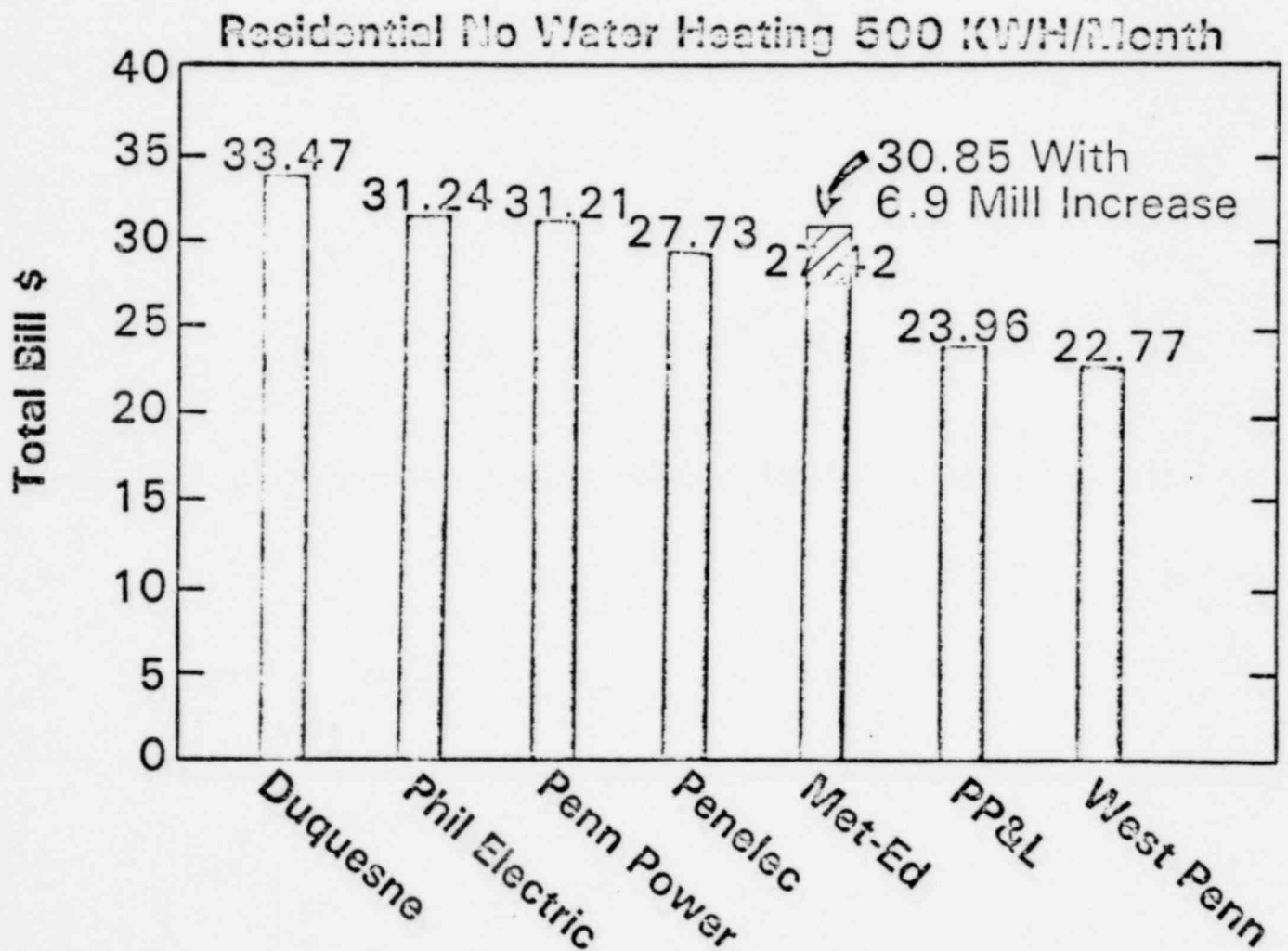
\*includes demand component of cost of TMI-related short-term power purchases.

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FIGURE 6

METROPOLITAN EDISON COMPANY

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



1474 169

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).

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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

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	<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 re- turn 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 re- covery, 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)	<u>10.4 Mills/KWH</u>

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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.)

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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>

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Q. Would you please state your name and address?

A. David L. Huff, my business address is 2800 Pottsville Pike Muhlenburg Twp., Pennsylvania.

Q. By whom are you employed and in what capacity?

A. I am employed as an Assistant Comptroller by Metropolitan Edison Company, to which I shall from time to time refer to as the "Company" or as "Met-Ed."

Q. What is your educational and professional background?

A. I was graduated from Husson College with a Bachelor of Science degree in Accounting and Rutgers University with an MBA degree in Economics and have over 14 years of accounting experience with the Company and its sister company, Jersey Central Power & Light Company. This is more fully described in the attached Appendix A.

Q. What are your duties and responsibilities with the Company?

A. I am responsible to the Comptroller for the administration of the book-keeping, property records, accounts payable, special projects and tax sections of the Accounting Department, including rate case preparation.

Q. Does the Company adhere to a system of accounts prescribed by the Pennsylvania Public Utility Commission ("PUC")?

A. Yes. The Company's accounting records are maintained in accordance with the Pennsylvania Public Utility Regulations at 52 Pa. Code, Sec. 57.41 et seq. and in conformity with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission ("FERC"), formerly the Federal Power Commission ("FPC"), and adopted by the PUC.

Q. Are the Company's accounts audited?

A. Yes. They are audited at least annually by an independent certified public accounting firm; and, in addition, the FERC conducted compliance audits in 1964, 1971 and 1977 to ascertain that the Company is keeping its accounts in conformity with the Uniform System of Accounts. The PUC Staff participated in the review of the findings of the FERC Staff Audits.

Q. Has an original cost determination been made of the Company's utility plant?

A. Yes. An original cost determination was made as of December 31, 1944, for which approval orders were issued by the PUC for Met-Ed on December 11, 1945 under EOC Docket No. 27 and for Edison Light and Power Company (which was subsequently merged with Met-Ed) on November 12, 1946 under EOC Docket No. 11.

In 1948, the Company filed with this Commission a basic plan for maintenance of its continuing property records. The PUC accepted and approved this plan on April 19, 1948. The Company has since that date maintained its continuing property records in accordance with the basic plan.

Q. Mr. Huff, I show you an exhibit which has been marked for identification as Met-Ed/Penelec Exhibit B-1 and ask you what parts thereof have been prepared by you or under your supervision?

A. Met-Ed/Penelec Exhibit B-1 has basically been prepared under my supervision. There are, however, other witnesses who have furnished various data to me and they will support that data with their testimony.

Q. Would you please identify those witnesses who will support such data and the general areas of their testimony?

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A. Yes. Mr. W. D. Garland will testify to calculated depreciation accrual rates and Mr. F. D. Hafer and Mr. J. G. Graham will jointly offer testimony with respect to energy costs and related matters.

Q. What is contained in Met-Ed/Penelec Exhibit B-1?

A. Exhibit B-1 represents the projected budgeted and normalized statement of Met-Ed net utility operating income (the equivalent of utility "return" for ratemaking purposes) for the test year ending December 31, 1980. The budgeted data which is the starting point of this exhibit was prepared in July of 1979 and reflects the austere expense - curtailed financial planning of the immediate post - TMI accident situation. Met-Ed's 1980 budgeting process has been continuing and the official 1980 budget is expected to be approved by the Board of Directors in late December of 1979 or early January of 1980.

The income statement is a key document in the quantification of a utility's base revenue requirements for a given period. All of the data is summarized on page 1. The first column on that page displays Met-Ed's revenues, expenses and net income, as taken from the preliminary budget of the Company for the year ending December 31, 1980. The second column shows a minimum number of adjustments to normalize revenues and expenses, with the identifying adjustment numbers appearing adjacent to the respective items in column two. The normalizing adjustments in this presentation have been held to a minimum in order (a) to save time in the preparation of this presentation for the present hurried proceedings and (b) to avoid areas of controversy (i.e., to forego additional normalization adjustments which Met-Ed considers to be proper and appropriate for ratemaking purposes but which the staff and others have opposed in the past). The third column shows the situation after giving effect to such normalizing adjustments. The fourth



and sixth columns show the budgeted expenses and related tax adjustments which would be necessary if one were to exclude TMI-2 and TMI-1 expenses, respectively. The situation illustrating the exclusion of TMI-2 expenses (with which Met-Ed does not agree) is reflected in the fifth column and the situation illustrating the possible exclusion of both TMI-1 and TMI-2 expenses (with which Met-Ed likewise does not agree) is reflected in the seventh column. Columns eight and nine are included on this schedule to provide a mechanism for adjusting base revenues to reflect a required rate of return under the applicable circumstances.

Q. What is shown in Adjustment No. 1?

A. This adjustment to operating revenues:

- (a) reduces base revenues by \$1,255,000 to reflect the more recent revision of budgeted 1980 sales and revenues used in the Met-Ed energy clause increase filing (i.e., the petition for modification of the levelized energy adjustment clause charge filed in the Commission Order entered June 19, 1979), (b) eliminates the 1980 budgeted revenues from Hershey Electric Company, of \$1,942,000 for January and February which will cease to be a FERC customer of Met-Ed on March 1, 1980,
- (c) reduces base revenues associated with FERC customers by \$772,000 to reflect the proposed settlement offer in the pending FERC rate case,
- (d) eliminates tax surcharge revenues of \$17,894,000 and energy clause revenues (exclusive of gross receipts tax) of \$105,955,000 to eliminate non-base rate revenues from this base rate income statement presentation and (e) adjusts delayed payment charge revenues by \$184,000 and other revenues by \$305,000 to reflect the above mentioned revised projection of 1980 sales.

Q. Please describe Adjustment No. 2.

A. In this adjustment, energy-related costs are adjusted to the level recoverable through base rates, (excluding sales to Hershey Electric which has been normalized out of the case). The retail energy clause base cost (i.e., the portion of energy costs recovered by retail base rates) of 8 mills per KWH reflects the PUC Order at I.D. 214. The FERC energy base cost of 11.303 mills per KWH reflects the rate proposed in the currently pending FERC rate filing, Docket No. ER 79-58.

The net effect of this adjustment is to reduce the budgeted energy costs, exclusive of coal and ash handling, nuclear handling and reserve capacity costs, by \$108,574,000 to the level of \$66,243,000.

Q. What is Adjustment No. 3?

A. The first portion of this adjustment reflects the elimination of \$96,000 of an area of controversy, namely, depreciation expense associated with the TMI-1 ring girder (which was removed from measures of value under prior Commission orders). Further, the depreciation expense accrual was reduced by \$264,000 to reflect the differences between it and the calculated depreciation expense prepared by Mr. W. D. Garland, who will offer testimony supporting this adjustment.

Q. Please explain Adjustment No. 4.

A. In its State Tax Adjustment Procedure Order of March 10, 1970, the PUC permitted utilities to recover portions of certain taxes via a surcharge. Since the normalized revenues shown on page 1 do not include any revenues from that surcharge, this adjustment is necessary for the purpose of this base rate presentation, to remove (from taxes other than income taxes) those items not recoverable via base rates (i.e., those items recoverable through the surcharges).

As detailed in this adjustment, 40% of the total rate for the Capital Stock Tax is subject to collection by the state tax surcharge, thus resulting in a normalizing adjustment of \$2,400,000.

The Public Utility Realty Tax of \$5,590,000 and the City of York Gross Receipts Tax of \$377,000 are fully recoverable through surcharges and are therefore totally eliminated.

The Pennsylvania Gross Receipts Taxes were adjusted downward by \$12,600,000 to normalize the income statement to reflect only the 2% rate recoverable through base rates.

In summary, the total adjustment to taxes other than income taxes is a reduction of \$20,967,000.

Q. Would you please describe briefly the computation of federal and state income taxes in Adjustment No. 5?

A. This adjustment is shown on three separate pages in order to show the computation of federal and state income tax reflected in columns two, four and six, respectively, of page 1 of Exhibit B-1. The following is a description of the format utilized on each of these three pages (i.e. pages 6.1, 6.2 and 6.3).

The schedule on each of such pages recaps the computation of the net operating income before income taxes from data shown on page 1 of Exhibit B-1 (i.e., line 7 less line 23, of the respective columns on page 1 of Exhibit B-1). From this amount is deducted (on line no. 9) the interest charges that are computed by multiplying the adjusted measures of value by the rate of return associated with long-term debt (footnote (A) of this adjustment)

to determine net income before further adjustments to taxable income for computing federal and state income taxes. The next four adjustments are additions which increase taxable income.

The first adjustment (line no. 11) is the amount of federal income taxes paid on behalf of a lessor company which is not allowed as a deduction under the tax laws. The next adjustment (line no. 12), taxes assumed on customer deposits, is not allowed under the tax laws. The next adjustment (line no. 13) adds to taxable income the amortization of net salvage. Finally, the amortization of deferred energy costs (line no. 14) is added to taxable income because it had been taken as a deduction in prior years (this has no effect on rates to the customer because of a deferred tax credit).

The remaining six adjustments to net income are deductions which reduce taxable income.

The first of such adjustments reflects (on line no. 15) the adjustment of depreciation to a tax basis utilizing accelerated depreciation (SYD method and ADR short lives) where permitted on average eligible property. The next two items, payroll taxes capitalized and pension costs capitalized, are treated as current deductions in determining taxable income and eliminated from our plant accounts for tax purposes. The preferred dividend deduction and dividend received exclusion are deductions allowed by the tax laws. The cost of removal of retired facilities is treated as a current deduction for tax purposes in the year in which incurred.

The net amount of these adjustments (line no. 21) is deducted from net income before income taxes (line no. 10) to determine the income subject to state income tax. The state and federal income tax calculations then

follow. Pa. state income taxes are computed at a rate of 6.9767%, which reflects only that portion not recoverable by the surcharge. The federal income tax is then computed at a 46% rate with final adjustments to the federal tax computation to reflect the Job Development Tax credits and the deduction of the consolidated tax savings associated with the deduction (on a consolidated GPU System income tax return) of interest paid on GPU debt (footnote (C) of this adjustment).

Q. What is normalization Adjustment No. 6?

A. This adjustment reflects the elimination of several items from the budgeted deferred income taxes as follows:

- a) The elimination of deferred taxes associated with the elimination of deferred energy costs, reflecting a base rate presentation,
- b) The elimination of deferred taxes on post-1969 non-expansion property (as this relates only to FERC jurisdictional customers),
- c) The elimination of deferred taxes associated with the PURTA refund received by Met-Ed with respect to prior years, and
- d) The elimination of deferred taxes associated with miscellaneous tax benefits which are taken as a current tax deduction in computing the federal and state income taxes.

Q. What is shown in Adjustment No. 7?

A. That adjustment of \$135,000 reflects past Commission Orders requiring the amortization over a 10 year period of income tax refunds including interest received.

Q. Mr. Huff, are you familiar with Met-Ed's budgeted level of administrative and general expenses as utilized in Exhibit B-1?

A. Yes I am.

Q. What opinion, if any, do you have as to the budgeted level of such expenses?

A. In my opinion, such level of expenses is a conservative statement of what Met-Ed would be expected to incur during 1980.

Q. Mr. Huff, I show you an exhibit which has been marked for identification as Met-Ed/Penelec Exhibit B-2 and ask you what parts thereof have been prepared by you or under your supervision?

A. That exhibit has basically been prepared under my supervision. There are, however, other witnesses who have furnished various data to me and they will support that data with their testimony.

Q. Would you please identify those witnesses who will support such data and the general areas of their testimony.

A. Yes, Mr. W. D. Garland will testify as to the adjustments necessary to reflect a calculated depreciation reserve and Mr. F. D. Hafer and Mr. J. G. Graham will jointly sponsor testimony relative to energy costs and related matters. Mr. R. M. Klingaman will offer testimony with respect to the desired coal and oil inventory levels.

Q. Please describe the contents of Met-Ed/Penelec Exhibit B-2?

A. That Exhibit shows the Met-Ed budgeted 13 period average original cost measures of value for the year 1980, together with various normalization adjustments, including those required if Met-Ed's investment in TMI-2 and TMI-1 were eliminated from the respective measures of value. As was the case with Met-Ed's income statement (Exhibit B-1), the data used as the

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starting point for Exhibit B-2 was derived from Met-Ed's preliminary 1980 budget.

Q. Would you please describe what is contained on the first page of Exhibit B-2.

A. Page one summarizes (in column one) Met-Ed's 13 period average measures of value per budget for the year 1980, with a minimum number of normalization adjustments (in column two) to adjust several items for ratemaking purposes. Each adjustment is identified by a number appearing adjacent to the respective items in column two. Further adjustments (in column four and column six) reflect the elimination, from measures of value, of Met-Ed's 50% interest in TMI-2 (with which Met-Ed does not agree) and the possible elimination of Met-Ed's 50% interest in TMI-1 (with which Met-Ed likewise does not agree). Column seven represents the year 1980 average measure of value excluding TMI-2 and TMI-1. As was the case with Met-Ed's income statement, normalizing adjustments in this presentation have been held to a minimum in order to save time and to avoid areas of controversy.

Q. Please describe the first normalization adjustment.

A. In Adjustment No. 1, Met-Ed's budgeted average electric plant in service of \$1,310,787,000 is adjusted downward by \$3,150,000 to reflect the elimination of TMI-1 ring girder costs, in accordance with past Commission Orders, in order to avoid an area of controversy.

Q. What is reflected in Adjustment No. 2?

A. To eliminate another area of controversy adjustment No. 2 reduces the budgeted average balance of plant held for future use from \$12,577,000 down to \$984,000, the latter figure representing only those properties which are

presently planned to be used in ten years or less, consistent with the Commission's Order that concluded Met-Ed's rate case at R.I.D. 170 & 171. This adjustment eliminates \$11,593,000 from Met-Ed's rate base.

Q. What is reflected in Adjustment No. 3?

A. Adjustment No. 3 shows a reduction in the average depreciation reserve of \$11,945,000 which represents (a) \$517,000 of depreciation reserve associated with the previously mentioned TMI-1 ring girder costs and (b) a decrease of \$11,428,000 to reflect a calculated reserve level. Mr. W. D. Garland will offer testimony supporting this adjustment.

Q. Please describe Adjustment No. 4.

A. That adjustment normalizes the average coal inventory to the desired inventory level at each coal plant. The prices used to value this inventory are the average budgeted cost of coal in inventory at the respective stations during 1980 resulting in a normalized investment in coal inventory of \$11,856,000. As previously mentioned, Mr. R. M. Klingaman's testimony will support the desired levels of such coal inventory.

Q. Please describe Adjustment No. 5.

A. That adjustment normalizes the average oil inventory to reflect the desired levels of oil inventories. These desired levels were also utilized in Met-Ed's petition for modification of its levelized energy cost adjustment charge. The effect of this adjustment is to increase the level of oil inventory by \$358,000, to an average of \$2,906,000.

Q. Please describe Adjustment No. 6.

A. That adjustment normalizes the average deferred energy cost balance to an average level that would result from the proposed increase in energy clause

revenues requested in Met-Ed's petition for modification of its energy cost adjustment charge. The effect of this adjustment is to decrease the level of the average deferred balance by \$20,726,000 to an average of \$81,092,000.

Q. Please describe Adjustment No. 7.

A. In order to avoid an area of controversy, this adjustment of \$2,469,000 includes in the measures of value a cash working capital requirement of only the amount allowed in R.I.D. 626.

Q. Normalization Adjustment No. 8, addresses Accumulated Deferred Income Taxes. Would you please describe this adjustment?

A. Yes. This adjustment eliminates \$823,000 for those deferred taxes associated only with FERC customers (capitalized taxes and post-1969 non-expansion property). It also adjusts deferred taxes associated with deferred energy costs, in accordance with Adjustment No. 6 reflecting the proposed change in Met-Ed's energy cost adjustment charge. Finally a reduction in the amount of \$561,000 in the average deferrals associated with accelerated depreciation is made to reflect the maximum rate base deduction allowable in a future test year, according to IRS regulations under Section 1.167(1) - (1)(h)(b) of the Internal Revenue Code. The total normalized accumulated deferred income tax balance deducted from measures of value after these adjustments is \$111,700,000.

Q. Mr. Huff, does this complete your direct testimony?

A. Yes, it does.

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APPENDIX A

Resume - Education and Experience of David L. Huff

Education:

1955 Bachelor of Science degree in Accounting - Husson College  
1964 MBA degree in Economics - Rutgers University

Other:

1966-67 Completed three courses in Mathematics at Fairleigh Dickenson  
University  
1967 Professional Series of the Depreciation Seminar at Western  
Michigan University  
1968 Nuclear Fuel Management - short course at Purdue University

Experience:

6/55 - 2/65 Accountant and Supervisor-Chevron Oil Company  
2/65 - 6/67 Employed as Accountant - Jersey Central Power & Light Company  
("JCP&L")  
7/67 - 6/71 Senior Accountant - Depreciation and Nuclear Matters - JCP&L  
6/71 - 7/73 Senior Accountant - Budgets - JCP&L  
7/73 - 6/76 Supervisor of Budgets - JCP&L  
6/76 - Present Assistant Comptroller - Metropolitan Edison Company

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WATKINS COMPANY

Statement of Operating Income and Net Income, Year 1981  
 Normalized and Adjusted for Belief, Possible Exclusion of TMI-1 and 2 Costs,  
 and to Belief, Revenue, No change to Achieve Required Return  
 (\$000)

Line No.	Description	As Budgeted (1)	Normalized Adjustments (2)	Adj. Normalized (3) = (1) + (2)	Less: TMI-2 Costs (4)	Normalized Excluding TMI-2 (5) = (3) - (4)	Less: TMI-1 Adj. Costs (6)	Normalized Excluding TMI-1 & TMI-2 (7) = (5) - (6)	Adjustments to Achieve Required Return (8)	Column 5 or Column 7 Including Required Return (9)
<b>Operating revenues:</b>										
1	Base rates	\$ 279,125	\$ (3,969)	\$ 275,156	\$ -	\$ 275,156	\$ -	\$ 275,156	\$ *	\$ *
2	Tax surcharge (incl. GRT on energy clause revenue)	17,896	(17,896)	-	-	-	-	-	-	-
3	Energy clause (excl. GRT)	105,955	(105,955)	-	-	-	-	-	-	-
4	Sub-total	\$ 402,976	\$ (127,818)	\$ 275,156	\$ -	\$ 275,156	\$ -	\$ 275,156	\$ *	\$ *
5	Perfected discounts	440	184	644	-	644	-	644	-	644
6	Other operating revenue	8,431	303	8,736	-	8,736	-	8,736	-	8,736
7	Total operating revenue	\$ 411,855	\$ (127,329)	\$ 284,526	\$ -	\$ 284,526	\$ -	\$ 284,526	\$ *	\$ *
<b>Operating expenses:</b>										
8	Fuel	\$ 104,627	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Interchange & purchased power	128,947	-	-	-	-	-	-	-	-
10	Deferred energy costs	\$ (58,757)	\$ (108,574)	\$ 66,243	\$ -	\$ 66,243	\$ -	\$ 66,243	\$ -	\$ 66,243
11	Total energy costs	\$ 174,817	\$ (108,574)	\$ 66,243	\$ -	\$ 66,243	\$ -	\$ 66,243	\$ -	\$ 66,243
12	Reserve capacity	(3,614)	-	(3,614)	(8,997)	5,383	-	13,960	-	13,960
13	Fuel & ash handling	2,306	-	2,306	-	2,306	-	2,306	-	2,306
14	Cost management	-	-	-	-	-	-	-	-	-
15	Payroll - oper. & maint.	37,922	-	37,922	1,181	36,741	3,104	33,637	-	33,637
16	Other oper. & maint.	63,050	-	63,050	1,400	61,650	3,700	57,950	-	57,950
17	Amortization of deferred energy costs ("old clause")	5,947	-	5,947	-	5,947	-	5,947	-	5,947
18	Total oper. & maint. exp.	\$ 240,426	\$ (108,574)	\$ 131,852	\$ (6,416)	\$ 138,268	\$ (7,773)	\$ 146,041	\$ -	\$ 146,041
19	Depreciation - actual	38,759	(360)	38,399	11,292	27,107	6,380	20,727	-	20,727
20	Depreciation - net salvage	132	-	132	-	132	-	132	-	132
21	Decommissioning	68	-	68	-	68	-	68	-	68
22	Taxes other than income taxes	34,914	(20,962)	13,947	-	13,947	-	13,947	-	13,947
23	Total operating expenses	\$ 334,299	\$ (129,807)	\$ 204,492	\$ 4,876	\$ 199,616	\$ 4,675	\$ 194,941	\$ *	\$ *
24	Operating income before income taxes	\$ 77,586	\$ 2,572	\$ 80,158	\$ (4,876)	\$ 85,034	\$ (4,675)	\$ 80,359	\$ *	\$ *
<b>Income taxes:</b>										
25	Current - federal	\$ (26,456)	\$ 33,959	\$ 7,503	\$ (14,460)	\$ 21,963	\$ (10,153)	\$ 32,116	\$ *	\$ *
26	Deferred - state	39,078	255	39,333	(2,358)	36,975	(1,855)	35,120	\$ *	\$ *
27	Deferred - federal	(341)	(172)	(513)	6,506	6,000	4,453	1,547	-	1,401
28	Investment tax credit	(7,824)	-	(7,824)	-	(7,824)	-	(7,824)	-	(7,824)
29	Amortization of investment tax credit	(1,140)	(133)	(1,273)	(460)	(813)	(235)	(578)	-	(578)
30	Income tax refund	3,115	7,189	10,304	(10,772)	23,076	(7,592)	15,484	-	15,484
31	Total income taxes	\$ 3,115	\$ 7,189	\$ 10,304	\$ (10,772)	\$ 23,076	\$ (7,592)	\$ 15,484	\$ *	\$ *
32	Net utility operating income	\$ 74,471	\$ (4,613)	\$ 69,858	\$ 3,894	\$ 73,752	\$ 2,912	\$ 76,664	\$ *	\$ *
<b>TMI expenses including:</b>										
34	Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
35	Other income and deductions	52,562	-	52,562	-	52,562	-	52,562	-	52,562
36	Less: Interest expense	10,284	-	10,284	-	10,284	-	10,284	-	10,284
37	Net income available for common	\$ 13,626	\$ -	\$ 13,626	\$ -	\$ 13,626	\$ -	\$ 13,626	\$ *	\$ *
38	Rate of return on rate base	6,292	-	6,292	-	6,292	-	6,292	-	6,292
39	Rate of return on common equity	5,202	-	5,202	-	5,202	-	5,202	-	5,202
40	Rate of return on total common equity	3,152	-	3,152	-	3,152	-	3,152	-	3,152
41	Interest coverage ratio	1.26	-	1.26	-	1.26	-	1.26	-	1.26

## METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 1  
( \$000 )Adjustment To Operating Revenues:

To adjust revenues to reflect (1) the currently projected sales and revenue level, as shown in Met-Ed's petition for modification of the levelized energy adjustment clause, (2) for the loss of Hershey Electric Company as a FERC customer on March 1, 1980, (3) to reflect proposed settlement rates with remaining FERC customers, (4) to eliminate tax surcharge and energy clause revenues which are not collected via base rates and should therefore be excluded from this base rate presentation and (5) to reflect the level of revenues for delayed payment charges and other revenues utilized in Met-Ed's petition for modification of its levelized energy cost adjustment charge.

<u>Line No.</u>	<u>Description</u>	<u>Revenues</u>	
		<u>(1)</u>	<u>(2)</u>
1	To adjust base revenues (excl. Hershey) to reflect the revised sales level used in Met-Ed's petition for modification of its levelized energy cost adjustment charge		\$ (1,255)
2	Hershey Electric base revenues budgeted		(1,942)
3	Budgeted base rate increase to FERC customers	\$ 1,487	
4	Percentage reflecting proposed settlement level	<u>51.9%</u>	
5	Rate increase, FERC customers at proposed settlement level		(772)
6	Total adjustment to base revenues		<u>\$ (3,969)</u>
7	Adjustment to eliminate tax surcharge revenues		<u>\$ (17,894)</u>
8	Adjustment to eliminate energy clause revenues		<u>\$ (105,955)</u>
9	Adjustment to delayed payment charge		<u>\$ 184</u>
10	Adjustment to other revenues		<u>\$ 305</u>

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## METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 2  
(\$000)Adjustment To Energy Costs

Adjustment of energy-related costs to the level recoverable through base rates.

<u>Line No.</u>	<u>Description</u>	<u>Total Energy Costs</u>	
		(1)	(2)
1	Retail sales - MWH		
2	Energy cost per MWH recoverable by retail base rates	7,972,349	
3	Energy cost recoverable from retail customers (line 1 x line 2)	<u>8.000</u>	
			\$ 63,779
4	Resale sales - MWH	272,025	
5	Hershey Electric sales - MWH	(54,045)	
6	Adjusted resale sales - MWH	<u>217,980</u>	
7	Energy cost per MWH recoverable by resale base rates	<u>11.303</u>	
8	Energy cost recoverable from resale customers (line 6 x line 7)		<u>2,464</u>
9	Total amount recoverable through base rates		\$ 66,243
10	Less: energy-related costs per budget		<u>174,817</u>
11	Normalizing adjustment (line 9 - line 10)		<u>\$ (108,574)</u>

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## METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 3  
 (\$000)
Adjustment to Depreciation Expense

To adjust the annual depreciation accrual from budgeted accrual to calculated accrual and to eliminate the TMI-1 ring girder accrual consistent with ratemaking treatment in previous orders of this Commission, in order to avoid an area of controversy.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Elimination of TMI-1 ring girder		\$ (96)
	Adjustment of budgeted accrual to recalculated level:		
2	Recalculated accrual	\$ 38,495 (A)	
3	Less: Accrual per budget	<u>38,759</u>	
4	Adjustment		<u>(264)</u>
5	Total normalizing adjustment		<u>\$ (360)</u>

(A) TMI-2 accrual for 1980 is reflected in line 2.

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## METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 4  
( \$000 )

Adjustment To Taxes Other Than Income Taxes

To eliminate, from taxes other than income taxes, those portions of taxes recovered by surcharge.

<u>Line No.</u>	<u>Description</u>	<u>Taxes Other Than Income Taxes</u>	
		<u>(1)</u>	<u>(2)</u>
	<u>Capital Stock Tax</u>		
1	Capital Stock Tax budgeted	\$ 6,000	
2	Amount recoverable by surcharge (40%)	x .40	\$ (2,400)
	<u>Public Utility Realty Tax</u>		
3	\$5,590 is budgeted for this tax, all of which is recoverable through the surcharge		(5,590)
	<u>City of York Gross Receipts Tax</u>		
4	\$377 is budgeted for this tax, all of which is recoverable through the surcharge		(377)
	<u>Pennsylvania Gross Receipts Tax</u>		
5	Normalized revenues, including forfeited discounts	\$275,800	
6	Less revenues exempt from tax	5,643	
7	Normalized tax base	\$270,157	
8	Portion of tax percentage recoverable through base rates.	x 2.0%	
9	Normalized Pa. Gross Receipts Tax collected through base rates	\$ 5,404	
10	Less budgeted amount	18,004	
11	Normalizing adjustment for Pa Gross Receipts Tax		<u>(12,600)</u>
12	Total normalizing adjustment to taxes other than income taxes		<u>\$ (20,967)</u>

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## METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 5  
(\$000)Computation of Federal & State Income Taxes - Normalized  
(Col. 2 of Income Statement)

Line No.		Calculated Taxes		Taxes Before Adj. (3)	Adjustment (4)
		(1)	(2)		
1	Total operating revenue		\$ 284,556		
2	Less: Total O&M expense	\$ 151,852			
3	Depreciation expense	38,399			
4	Average net salvage	132			
5	Decommissioning	68			
6	Taxes other than income taxes	13,947			
7	Total deductions		204,398		
8	Net operating income before income taxes		\$ 80,158		
9	Less: Interest charges (A)		42,229		
10	Net income before income taxes		\$ 37,929		
	Adjustments to taxable income:				
	Add:				
11	Accrued rent-Reading Elec. Light & Power		\$ 2		
12	Taxes assumed on customer deposits		1		
13	Average net salvage		132		
14	Amortization of deferred energy costs		5,947		
	Deduct:				
15	Adjustment of booked depreciation to tax basis (B)		38,386		
16	Payroll taxes capitalized		603		
17	Pension costs capitalized		840		
18	Preferred dividend deduction		134		
19	Dividend received exclusion		2		
20	Cost of removal		388		
21	Net adjustment		\$ (34,271)		
22	Income subject to state income tax		\$ 3,658		
23	State income tax @ 6.9767%		255	\$ -	\$ 255
24	Income subject to federal income tax		\$ 3,403		
25	Federal income tax (46% less \$39)		\$ 1,526		
26	Less JDTC		(7,824)		
27	Total federal tax before consolidated savings		\$ 9,350		
28	Consolidated savings (C)		1,849		
29	Total federal tax		\$ 7,501	\$ (26,458)	\$ 33,959
(A) Computation of interest charges:					
	Total measure of value		\$ 1085,585		
	Interest component of rate of return		3.89%		
	Interest expense		\$ 42,229		
(B) Adj. of booked depreciation to tax basis:					
	Tax depreciation		\$ 76,785		
	Book depreciation		38,399		
	Depreciation adjustment		\$ 38,386		
(C) Computation of consolidated savings:					
	GPU interest allocated to Met-Ed		\$ 4,020		
	Federal tax rate		46%		
	Consolidated savings		\$ 1,849		

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## METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 5  
(S000)Computation of Federal & State Income Taxes - TMI-2 Eliminated  
(Col. 4 of Income Statement)

Line No.		Calculated Taxes		Taxes Before Adj.	Adjustment
		(1)	(2)	(3)	(4)
1	Total operating revenue		\$ 284,556		
2	Less: Total O&M expense	\$ 158,268			
3	Depreciation expense	27,107			
4	Average net salvage	132			
5	Decommissioning	68			
6	Taxes other than income taxes	13,947			
7	Total deductions		199,522		
8	Net operating income before income taxes		\$ 85,034		
9	Less: Interest charges (A)		28,959		
10	Net income before income taxes		\$ 56,075		
	Adjustments to taxable income:				
	Add:				
11	Accrued rent-Reading Elec. Light & Power		\$ 2		
12	Taxes assumed on customer deposits		1		
13	Average net salvage		132		
14	Amortization of deferred energy costs		5,947		
	Deduct:				
15	Adjustment of booked depreciation to tax basis (B)		22,741		
16	Payroll taxes capitalized		603		
17	Pension costs capitalized		840		
18	Preferred dividend deduction		134		
19	Dividend received exclusion		2		
20	Cost of removal		388		
21	Net adjustment		\$ (18,626)		
22	Income subject to state income tax		\$ 37,449		
23	State income tax @ 6.9767%		2,613	\$ 255	\$2,358
24	Income subject to federal income tax		\$ 34,836		
25	Federal income tax (46% less \$39)		\$ 15,986		
26	Less JDTC		(7,824)		
27	Total federal tax before consolidated savings		\$ 23,810		
28	Consolidated savings (C)		1,849		
29	Total federal tax		\$ 21,961	\$ 7,501	\$ 14,460
(A) Computation of interest charges:					
	Total measure of value		\$ 744,453		
	Interest component of rate of return		3.89%		
	Interest expense		\$ 28,959		
(B) Adj. of booked depreciation to tax basis:					
	Tax depreciation		\$ 49,848		
	Book depreciation		27,107		
	Depreciation adjustment		\$ 22,741		
(C) Computation of consolidated savings:					
	GPU interest allocated to Met-Ed		\$ 4,020		
	Federal tax rate		46%		
	Consolidated savings		\$ 1,849		

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## METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 5  
(\$000)Computation of Federal & State Income Taxes-TMI-1 & 2 Eliminated  
(Col. 6 of Income Statement)

Line No.		Calculated Taxes		Taxes Before Adj. (3)	Adjustment (4)
		(1)	(2)		
1	Total operating revenue		\$ 284,556		
2	Less: Total O&M expense	\$ 160,041			
3	Depreciation expense	20,727			
4	Average net salvage	132			
5	Decommissioning	-			
6	Taxes other than income taxes	13,947			
7	Total deductions		194,847		
8	Net operating income before income taxes		\$ 89,709		
9	Less: Interest charges (A)		21,988		
10	Net income before income taxes		\$ 67,721		
	Adjustments to taxable income:				
	Add:				
11	Accrued rent-Reading Elec. Light & Power		\$ 2		
12	Taxes assumed on customer deposits		1		
13	Average net salvage		132		
14	Amortization of deferred energy costs		5,947		
	Deduct:				
15	Adjustment of booked depreciation to tax basis (B)		10,656		
16	Payroll taxes capitalized		603		
17	Pension costs capitalized		840		
18	Preferred dividend deduction		134		
19	Dividend received exclusion		2		
20	Cost of removal		388		
21	Net adjustment		\$ (6,541)		
22	Income subject to state income tax		\$ 61,180		
23	State income tax @ 6.9767%		4,268	\$ 2,613	\$ 1,655
24	Income subject to federal income tax		\$ 56,912		
25	Federal income tax (46% less \$39)		\$ 26,141		
26	Less JDTC		(7,824)		
27	Total federal tax before consolidated savings		\$ 33,965		
28	Consolidated savings (C)		1,849		
29	Total federal tax		\$ 32,116	\$ 21,961	\$ 10,155
<hr/>					
(A)	Computation of interest charges:				
	Total measure of value		\$ 565,256		
	Interest component of rate of return		3.89%		
	Interest expense		\$ 21,988		
(B)	Adjustment of booked depreciation to tax basis:				
	Tax depreciation		\$ 31,383		
	Book depreciation		20,727		
	Depreciation adjustment		\$ 10,656		
(C)	Computation of consolidated savings:				
	GPU interest allocated to Met-Ed		\$ 4,020		
	Federal tax rate		46%		
	Consolidated savings		\$ 1,849		

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## METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 6  
( \$000 )

Adjustment to Provision for Deferred Income Taxes

Adjustment to the Provision for Deferred Income Taxes - Net - Federal, and Provision for Deferred Income Taxes - Net - State to reflect (1) the elimination of deferred taxes associated with deferred energy costs due to the elimination in normalization adjustment no. 1 of energy clause revenues, (2) the elimination of deferred taxes associated with accelerated depreciation of post-1969 non-expansion property, (associated with FERC jurisdictional customers) (3) the elimination of deferred taxes associated with the PURTA refund, and (4) the elimination of miscellaneous deferred tax benefits.

<u>Line No.</u>	<u>Description</u>	<u>Provision For Deferred Taxes Net - Federal (1)</u>	<u>Provision For Deferred Taxes Net - State (2)</u>
1	Deferred taxes per budget, 12 months ended 12/31/80	\$ 39,078	\$ (541)
	Normalizing adjustments:		
2	Deferred energy costs	\$(26,973)	\$ (76)
3	Post-1969 non-expansion property	(241)	-
4	PURTA refund	836	-
5	Miscellaneous deferred tax benefits	(340)	(96)
6	Normalizing adjustment	<u>\$(26,718)</u>	<u>\$ (172)</u>
7	Deferred taxes as adjusted for 12 months ended 12/31/80	<u>\$ 12,360</u>	<u>\$ (713)</u>

- (A) In accordance with the Tax Reform Act of 1969 and the Commission's Statement of Policy of June 24, 1970, in R.I.D. 64 the Commission allowed the Company to normalize the tax reductive effect of liberalized depreciation on post-1969 plant additions that increase capacity, using ADR short lives on post-1970 plant additions.

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## METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 7  
(\$000)Adjustment for Income Tax Refunds

This adjustment reflects the Commission's Orders at R.I.D. 64 and at R.I.D. 170 & 171 requiring the amortization of income tax refunds over a 10 year period.

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Refunds</u> <u>(1)</u>	<u>Amortization</u> <u>of Refund</u> <u>(2)</u>
1	Refunds received in 1971 & 1973	\$ 196	\$ (19)
2	Refunds received in 1976 & 1977	<u>1,158</u>	<u>(116)</u>
3	Total	<u>\$ 1,354</u>	<u>\$ (135)</u>
4	Amortization of refunds budgeted		<u>-</u>
5	Normalizing adjustment		<u>\$ (125)</u>

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METROPOLITAN EDISON COMPANY

Average Measure of Value, Year 1980, at Original Cost  
Normalized and Adjusted to Reflect Possible Exclusion of TMI Units 1 & 2  
(\$000)

Line No.	Description	13 Month Average Measure of Value Per Budget (1)	Normalizing Adjustments (2)	Adj. No.	Normalized Measure of Value (Col 1+Col 2) (3)	Less: TMI-2 Measure of Value (4)	Measure of Value Excluding TMI-2 (Col 3-Col 4) (5)	Less: TMI-1 Measure of Value (6)	Measure of Value Excluding TMI-1 & TMI-2 (Col 5-Col 6) (7)
<b>Electric Plant:</b>									
1	Plant in service	\$ 1,310,787	\$ (3,150)	1	\$ 1,307,637	\$ 360,157	\$ 947,480	\$ 205,976	\$ 741,504
2	Plant held for future use	12,577	(11,593)	2	984	-	984	-	984
3	Nuclear fuel in reactor	22,440	-		22,440	-	22,440	22,440	-
4	Nuclear fuel-spare assemblies	12,583	-		12,583	-	12,583	12,583	-
5	Total electric plant	<u>\$ 1,358,387</u>	<u>\$ (14,743)</u>		<u>\$ 1,343,644</u>	<u>\$ 360,157</u>	<u>\$ 983,487</u>	<u>\$ 240,999</u>	<u>\$ 742,488</u>
<b>Depreciation &amp; Amortization Reserve:</b>									
6	Plant in service	\$ 259,891	\$ (11,945)	3	\$ 247,946	\$ 2,844	\$ 245,102	\$ 35,056	\$ 210,046
7	Nuclear fuel in reactor	7,817	-		7,817	-	7,817	7,817	-
8	Total depreciation & amortization reserve	<u>\$ 267,708</u>	<u>\$ (11,945)</u>		<u>\$ 255,763</u>	<u>\$ 2,844</u>	<u>\$ 252,919</u>	<u>\$ 42,873</u>	<u>\$ 210,046</u>
9	Net Electric Plant	<u>\$ 1,090,679</u>	<u>\$ (2,798)</u>		<u>\$ 1,087,881</u>	<u>\$ 357,313</u>	<u>\$ 730,568</u>	<u>\$ 198,126</u>	<u>\$ 532,442</u>
<b>Additions:</b>									
10	Coal inventories	\$ 12,679	\$ (823)	4	\$ 11,856	\$ -	\$ 11,856	\$ -	\$ 11,856
11	Oil inventories	2,548	358	5	2,906	-	2,906	-	2,906
12	Other M & S inventories	14,513	-		14,513	-	14,513	9,288	5,225
13	Deferred energy costs	101,818	(20,726)	6	81,092	-	81,092	-	81,092
14	Cash working capital	-	2,469	7	2,469	(1,303)	3,772	(1,431)	5,203
15	Total additions	<u>\$ 131,558</u>	<u>\$ (18,722)</u>		<u>\$ 112,836</u>	<u>\$ (1,303)</u>	<u>\$ 114,139</u>	<u>\$ 7,857</u>	<u>\$ 106,282</u>
<b>Deductions:</b>									
16	Customer deposits	\$ 600	\$ -		\$ 600	\$ -	\$ 600	\$ -	\$ 600
17	Customer advances for constr.	500	-		500	-	500	-	500
18	Unamortized gain on reaquired debt	1,031	-		1,031	-	1,031	-	1,031
19	Acc. deferred investment tax credit (32)	20	-		20	-	20	-	20
20	Acc. deferred income taxes	122,608	(10,908)	8	111,700	14,878	96,822	26,786	70,036
21	Income tax refunds	1,031	-		1,031	-	1,031	-	1,031
22	Operating reserves - pensions	250	-		250	-	250	-	250
23	Total deductions	<u>\$ 126,040</u>	<u>\$ (10,908)</u>		<u>\$ 115,132</u>	<u>\$ 14,878</u>	<u>\$ 100,254</u>	<u>\$ 26,786</u>	<u>\$ 73,468</u>
24	Measure of Value (Rate Base)	<u>\$ 1,096,197</u>	<u>\$ (10,612)</u>		<u>\$ 1,085,585</u>	<u>\$ 341,132</u>	<u>\$ 744,453</u>	<u>\$ 179,197</u>	<u>\$ 565,256</u>

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## METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 1  
(\$000)Adjustment To Plant In Service

To avoid an area of controversy, this adjustment eliminates the cost of the TMI-1 ring girder repairs, consistent with ratemaking treatment in previous rate orders of this Commission.

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	TMI-1 ring girder	<u>\$ (3,150)</u>

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## METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 2  
( \$000 )Adjustment To Plant Held For Future Use

To avoid an area of controversy, plant held for future use has been reduced to include only items planned to be used in ten years or less.

<u>Line No.</u>	<u>Description</u>	<u>Year of Planned Use (1)</u>	<u>Amount (2)</u>
1	Land - Weis substation	1985	\$ 7
2	Right of way - Germantown - Orrtanna 115 KV Line	1986	283
3	Right of way - Lynns substation to 230 KV number 100' line	1983	190
4	Right of way - Germantown - Fairview 115 KV Line	1984	<u>504</u>
5	Total plant held for future use with projected dates of use within 10 years		\$ 984
6	Average plant held for future use in 1980		<u>12,577</u>
7	Normalizing adjustment		<u><u>\$ (11,593)</u></u>

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## METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 3  
 (\$000)
Adjustment to Depreciation Reserve

This adjustment reflects the exclusion of the depreciation reserve applicable to the previously mentioned TMI-1 ring girder, and adjusts the budgeted reserve to a calculated basis for rate-making purposes.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Eliminate TMI-1 ring girder		\$ (517)
	Adjustment of budgeted reserve:		
2	Calculated reserve	\$ 248,463	
3	Reserve per budget	259,891	
4	Adjustment		<u>(11,428)</u>
5	Normalizing adjustment		<u>\$ (11,945)</u>

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## METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 4  
(\$000)

Adjustment to Coal Inventories

To adjust coal inventories to desired levels.

<u>Line</u> <u>No.</u>	<u>Station</u>	<u>Desired</u> <u>Inventory</u> <u>Level (Tons)</u> (1)	<u>Average Cost</u> <u>of Coal</u> <u>Inventory</u> <u>Year 1980</u> <u>(\$/Ton)</u> (2)	<u>Cost of Coal</u> <u>In Inventory</u> <u>(Col. 1 x Col. 2)</u> (3)
1	Conemaugh	93,000	\$ 35.37	\$ 3,289
2	Titus	90,000	36.51	3,286
3	Portland	145,000	36.42	<u>5,281</u>
4	Cost of coal inventory as adjusted			\$ 11,856
5	Cost of coal inventory per budget			<u>12,679</u>
6	Normalizing adjustment			<u>\$ (823)</u>

1474 201

## METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 5  
(\$000)Adjustment to Oil Inventories

To adjust oil inventories to reflect desired levels.

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
1	Adjusted average oil inventories	\$ 2,906
2	Average oil inventories as budgeted	<u>2,548</u>
3	Normalizing adjustment	<u>\$ 358</u>

1474 202

## METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 6  
( \$000 )Adjustment to Deferred Energy Costs

To adjust deferred energy costs to the average level that would result from the level of revenues requested and energy costs assumed in Met-Ed's petition for modification of its levelized energy cost adjustment charge.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Average deferred energy costs based on Met-Ed's petition	\$ 81,092
2	Average deferred energy costs per budget	<u>101,818</u>
3	Normalizing adjustment	<u>\$(20,726)</u>

1474 203

METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 7

Adjustment to Cash Working Capital

To avoid an area of controversy, this adjustment reflects a cash working capital claim of only \$2,469,000 that was allowed by the Commission's Order at RID 626.

1474 204

## METROPOLITAN EDISON COMPANY

Normalization Adjustment No. 8  
(\$000)Adjustment to Accumulated Deferred Income Taxes

This adjustment (a) eliminates deferred income taxes associated with capitalized taxes and post-1969 non-expansion property, since these deferrals are associated only with FERC jurisdictional customers, (b) adjusts deferred taxes associated with deferred energy costs (see normalization adjustment No. 6) reflect the clause revenue level proposed under Met-Ed's petition for modification of the levelized energy cost adjustment charge and (c) adjusts deferred taxes to reflect the maximum rate base deduction allowable under Section 1.167(l) - 1 (h)(6) of the Internal Revenue Code in connection with the use of liberalized depreciation.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		<u>(1)</u>	<u>(2)</u>
	Eliminate deferred taxes associated with:		
1	Capitalized taxes		\$ (70)
2	Post-1969 non-expansion property		(753)
3	Deferred taxes on energy at the clause revenue level resulting from the requested modification of the levelized energy cost adjustment charge	\$38,000	
4	Deferred taxes on energy per budget	<u>47,524</u>	
5	Adjustment for deferred energy		(9,524)
6	Maximum allowable rate base deduction	\$74,329	
7	Average deferred taxes associated with liberalized depreciation	<u>74,890</u>	
8	Adjustment for maximum rate base deduction		<u>(561)</u>
9	Normalizing adjustment		<u>\$ (10,908)</u>

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Q. Would you please state your name and address?

A. F. Allen Donofrio, 2123 Woodcrest Drive, Johnstown, Pennsylvania 15905

Q. By whom are you employed and in what capacity?

A. I am Comptroller for Pennsylvania Electric Company, to which I shall from time to time refer to as the "Company" or as "Penelec."

Q. What is your educational and professional background?

A. I was graduated from Fairleigh Dickinson University with a Bachelor of Science Degree in Accounting. I have been employed by the General Public Utilities Corporation since 1964, beginning my career with Penelec's sister company at Jersey Central Power and Light Company. I have held various management positions throughout the GPU System until being elected Comptroller of Penelec on August 2, 1976. I am also a member of the Accounting Division Executive Committee of Edison Electric Institute. This is more fully described in the attached Appendix A.

Q. What are your duties and responsibilities with the Company?

A. As Comptroller, I am directly responsible for all accounting books and records of the Company and for the accounting controls and procedures.

Q. Does the Company adhere to a system of accounts prescribed by the Pennsylvania Public Utility Commission ("PUC")?

A. Yes. The Company's accounting records are maintained in accordance with the Pennsylvania Public Utility Regulations at 52 Pa. Code, Sec. 57.41 et. seq. and in conformity with the Uniform System of Accounts prescribed by both the Federal Energy Regulatory Commission ("FERC") and the PUC.



Q. Are the Company's accounts audited?

A. Yes. They are audited at least annually by an independent certified public accounting firm; and, in addition, the FERC, formerly FPC, conducted compliance audits in 1966, 1967, 1971 and in 1978. Also, in 1972, this Commission reviewed our plant accounts and procedures.

Q. Has an original cost determination been made of the Company's utility plant?

A. Yes. An original cost determination was made as of December 31, 1943 by Order of this Commission dated January 15, 1945 at Docket Nos. EOC 32, MGPC 17, EOC 7, EOC 13, EOC 14, EOC 22 and EOC 44. Original cost determinations were also made for the following major companies which were later merged into Penelec: Pennsylvania Edison Company at Docket Nos. EOC 31 and MGOC 16 by Order dated November 1, 1946 approving balances at July 2, 1946; Northern Pennsylvania Power Company at Docket No. EOC 29 by Order dated January 2, 1946 approving balances at December 31, 1944; Home Electric Company at Docket No. EOC 21 by Order dated August 20, 1945 approving balances at January 1, 1938.

Q. I show you an exhibit which has been marked for identification as Met-Ed/Penelec Exhibit C-1 and ask you has this been prepared by you or under your supervision?

A. Yes, Exhibit C-1 has basically been prepared under my supervision. There are, however, other witnesses who have furnished to me various data used in preparing Exhibit C-1 and they will support that data with their testimony.

Q. Would you please identify those witnesses who will support such data and the general areas of their testimony?

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A. Yes, W. D. Garland will testify to depreciation accrual rates and Mr. F. D. Hafer and Mr. J. G. Graham will jointly offer testimony with respect to deferred energy.

Q. Please describe what is contained in Exhibit C-1.

A. Exhibit C-1 is Penelec's projected budgeted income statement for the year ending December 31, 1980. The preliminary 1980 budgeted data which is the starting point of this exhibit was prepared in July of 1979 and reflects the austere, expense-curtailed financial planning of the immediate post-TMI accident situation. Penelec's 1980 budgeting process has been continuing and the official 1980 budget is expected to be approved by the Board of Directors in late December 1979 or early January 1980.

The income statement is a key document in the quantification of a utility's base revenue requirement for a given period.

Q. Would you please describe Page 1 of 15 of Exhibit C-1.

A. Column 1 reflects the Company's 1980 net income, as taken from its preliminary budget. Column 2 shows a minimum number of adjustments to normalize revenues and expenses with the identifying adjustment numbers appearing adjacent to the respected items in Column 2. The normalizing adjustments in this presentation have been held to a minimum in order (a) to save time in preparation of this presentation for the present hurried proceedings and (b) to avoid areas of controversy (i.e., to forego additional normalization adjustments which Penelec considers to be proper and appropriate for rate making purposes but which the staff and others have opposed in the past). Column 3 shows the situation after giving effect to such normalizing adjustments. Columns 4 and 6 show the budgeted expenses

and related tax adjustments which would be necessary if one were to exclude TMI-2 and TMI-1 expenses respectively. The situation illustrating the exclusion of TMI-2 expenses (to which Penelec does not agree) is reflected in Column 5 and the situation illustrating the possible exclusion of both TMI-1 and 2 expenses (with which Penelec likewise does not agree) is reflected in Column 7. Columns 8 and 9 are included in this schedule to provide a mechanism for adjusting base revenues to reflect the required rates of return under the applicable circumstances.

Q. Please explain Normalization Adjustment No. 1 of Exhibit C-1.

A. This adjustment reflects currently projected level of sales as well as proposed settlement level of resale rates.

Q. What is Normalization Adjustment No. 2?

A. This adjustment eliminates the tax surcharge revenues including the tax portion of energy clause revenues to reduce revenues to the base rate level (Exhibit C-1, Page 3 of 15).

Q. What is Normalization Adjustment No. 3?

A. This adjustment eliminates energy clause revenues excluding the tax portion to reduce revenues to the base rate level. (Exhibit C-1, Page 5 of 15)

Q. Please explain Normalization Adjustment No. 4.

A. This adjustment was included to normalize forfeited discounts to reflect recent customer payment patterns. (Exhibit C-1, Page 5 of 15.)

Q. What is Normalization Adjustment No. 5?

A. This adjustment reflects a reduction of 23 Mw wheeled to the Allegheny Rural Electric Cooperative, Inc. from the Power Authority of the State of New

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York. This power has been reallocated to the Association of Municipal Power Companies-Ohio, Inc.

Q. What is Normalization Adjustment No. 6?

A. In this adjustment, energy related costs are normalized to the levels recoverable through base rates after giving effect to the normalized Mwh sales. (Exhibit C-1, Page 7 of 15.)

Q. What is Normalization Adjustment No. 7?

A. This is to reflect the amortization of the "old clause" balance consistent with currently projected Pa. retail sales.

Q. Please explain Normalization Adjustment No. 8.

A. This adjustment is to reflect a calculated depreciation accrual. In addition, adjustments were made to eliminate depreciation accruals associated with the TMI-1 ring girder repair costs (to avoid area of controversy) the Front Street Station allocation to steam heating and the allocation of general plant to other utility services. (Exhibit C-1, Page 9 of 15.)

Q. What is Normalization Adjustment No. 9?

A. To avoid an area of controversy, this adjustment eliminates the amortization of book depreciation reserve deficiency. (Exhibit C-1, Page 10 of 15.)

Q. Please explain Normalization Adjustment No. 10.

A. This adjustment to Taxes Other Than Income Taxes reflects the elimination from the budget of the Pa. Public Utility Realty Tax and 40% of the capital stock tax which is recovered through the Tax Adjustment Surcharge. The Pennsylvania and New York State Gross Receipts Taxes have been adjusted for normalized sales and to a level recoverable through base rates. (Exhibit C-1, Page 11 of 15.)

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Q. What is Normalization Adjustment No. 11?

A. This adjustment and corresponding calculations, which are shown on Page 11 of 15 of Exhibit C-1, reflect Federal and State Income Taxes after giving effect to the aforementioned normalization adjustments.

Q. Please describe Normalization Adjustment No. 12.

A. Page 13 of 15 of Exhibit C-1 shows a computation of the Federal and State Income Taxes reflected in Column 4 of the Income Statement presentation.

Q. Please describe Adjustment No. 13.

A. This is the computation of the Federal and State Income Taxes reflected in Column 6 of the Income Statement presentation. (Exhibit C-1, Page 14 of 15.)

Q. What does the last adjustment, No. 14, on Page 15 of Exhibit C-1 represent?

A. This adjustment to the Provision for Deferred Taxes was made to remove the deferred taxes associated with the PURTA adjustments. In addition, the deferred taxes associated with deferred energy were adjusted concurrent with the adjustment to deferred energy.

Q. Mr. Donofrio, are you familiar with Penelec's budgeted level of Administration and General-operation and maintenance expenses as utilized in Exhibit C-1?

A. Yes I am.

Q. What opinion, if any, do you have as to the budgeted level of such expenses?

A. In my opinion, such level of expense is a conservative statement of what Penelec would be expected to incur during 1980.

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Q. Mr. Donofrio I show you an exhibit which has been marked for identification as Meted/Penelec Exhibit C-2 and ask you what parts thereof have been prepared by you or under your supervision.

A. That exhibit has basically been prepared under my supervision. There are however other witnesses who have furnished to me various data used in preparing Exhibit C-2 and they will support that data with their testimony.

Q. Please identify the witnesses.

A. Mr. W. D. Garland will testify as to the adjustments necessary to reflect the calculated depreciation reserves, and Mr. F. D. Hafer and Mr. J. G. Graham will jointly sponsor testimony relative to deferred energy balances. Mr. R. W. Conrad will offer testimony with respect to the desired coal and oil inventory level.

Q. Please describe what is contained in Met-Ed/Penelec Exhibit C-2?

A. Exhibit C-2 contains Penelec's budgeted 13 period average original cost measures of value for the year ending December 31, 1980, as was the case with Penelec's income statement (Exhibit C-1), the data used as a starting point for Exhibit C-2 was derived from Penelec's preliminary 1980 budget. Page 1 of Exhibit C-2 summarizes (in Column 1) Penelec's 13 period average measures of value per budget for the year 1980 with a minimum number of normalization adjustments (Column 2) to adjust several items for rate making consideration. Further adjustments (in Columns 4 and 6) reflect the elimination from measures of value of Penelec's 25% interest in TMI-2 (with which Penelec does not agree) and the possible elimination of Penelec's 25% interest in TMI-1 (with which Penelec likewise does not agree). Column 5 shows the effect of the exclusion of TMI-2 and Column 7 represents 1980 average conditions excluding TMI-1 and 2. As was the case with Penelec's income statement, normalizing adjustments have been held to a minimum to save time and to avoid areas of controversy.



Q. Please describe Normalization Adjustment No. 1.

A. This adjusts the budgeted electric plant in service to reflect (a) the removal of the TMI-1 ring girder repair costs (in order to avoid an area of controversy), (b) the allocation of Front Street Generating Station to steam heating and (c) the general plant allocated to other utility services.

Q. Explain Normalization Adjustment No. 2.

A. This adjustment to Electric Plant Held for Future Use (1) removes the cost of all items with a projected in-service date beyond ten years (to avoid another area of controversy), (2) removes the cost of a portion of jointly-owned project items to be transferred to affiliated utilities and (3) reflects the acquisition of the Robindale Site for the Seward No. 7 Generating Station.

Q. What is Normalization Adjustment No. 3?

A. This is to adjust the average depreciation reserve to the average calculated reserve level and to remove the average calculated reserve associated with (1) the TMI-1 ring girder (to avoid an area of controversy), (2) the allocation of a portion of the Front Street Generating Station to steam heating and (3) the general plant allocation to other utility services.

Q. What are Normalization Adjustment Nos. 4 and 5?

A. Adjustment No. 4 is to adjust coal inventories to a desired level. Adjustment No. 5 reflects the oil inventories at a desired level. Mr. R. W. Conrad will testify as to the levels of the coal and oil inventories.

Q. Please describe Normalization Adjustment No. 6 for Deferred Energy Costs.

A. Adjustment No. 6 is to adjust deferred energy costs to reflect the currently projected level of sales and to normalize the Levelized Energy Adjustment Clause rate to 6.5 mills per Kwh as allowed at I-79040308.

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Q. What is Normalization Adjustment No. 7?

A. In order to avoid an area of controversy this adjustment reflects a Cash Working Capital required of only the amount allowed at RID 599.

Q. What is Normalization Adjustment No. 8?

A. Likewise to eliminate an area of controversy, this adjustment, eliminates the average balance of unamortized rate case and flood expenses, in accordance with the Commission's Order of RID 599.

Q. Please describe Normalization Adjustment No. 9.

A. This adjustment eliminates accumulated deferred income taxes associated with Johnstown flood expenses, and the PURTA adjustments; reflects the deferred income taxes associated with the revised deferred energy balance; and reflects the maximum rate base reduction allowable with respect to deferred income taxes associated with liberalized depreciation, according to IRS regulations under Section 1.167(1)-(1)(h)(6) of the Internal Revenue Code. (Exhibit C-2, Page 10 of 10.)

Q. Does this complete your direct testimony?

A. Yes, it does.

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APPENDIX A  
PROFESSIONAL QUALIFICATIONS OF

F. ALLEN DONOFRIO

B. S. Degree - Fairleigh Dickinson University - Major in Accounting.

Graduate courses in Business Administration leading to Masters Degree.

Present member of the Accounting Division Executive Committee of Edison Electric Institute. Former member of the Taxation Committee and the Budgeting and Financial Forecasting Committee.

Graduate of the University of Michigan Public Utilities Executive Program.

August, 1976 to date: Comptroller of Pennsylvania Electric Company, Waverly Electric Light and Power Company, and the Nineveh Water Company, Johnstown, Pennsylvania.

February, 1976 to August, 1976: Principal Financial Analyst of the Management Systems Section of General Public Utilities Corporation located in Reading, Pennsylvania; Analysis and improvement of the Corporation's financial budgeting process, as well as, other financial reporting and analysis duties.

July, 1973 to February, 1976: Manager, Special Accounting of Jersey Central Power & Light Company, Morristown, New Jersey - Responsible for the Coordination and review of all company financings, regulatory filings, rate cases, and federal and other taxes.

January, 1972 to July, 1973: Staff Accountant of Jersey Central Power & Light Company, Morristown, New Jersey - Preparation of rate case schedules and testimonies, and all required filings with SEC, etc., required for financings.

June, 1969 to January, 1972: Supervisor, General Accounting of Jersey Central Power & Light Company, Morristown, New Jersey - Responsible for supervision of all General Accounting functions provided by the General Books, the Accounts Payable, and the Statistical Typing Sections.

August, 1964 to June, 1969: Various positions within Accounting Department of Jersey Central Power & Light Company, Morristown, New Jersey leading up to being made Senior Accountant responsible for the General Books Section in June, 1967.

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PENNSYLVANIA ELECTRIC COMPANY

Statement of Operating Income and Net Income, Year 1980  
Normalized and Adjusted to Reflect Possible Exclusion of TMI-1 and 2 Costs, and to Reflect Revenue  
Necessary to Achieve Required Return  
(\$000)

Line No.	Description	An Budgeted (1)	Normalizing Adjustments (2)	Adj. No.	Normalized (Col 1 + Col 2) (3)	Less: TMI-2 Costs (4)	Adj. No.	Normalized Excluding TMI-2 (Col 3-Col 4) (5)	Less: TMI-1 Costs (6)	Adj. No.	Normalized Excluding TMI-1 & TMI-2 (Col 5-Col 6) (7)	Adjustments to Achieve Required Return (8)	Col. 5 or Col. 7 Including Required Return (9)
Operating revenues:													
1	Base rates	\$436 092	\$ (2 529)	(1)	\$433 563	\$ -		\$433 563	\$ -		\$433 563	\$ *	\$ *
2	Tax surcharge	28 921	(28 921)	(2)	-	-		-	-		-	-	-
3	Energy clause	83 005	(83 005)	(3)	-	-		-	-		-	-	-
4	Sub-total	548 018	(114 455)		433 563	-		433 563	-		433 563	*	*
5	Forfeited discounts	549	262	(4)	811	-		811	-		811	-	811
6	Other operating revenue	10 312	(722)	(5)	9 590	-		9 590	-		9 590	-	9 590
7	Total operating revenue	558 879	(114 915)		443 964	-		443 964	-		443 964	*	*
Operating expenses:													
8	Fuel	172 834	-		-	-		-	-		-	-	-
9	Interchange & purchased power	53 537	-		-	-		-	-		-	-	-
10	Deferred energy costs	(19 963)	-		-	-		-	-		-	-	-
11	Total energy costs	206 408	(84 849)	(6)	117 559	-		117 559	-		117 559	-	117 559
12	Reserve capacity	(4 507)	-		(4 507)	(2 196)		(2 311)	(2 730)		419	-	*
13	Fuel & ash handling, coal cleaning	9 542	-		9 542	-		9 542	-		9 542	-	9 542
14	Core management	-	-		-	-		-	-		-	-	-
15	Payroll - oper. & maint.	49 315	-		49 315	-		49 315	-		49 315	-	49 315
16	Other oper. & maint.	73 197	-		73 197	1 310		71 887	3 379		68 508	-	*
17	Amortization of deferred energy costs (old clause)	5 727	(128)	(7)	5 599	-		5 599	-		5 599	-	5 599
18	Total oper. & maint. exp.	339 682	(88 977)		250 705	(886)		251 591	649		250 942	-	*
19	Depreciation - accrual	45 868	(263)	(8)	45 605	5 664		39 941	3 174		36 767	-	*
20	- net salvage	1 238	-		1 238	-		1 238	-		1 238	-	1 238
21	Amortization of book reserve deficiency	333	(333)	(9)	-	-		-	-		-	-	-
22	Decommissioning	111	-		111	65		46	46		-	-	*
23	Taxes other than income taxes	41 028	(23 118)	(10)	17 910	-		17 910	-		17 910	*	*
24	Total operating expenses	428 260	(112 691)		315 569	4 843		310 726	3 869		306 857	*	*
25	Operating income before income taxes	130 619	(2 224)		128 395	(4 843)		133 238	(3 869)		137 107	*	*
Income taxes:													
26	Current tax - federal	15 359	6 414	(11)	21 773	(8 704)	(12)	30 477	(4 858)	(13)	35 335	*	*
27	- state	2 746	126	(11)	2 872	(1 419)	(12)	4 291	(792)	(13)	5 083	*	*
28	Deferred - federal	18 196	(7 088)	(14)	11 108	3 239		7 869	1 646		6 223	-	*
29	- state	1 196	(1 808)	(14)	(612)	-		(612)	-		(612)	-	(612)
30	Investment tax credit	(6 312)	-		(6 312)	-		(6 312)	-		(6 312)	-	(6 312)
31	Amortization of investment tax credit	(1 487)	-		(1 487)	(273)		(1 214)	(106)		(1 108)	-	*
32	Total income taxes	29 698	(2 356)		27 342	(7 157)		34 499	(4 110)		38 609	*	*
33	Net utility operating income	\$100 921	\$ 132		\$101 053	\$2 314		\$ 98 739	\$ 241		\$ 98 498	\$ *	\$ *
34	TMI expenses including depreciation	\$ -	-		-	-		\$ 2 314	-		\$ 2 555	-	\$ *
35	Other income and deductions	3 697	-		3 697	-		3 697	-		3 697	-	3 697
36	Less: Interest expense	52 901	-		52 901	-		52 901	-		52 901	-	52 901
37	Preferred dividends	14 487	-		14 487	-		14 487	-		14 487	-	14 487
38	Net income available for common	\$ 37 230	-		\$ 37 230	-		\$ 37 362	-		\$ 37 362	-	\$ *
39	Rate of return on rate base	8.26%	-		-	-		9.44%	-		10.30%	-	*
40	Rate of return on common equity devoted to rate base	8.63%	-		-	-		12.26%	-		14.90%	-	*
41	Rate of return on total common equity	8.87%	-		-	-		8.90%	-		8.90%	-	*
42	Interest coverage ratio	2.49	-		-	-		2.45	-		2.45	-	*

\*To be supplied.

## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 1  
(\$000)Adjustment To Base Rates

To adjust base revenues to reflect currently-projected level of sales as well as proposed settlement level of resale rates.

<u>Line</u> <u>No.</u>			<u>Base</u> <u>Rates</u>
1	Base rates per budget for the 12 months ended 12/31/80		\$436 092
		<u>Gwh</u>	<u>Revenues</u>
2	Pa. Retail	(234)	\$ (1 497)
3	N. Y. Retail	1	(12)
4	Resale	<u>41</u>	<u>(1 020)</u>
5	Total	<u>(192)</u>	<u>\$ (2 529)</u>
6	Normalization adjustment		<u>(2 529)</u>
7	Base rates per budget for the 12 months ended 12/31/80, as adjusted		<u>\$433 563</u>

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 2  
(\$000)Adjustment of Tax Surcharge Revenues

To eliminate Tax Surcharge Revenues (including tax portion of energy clause revenues).

<u>Line</u> <u>No.</u>		<u>Tax Surcharge</u> <u>Revenues</u>
1	Tax Surcharge revenues per budget for the 12 months ended 12/31/80	\$ 28 921
2	Normalization adjustment	<u>(28 921)</u>
3	Tax Surcharge revenues per budget for the 12 months ended 12/31/80, as adjusted	\$ <u>      -</u>

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 3  
(\$000)Adjustment of Energy Clause Revenues

To eliminate Energy Clause Revenues (excluding tax portion).

<u>Line</u> <u>No.</u>		<u>Energy Clause</u> <u>Revenues</u>
1	Energy clause revenues per budget for the 12 months ended 12/31/80	\$ 83 005
2	Normalization adjustment	<u>(83 005)</u>
3	Energy clause revenues per budget for the 12 months ended 12/31/80, as adjusted	\$ <u>      </u> -

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 4  
(SC00)Adjustment to Forfeited Discounts

To adjust forfeited discounts to reflect most recent customer payment patterns.

<u>Line</u> <u>No.</u>		<u>Forfeited</u> <u>Discounts</u>
1	Forfeited Discounts per budget for the 12 months ended 12/31/80	\$549
2	Normalization Adjustment	<u>262</u>
3	Forfeited Discounts per budget for the 12 months ended 12/31/80 as adjusted	<u>\$811</u>

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 3  
(\$000)Adjustment to Other Operating Revenues

To reflect reduction of 23 Mw wheeled to Allegheny Rural Electric Co-op, Inc., from Power Authority of the State of New York (PASNY). This is due to a reallocation of PASNY power to the Association of Municipal Power Companies-Ohio, Inc.

<u>Line No.</u>		<u>Other Operating Revenues</u>
1	Other Operating Revenue per budget for the 12 months ended 12/31/80	\$10,312
2	Normalization Adjustment	<u>(722)</u>
3	Other Operating Revenue per budget for the 12 months ended 12/31/80 as adjusted	<u>\$ 9 590</u>

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 6  
(\$000)

Adjustment to Total Energy Costs

To adjust energy costs to the level recoverable by base rates.

<u>Line No.</u>			<u>Total Energy Costs</u>
1	Total energy costs per budget for the 12 months ended 12/31/80		\$206 408
2	Normalized MWH sales-PaPUC	10 584 652	
3	Rate (\$/MWH) recoverable through base rates	\$ <u>10.000</u>	
4	Amount recoverable		\$105 847
5	Normalized MWH sales - N.Y. PSC	77 669	
6	Rate (\$/MWH) recoverable through base rates	\$ <u>2.270</u>	
7	Amount recoverable		176
8	Normalized MWH sales - FERC	954 505	
9	Rate (\$/MWH) recoverable through base rates	\$ <u>12.086</u>	
10	Amount recoverable		<u>11 536</u>
11	Total amount recoverable through base rates		117 559
12	Less Energy - related costs per books		<u>206 408</u>
13	Normalization adjustment		<u>(88 849)</u>
14	Energy costs per budget for the 12 months ended 12/31/80, as adjusted		<u><u>\$117 559</u></u>

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 7  
( \$000 )Adjustment to Amortization of Deferred Energy Costs

To reflect amortization of "old clause" balance consistent with currently projected Pa. Retail Sales.

<u>Line</u> <u>No.</u>		<u>Amortization of</u> <u>Deferred Energy</u> <u>Costs</u>
1	Amortization of deferred energy costs per budget for the 12 months ended 12/31/80	\$5 727
2	Normalization Adjustment	<u>(128)</u>
3	Amortization of deferred energy costs per budget for the 12 months ended 12/31/80 as adjusted	<u>\$5 599</u>

1474 223

## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 8  
(\$000)Adjustment to Depreciation Expense

To adjust Depreciation Expense to reflect calculated accruals for rate-making purposes, to eliminate the depreciation accrual relating to the TMI #1 ring girder repair costs (to avoid an area of controversy), and to eliminate depreciation accruals with respect to plant allocated to non-electric utility services.

<u>Line</u> <u>No.</u>		<u>Depreciation</u>
1	Depreciation per books for the 12 months ended 12/31/80	\$45 868
2	A. Adjustment to reflect calculated depreciation accruals	\$ (16)
3	B. Adjustment to eliminate depreciation accrual related to TMI #1 ring girder	(48)
4	C. Adjustment to eliminate a portion of the depreciation accrual related to the boiler and associated equipment located at the Front Street Generating Station allocated to Steam Heating Plant in Service	(192)
5	D. Adjustment to eliminate depreciation accrual on general plant allocated to Steam Heating and Nineveh Water Company	____(7)
6	Total normalization adjustment	____(263)
7	Depreciation per budget, 12 months ended 12/31/80 as adjusted	<u>\$45 605</u>

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 9  
( \$000 )Adjustment to Amortization of Book Depreciation Reserve Deficiency

To eliminate Amortization of Book Depreciation Reserve Deficiency (to avoid an area of controversy).

<u>Line</u> <u>No.</u>		<u>Amortization of</u> <u>Depreciation</u> <u>Reserve</u> <u>Deficiency</u>
1	Amortization of depreciation reserve deficiency per budget for the 12 months ended 12/31/80	\$ 333
2	Normalization adjustment	( <u>333</u> )
3	Amortization of book depreciation reserve deficiency for the 12 months ended 12/31/80, as adjusted	\$ <u>-</u>

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## PENNSYLVANIA ELECTRIC COMPANY

No. valuation Adjustment No. 10  
(000)

Adjustment to Taxes Other Than Income Taxes

To adjust Taxes Other Than Income Taxes to the level recoverable by base rates.

Line No.			Taxes Other Than Income Taxes
1	Taxes Other Than Income Taxes per budget for the 12 Months Ended 12/31/80		\$ 41 028
2	A. <u>Public Utility Realty Tax</u> To eliminate Public Utility Realty Tax (electric portion only) which is recovered through the Tax Adjustment Surcharge		\$ (5 688)
	B. <u>Pennsylvania Capital Stock Tax</u> To eliminate 40% of the Capital Stock Tax (electric portion only) which is recovered through the Tax Adjustment Surcharge		
3	Pennsylvania Capital Stock Tax for the 12 Months Ended 12/31/80	\$ 6 287	
4	Portion recoverable through Tax Adjustment Surcharge	x .4	
5	Normalization Adjustment		(2 515)
	C. <u>New York Gross Receipts</u> To adjust New York Gross Receipts Tax for normalized sales		
6	Normalized New York Sales Revenues	\$ 1 757	
7	New York Forfeited Discounts	11	
8	Normalized New York Tax Base	1 768	
9	Tax Rate	x .0375	
10		66	
11	Less Gross Receipts Tax budgeted 12 Months Ended 12/31/80	77	
12	Normalization Adjustment		(11)
	D. <u>Pennsylvania Gross Receipts Tax</u> To adjust Pennsylvania Gross Receipts Tax Expense for normalized sales to a level recoverable through base rates		
13	Pennsylvania Normalized Sales Revenues	\$401 250	
14	Pennsylvania Forfeited Discounts	800	
15	Pennsylvania Gross Receipts Tax Base	402 050	
16	Tax Recoverable through base rates	x .02	
17	Normalized Pennsylvania Gross Receipts Tax	8 041	
18	Less Pennsylvania Gross Receipts Tax budgeted for the 12 Months Ended 12/31/80	22 996	
	E. <u>Pennsylvania Gross Receipts Tax - Resale Custs.</u> To adjust Pa. Gross Receipts Tax for normalized resale sales		(14 955)
19	Normalized Sales Revenues	\$28 037	
20	Tax Rate	x .045	
21	Associated Gross Receipts Tax	1 262	
22	Less Gross Receipts Tax Per Budget	1 211	
23	Total Normalization Adjustment	51	\$(23 118)
24	Taxes Other Than Income Taxes per budget 12 Months Ended 12/31/80 as Adjusted		\$ 17 910

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 11  
( \$000 )

Computation of Federal & State Income Taxes - Normalized  
(Col. 2 of Income Statement)

Line No.	Calculated Taxes		Taxes Before Adj.	Adjustment
	(1)	(2)	(3)	(4)
1	Total operating revenue	\$ 443,964		
2	Less: Total O&M expense	\$ 250,705		
3	Depreciation expense	45,605		
4	Average net salvage	1,238		
5	Decommissioning	111		
6	Taxes other than income taxes	<u>17,910</u>		
7	Total deductions	<u>315,569</u>		
8	Net operating income before income taxes	\$ 128,395		
9	Less: Interest charges (A)	<u>52,582</u>		
10	Net income before income taxes	<u>\$ 75,813</u>		
	Adjustments to taxable income:			
	Add:			
11	AFUDC on nuclear fuel	\$ -		
12	Average net salvage	1,238		
13	Amortization of deferred energy costs	5,599		
	Deduct:			
14	Adjustment of booked depreciation to tax basis (B)	38,548		
15	Payroll taxes capitalized	1,030		
16	Pension costs capitalized	876		
17	Preferred dividend deduction	784		
18	Other	<u>250</u>		
19	Net adjustment	<u>\$ (34,651)</u>		
20	Income subject to state income tax	\$ 41,162		
21	State income tax @ 6.9767%	<u>2,872</u>	<u>\$ 2,746</u>	<u>\$ 126</u>
22	Income subject to federal income tax	<u>\$ 38,290</u>		
23	Federal income tax (46% less \$19)	\$ 17,595		
28	Less JDTC	<u>(6,312)</u>		
25	Total federal tax before consolidated savings	\$ 23,907		
26	Consolidated savings (C)	<u>2,134*</u>		
27	Total federal tax	<u>\$ 21,773</u>	<u>\$ 15,359</u>	<u>\$ 6,414</u>
<hr/>				
	(A) Computation of interest charges:			
	Total measure of value	\$1,217,167		
	Interest component of rate of return	4.32%		
	Interest expense	<u>\$ 52,582</u>		
	(B) Adj. of booked depreciation to tax basis:			
	Tax depreciation	\$ 84,153		
	Book depreciation	45,605		
	Depreciation adjustment	<u>\$ 38,548</u>		
	(C) Computation of consolidated savings:			
	GPU interest allocated to Penelec	\$ 4,267		
	Federal tax rate	46%		
	Consolidated savings	<u>\$ 1,963</u>		

\* Includes amortization of FIT refunds.

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 12  
( \$000 )

Computation of Federal & State Income Taxes - TMI-2 Eliminated  
(Col. 4 of Income Statement)

Line No.		Calculated Taxes		Taxes Before Adj.	Adjustment
		(1)	(2)	(3)	(4)
1	Total operating revenue		\$ 443,964		
2	Less: Total O&M expense	\$ 251,591			
3	Depreciation expense	39,941			
4	Average net salvage	1,238			
5	Decommissioning	46			
6	Taxes other than income taxes	<u>17,910</u>			
7	Total deductions		<u>310,726</u>		
8	Net operating income before income taxes		\$ 133,238		
9	Less: Interest charges (A)		<u>45,165</u>		
10	Net income before income taxes		<u>\$ 88,073</u>		
	Adjustments to taxable income:				
	Add:				
11	AFUDC on nuclear fuel	\$ -			
12	Average net salvage		1,238		
13	Amortization of deferred energy costs		5,599		
	Deduct:				
14	Adjustment of booked depreciation to tax basis (B)		30,465		
15	Payroll taxes capitalized		1,030		
16	Pension costs capitalized		876		
17	Preferred dividend deduction		784		
18	Other		<u>250</u>		
19	Net adjustment		<u>\$ (26,568)</u>		
20	Income subject to state income tax		\$ 61,505		
21	State income tax @ 6.9767%		<u>4,291</u>	<u>\$ 2,872</u>	<u>\$1,419</u>
22	Income subject to federal income tax		<u>\$ 57,214</u>		
23	Federal income tax (46% less \$19)		\$ 26,297		
24	Less JDTC		<u>(6,312)</u>		
25	Total federal tax before consolidated savings		\$ 32,611		
26	Consolidated savings (C)		<u>2,134*</u>		
27	Total federal tax		<u>\$ 30,477</u>	<u>\$ 21,773</u>	<u>\$ 8,704</u>
<hr/>					
(A)	Computation of interest charges:				
	Total measure of value		\$1,045,475		
	Interest component of rate of return		<u>4.32%</u>		
	Interest expense		<u>\$ 45,165</u>		
(B)	Adj. of booked depreciation to tax basis:				
	Tax depreciation		\$ 70,406		
	Book depreciation		<u>39,941</u>		
	Depreciation adjustment		<u>\$ 30,465</u>		
(C)	Computation of consolidated savings:				
	GPU interest allocated to Penelec		\$ 4,267		
	Federal tax rate		<u>46%</u>		
	Consolidated savings		<u>\$ 1,963</u>		

\*Includes amortization of FIT refunds.

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 13  
(S000)

Computation of Federal & State Income Taxes-TMI-1 & 2 Eliminated  
(Col. 6 of Income Statement)

Line No.		Calculated Taxes		Taxes Before Adj. (3)	Adjustment (4)
		(1)	(2)		
1	Total operating revenue		\$ 443,964		
2	Less: Total O&M expense	\$ 250,942			
3	Depreciation expense	36,767			
4	Average net salvage	1,238			
5	Decommissioning	-			
6	Taxes other than income taxes	17,910			
7	Total deductions		306,857		
8	Net operating income before income taxes		\$ 137,107		
9	Less: Interest charges (A)		41,311		
10	Net income before income taxes		\$ 95,796		
	Adjustments to taxable income:				
	Add:				
11	AFUDC on nuclear fuel		\$ -		
12	Average net salvage		1,238		
13	Amortization of deferred energy costs		5,599		
	Deduct:				
14	Adjustment of booked depreciation to tax basis (B)		26,836		
15	Payroll taxes capitalized		1,030		
16	Pension costs capitalized		876		
17	Preferred dividend deduction		784		
18	Other		250		
19	Net adjustment		\$ (22,939)		
20	Income subject to state income tax		\$ 72,857		
21	State income tax @ 6.9767%		5,083	\$ 4,291	\$ 792
22	Income subject to federal income tax		\$ 67,774		
23	Federal income tax (46% less \$19)		\$ 31,157		
24	Less JDTC		(6,312)		
25	Total federal tax before consolidated savings		\$ 37,469		
26	Consolidated savings (C)		2,134*		
27	Total federal tax		\$ 35,335	\$ 30,477	\$ 4,858
<hr/>					
(A)	Computation of interest charges:				
	Total measure of value		\$ 956,283		
	Interest component of rate of return		4.32%		
	Interest expense		\$ 41,318		
(B)	Adjustment of booked depreciation to tax basis:				
	Tax depreciation		\$ 63,603		
	Book depreciation		36,767		
	Depreciation adjustment		\$ 26,836		
(C)	Computation of consolidated savings:				
	GPU interest allocated to Penelec		\$ 4,267		
	Federal tax rate		46%		
	Consolidated savings		\$ 1,963		

\*Includes amortization of FIT refunds.

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 14  
( \$000 )Adjustment to Provision for Deferred Income Taxes

The provision for deferred income taxes was adjusted to remove taxes associated with PURTA adjustments, and to reflect taxes associated with the revision of deferred energy costs.\*

<u>Line</u> <u>No.</u>		<u>Provision for Deferred</u> <u>Income Taxes</u>	
		<u>Federal</u>	<u>State</u>
1	Provision for Deferred Income Taxes per budget for the 12 months ended 12/31/80	\$18 196	\$ 1 196
2	Adjustment to remove the deferred taxes associated with PURTA adjustments	1 079	275
3	Adjustment to reflect taxes associated with revised deferred energy	<u>(8 167)</u>	<u>(2 083)</u>
4	Normalization Adjustment	<u>(7 088)</u>	<u>(1 808)</u>
5	Provision for Deferred Income Taxes per budget for the 12 months ended 12/31/80 as adjusted	<u>\$11 108</u>	<u>\$ (612)</u>

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PENNSYLVANIA ELECTRIC COMPANY

Average Measure of Value, Year 1980, at Original Cost  
Normalized and Adjusted to Reflect Possible Exclusion of TMI Units 1 & 2  
(\$000)

Line No.	Description	13 Month Average Measure of Value Per Budget (1)	Normalizing Adjustments (2)	Adj. No.	Normalized Measure of Value (Col 1 + Col 2) (3)	Less: TMI-2 Measure of Value (4)	Measure of Value Excluding TMI-2 (Col 3-Col 4) (5)	Less: TMI-1 Measure of Value (6)	Measure of Value Excluding TMI-1 & TMI-2 (Col 5-Col 6) (7)
<b>Electric Plant:</b>									
1	Plant in service	\$1 581 761	\$ (6 107)	(1)	\$1 575 654	\$180 390	\$1 395 264	\$102 327	\$1 292 937
2	Plant held for future use	8 904	(2 203)	(2)	6 701	-	6 701	-	6 701
3	Nuclear fuel in reactor	11 179	-	-	11 179	-	11 179	11 179	-
4	Nuclear fuel-spare assemblies	6 291	-	-	6 291	-	6 291	6 291	-
5	Total electric plant	<u>1 608 135</u>	<u>(8 310)</u>	-	<u>1 599 825</u>	<u>180 390</u>	<u>1 419 435</u>	<u>119 797</u>	<u>1 299 638</u>
<b>Depreciation &amp; Amortization Reserve:</b>									
6	Plant in service	378 893	(4 001)	(3)	374 892	1 420	373 472	17 602	355 870
7	Nuclear fuel in reactor	3 687	-	-	3 687	-	3 687	3 687	-
8	Total depreciation & amortization reserve	<u>382 580</u>	<u>(4 001)</u>	-	<u>378 579</u>	<u>1 420</u>	<u>377 159</u>	<u>21 289</u>	<u>355 870</u>
9	Net Electric Plant	<u>1 225 555</u>	<u>(4 309)</u>	-	<u>1 221 246</u>	<u>178 970</u>	<u>1 042 276</u>	<u>98 508</u>	<u>943 768</u>
<b>Additions:</b>									
10	Coal inventories	30 998	(7 848)	(4)	23 150	-	23 150	-	23 150
11	Oil inventories	1 557	(67)	(5)	1 490	-	1 490	-	1 490
12	Other M & S inventories	14 546	-	-	14 546	-	14 546	4 644	9 902
13	Unamortized coal mine development costs	7 662	-	-	7 662	-	7 662	-	7 662
14	Deferred energy costs	25 861	3 663	(6)	29 524	-	29 524	-	29 524
15	Cash working capital	-	5 448	(7)	5 448	327	5 121	(809)	5 930
16	Unamortized rate case and flood expenses	<u>1 600</u>	<u>(1 600)</u>	(8)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
17	Total additions	<u>82 224</u>	<u>(404)</u>	-	<u>81 820</u>	<u>327</u>	<u>81 493</u>	<u>3 835</u>	<u>77 658</u>
<b>Deductions:</b>									
18	Customer deposits	573	-	-	573	-	573	-	573
19	Customer advances for constr.	1 473	-	-	1 473	-	1 473	-	1 473
20	Unamortized gain on reacquired debt	1 190	-	-	1 190	-	1 190	-	1 190
21	Acc. deferred investment tax credit (3%)	16	-	-	16	-	16	-	16
22	Acc. deferred income taxes	78 770	425	(9)	79 195	7 605	71 590	-	58 439
23	Income tax refunds	1 821	-	-	1 821	-	1 821	-	1 821
24	Operating reserves	<u>1 631</u>	<u>-</u>	-	<u>1 631</u>	<u>-</u>	<u>1 631</u>	<u>-</u>	<u>1 631</u>
25	Total deductions	<u>85 474</u>	<u>425</u>	-	<u>85 899</u>	<u>7 605</u>	<u>78 294</u>	<u>13 151</u>	<u>65 143</u>
26	Measure of Value (Rate Base)	<u>\$1 222 305</u>	<u>\$ (5 138)</u>	-	<u>\$1 217 167</u>	<u>\$171 692</u>	<u>\$1 045 475</u>	<u>\$ 89 192</u>	<u>\$ 956 283</u>

## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 1  
(\$000)Adjustments to Electric Plant In Service

These several adjustments (a) remove from Plant In Service the cost of the TMI-1 ring girder repairs (to avoid an area of controversy), (b) allocate a portion of the cost of Front Street generating station to Steam Heating, and (c) allocate a portion of the cost of General Plant to other utility services.

<u>Line No.</u>		<u>Electric Plant In Service</u>
1	Average per budget for 1980	\$1 581 761
2	TMI-1 ring girder repair costs	(1 575)
3	Allocation of cost of Front Street generating station	(4 250)
4	General Plant allocated to other utility services	<u>( 282)</u>
5	Normalization adjustment	<u>(6 107)</u>
6	Electric Plant In Service as adjusted	<u>\$1 575 654</u>

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 2  
(\$000)

Adjustment to Plant Held for Future Use

To adjust Plant Held for Future Use to include only items with projected in-service dates within 10 years, the Robindale land purchase, and eliminate the portion of jointly-owned projects to be owned by affiliated utilities (Met-Ed and Jersey Central).

<u>Line No.</u>		<u>Electric Plant Held For Future Use</u>
1	Average per budget for 1980	\$8 904
2	Adjustment to eliminate items with projected in-service dates beyond ten years (380)	
3	Elimination of portions of jointly-owned projects to be owned by affiliated utilities (3 823)	
4	Land acquisition, Robindale Site <u>2 000</u>	
5	Normalization Adjustment	(2 203)
6	Electric Plant Held for Future Use as adjusted	<u>\$6 701</u>

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 3  
(\$000)Adjustment to Depreciation Reserve

To adjust the average book depreciation reserve to the average reserve calculated for rate-making purposes, and to eliminate the average calculated reserves associated with (a) the TMI-1 ring girder (to avoid an area of controversy), (b) a portion of Front Street Generating Station allocated to steam heating, and (c) a portion of General Plant allocated to other utility services.

<u>Line No.</u>		<u>Depreciation Reserve</u>
1	Average per budget for 1980	\$378 893
	Adjustment to reflect calculated reserves:	
2	Average calculated reserve	\$377 606
3	Average budgeted reserve	<u>378 891</u>
4	Normalization adjustment	\$(1 285)
	Calculated reserve associated with:	
5	TMI #1 ring girder	(260)
6	Front Street Generating Station allocated to Steam Heat	(2 375)
7	General Plant allocated to other utility services	<u>(81)</u>
8	Normalization adjustment	<u>(4 001)</u>
9	Depreciation reserve as adjusted	<u>\$374 892</u>

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 4  
(\$000)Adjustment to Coal Inventories

To adjust coal inventories to desired levels.

<u>Line</u> <u>No.</u>		<u>Coal Inventories</u>
1	Average per budget for 1980	\$30 998
2	Normalization adjustment	<u>(7 848)</u>
3	Coal inventories as adjusted	<u>\$23 150</u>

Computation of Cost of Normalized Coal Inventory:

	<u>Desired</u> <u>Level</u> <u>(Tons)</u>	<u>Average 1980</u> <u>Price</u> <u>Per Ton</u>	<u>Normalized</u> <u>Cost of</u> <u>Inventory</u>
Homer City Units #1 and #2 (50% share)	189 897	\$33.608	\$ 6 382
Homer City Unit #3 (50% share)	149 208	39.530	5 898
Seward	93 773	31.903	2 992
Warren	39 294	26.166	1 028
Front Street	51 883	30.214	1 568
Williamsburg	14 785	23.333	345
Shawville	<u>195 928</u>	25.198	<u>4 937</u>
Totals	<u>734 768</u>		<u>\$23 150</u>

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 5  
(\$000)Adjustment to Oil Inventories

To adjust oil inventories to desired levels.

<u>Line</u> <u>No.</u>		<u>Oil Inventories</u>
1	Average per budget for 1980	\$1 557
2	Normalization adjustment	<u>(67)</u>
3	Oil inventories as adjusted	<u>\$1 490</u>

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 6  
(\$000)Adjustment to Deferred Energy

To adjust the average balance of deferred energy costs to reflect the currently projected level of sales and to reflect the Levelized Energy Adjustment Clause rate of 6.5 mills/Kwh (as allowed at I-79040308) instead of 7.6.. mills/Kwh, as budgeted.

<u>Line</u> <u>No.</u>		<u>Deferred Energy</u>
1	Average per budget for 1980	\$25 861
2	Normalization adjustment	<u>3 663</u>
3	Deferred Energy as adjusted	<u>\$29 524</u>

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PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 7  
( \$000 )

Adjustment to Cash Working Capital

To avoid an area of controversy, this adjustment reflects only the level of cash working capital allowed in RID 599:

Cash Working capital requirement

\$5 448

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 8  
(\$000)Adjustment to Eliminate Unamortized Rate Case and Flood Expenses

To avoid areas of controversy, this adjustment eliminates the average balance of unamortized rate case and flood expenses, in accordance with the Commission's Order in RID 599.

<u>Line</u> <u>No.</u>		<u>Unamortized Rate</u> <u>Case and Flood</u> <u>Expenses</u>
1	Average per budget for 1980	\$ 1 600
2	Normalization adjustment	<u>(1 600)</u>
3	Unamortized rate case and flood expenses as adjusted	\$ <u><u>-</u></u>

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## PENNSYLVANIA ELECTRIC COMPANY

Normalization Adjustment No. 9  
(\$000)Adjustment to Accumulated Deferred Income Taxes

This adjustment (a) eliminates accumulated deferred income taxes associated with Johnstown flood expenses, (b) eliminates the deferred income taxes associated with the PURTA adjustments; (c) reflects the deferred income taxes associated with the revised deferred energy balance; and (d) reflects the maximum rate base reduction allowable with respect to deferred income taxes associated with liberalized depreciation, under Section 1.167(1)-1(h)(6) of the Internal Revenue Code.

<u>Line No.</u>		<u>Accumulated Deferred Income Taxes</u>
1	Average per budget for 1980	\$78 770
2	Adjustment to eliminate accumulated deferred income taxes associated with Johnstown flood expenses	\$ (519)
3	Adjustment to eliminate accumulated deferred income taxes associated with PURTA refunds	(374)
4	Adjustment to reflect the deferred income taxes associated with the revised deferred energy balance	1 843
5	Adjustment to reflect the maximum rate base reduction allowable with respect to deferred income taxes associated with liberalized depreciation	<u>(525)</u>
6	Normalization Adjustment	<u>425</u>
7	Accumulated deferred income taxes as adjusted	<u>\$79 195</u>

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METROPOLITAN EDISON COMPANY  
AND  
PENNSYLVANIA ELECTRIC COMPANY  
REVIEW  
BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
SEPTEMBER 21, 1979

**Met-Ed GPU**

**Penelec GPU**

MEMBER COMPANIES OF THE GENERAL PUBLIC UTILITIES SYSTEM.

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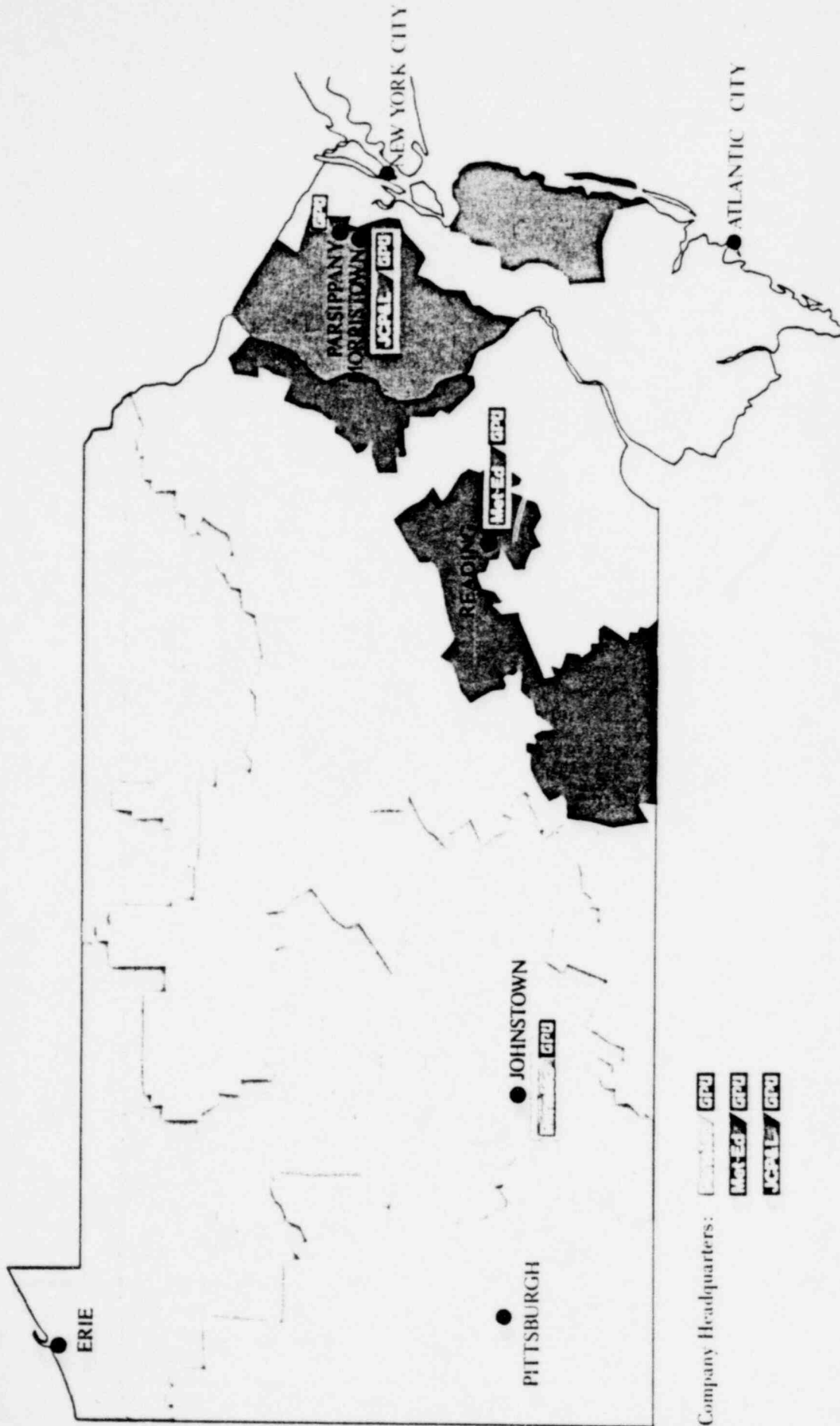
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# SYSTEM SERVICE AREA



Company Headquarters:

-  GPU
-  Met-Ed / GPU
-  JCPML / GPU

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Metropolitan Edison Company  
 Pennsylvania Electric Company

**Key Statistics**

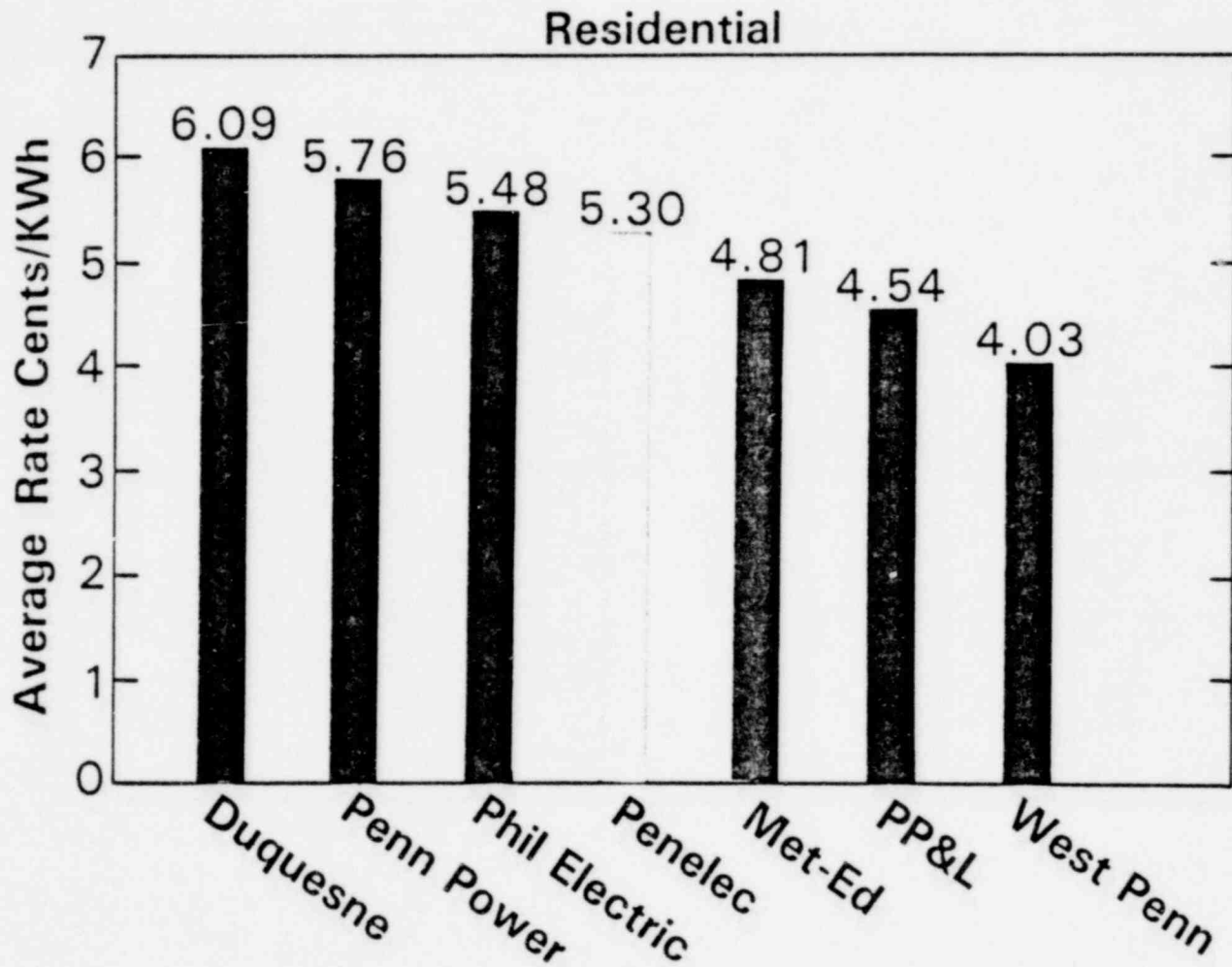
(12 Months Ended 8/31/79)

		<u>Met-Ed</u>	<u>Penelec</u>	
Service Territory (sq. miles)	3,300		17,600	
Customers (at 8/31/79):		%		%
Residential	314,400	88	447,100	88
Commercial	35,900	10	53,700	11
Industrial	2,200	1	4,700	1
Other	<u>2,600</u>	<u>1</u>	<u>700</u>	<u>-</u>
Total	355,100	100	506,200	100
Sales (MWH):				
Residential	2,535,000	31	3,197,000	29
Commercial	1,532,000	19	2,334,000	21
Industrial	3,340,000	41	4,859,000	43
Other	<u>717,000</u>	<u>9</u>	<u>812,000</u>	<u>7</u>
Total	8,124,000	100	11,202,000	100
Net System Requirements (MWH)	8,783,000		12,172,000	
Installed Capacity (Summer Rating):				
Nuclear	828	41	414	16
Coal	915	45	1,983	74
Other	<u>287</u>	<u>14</u>	<u>264</u>	<u>10</u>
Total (Summer Rating)	2,030MW	100	2,661MW	100
Total (Winter Rating)	2,144MW		2,743MW	
Annual peak to Date (2-12-79)	1,571MW		2,124MW	
Annual Load Factor	63.8%		65.4%	

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## Average Rate Comparison Pennsylvania Utilities

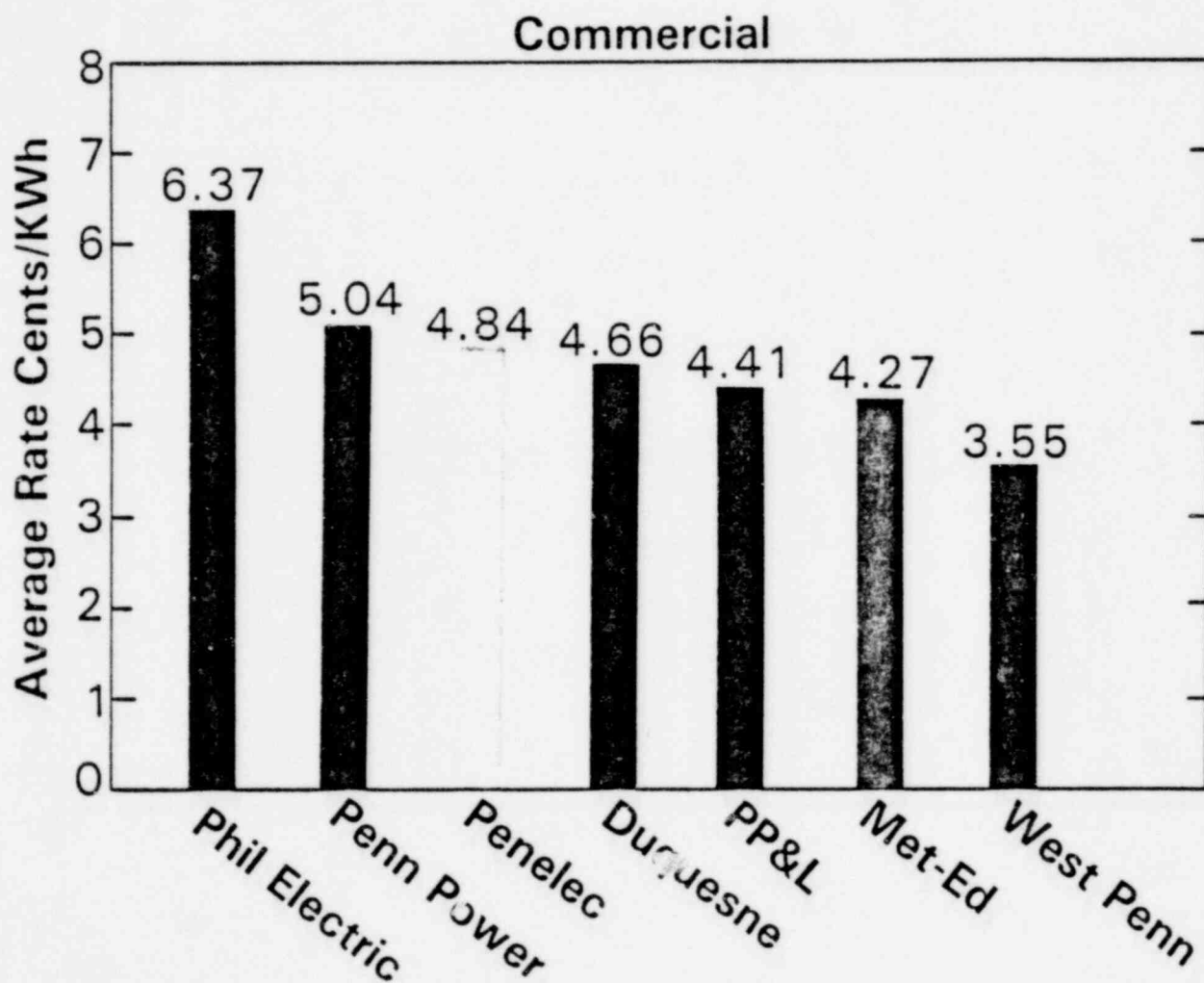
Three Months Ending June 30, 1979



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## Average Rate Comparison Pennsylvania Utilities

Three Months Ending June 30, 1979

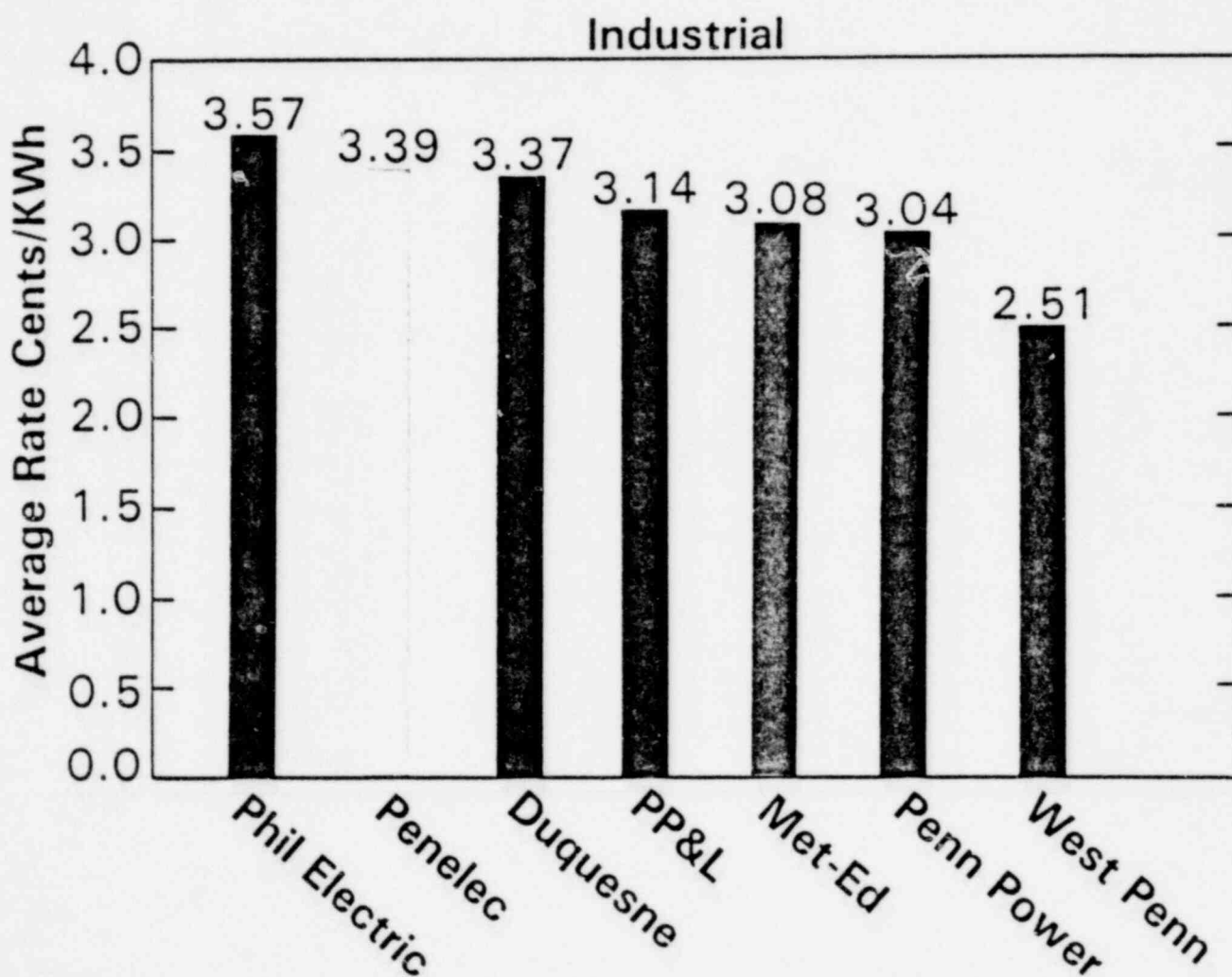


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## Average Rate Comparison Pennsylvania Utilities

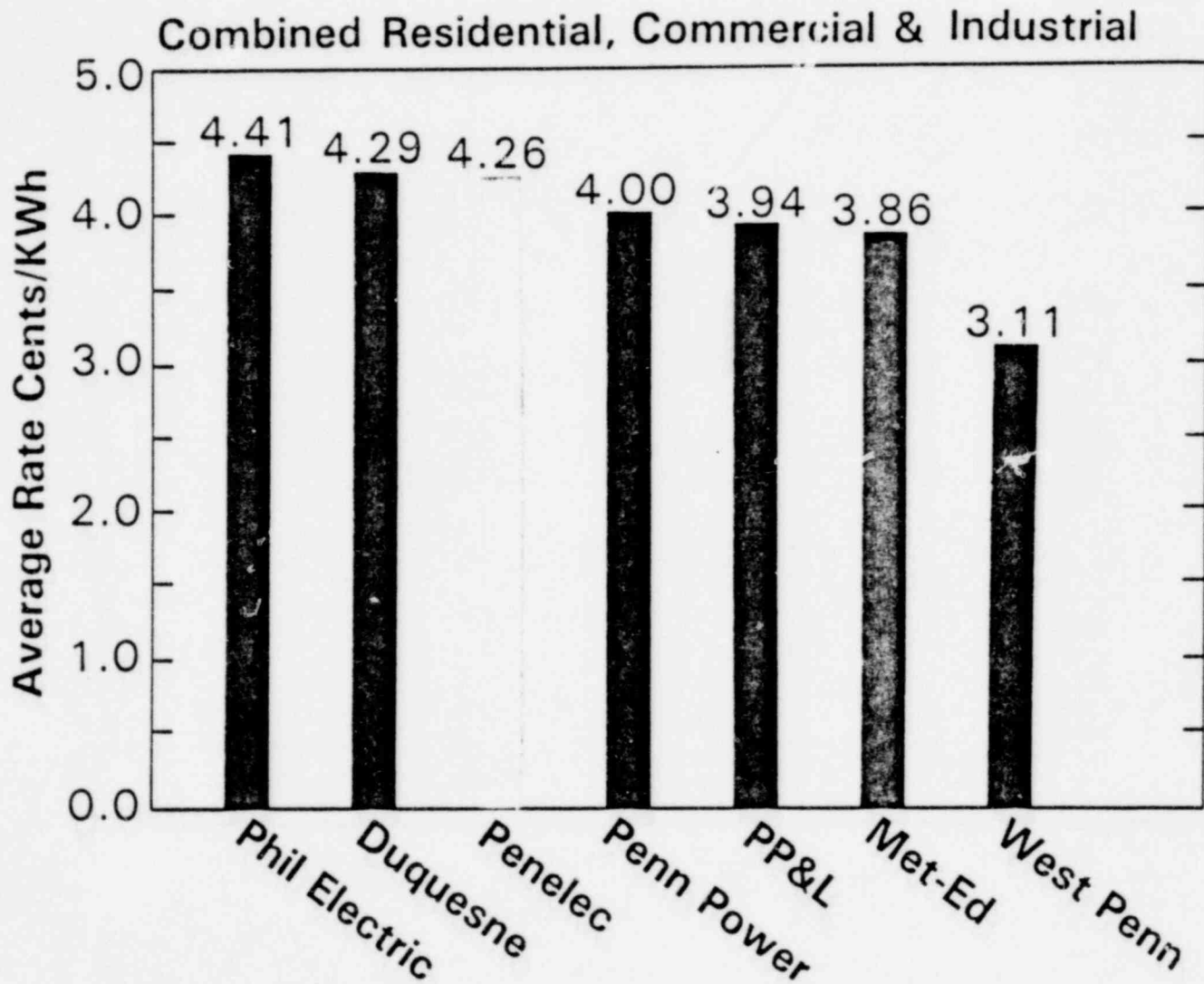
Three Months Ending June 30, 1979



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## Average Rate Comparison Pennsylvania Utilities

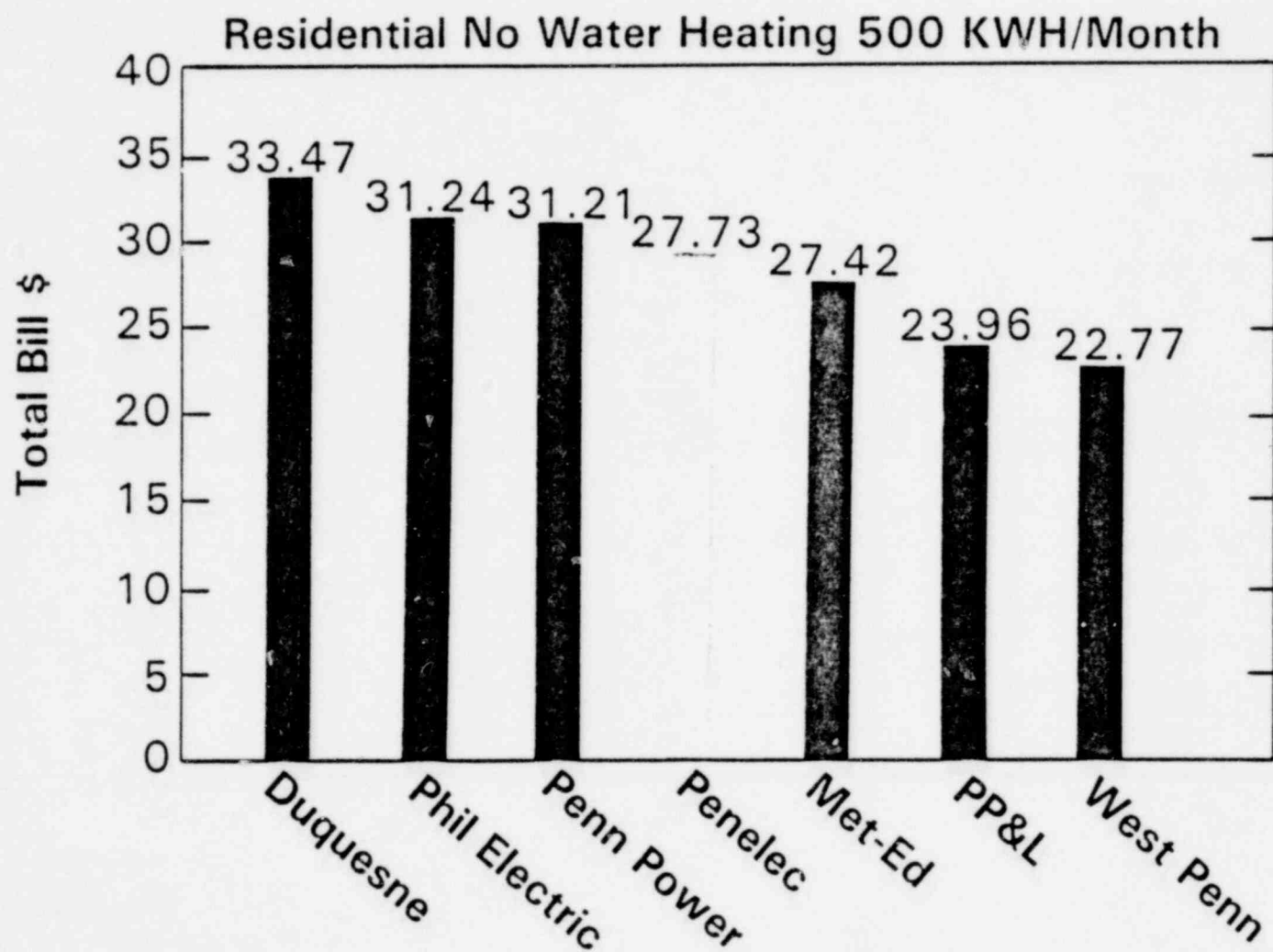
Three Months Ending June 30, 1979



1474 250

## Typical Bill Comparisons Pennsylvania Utilities

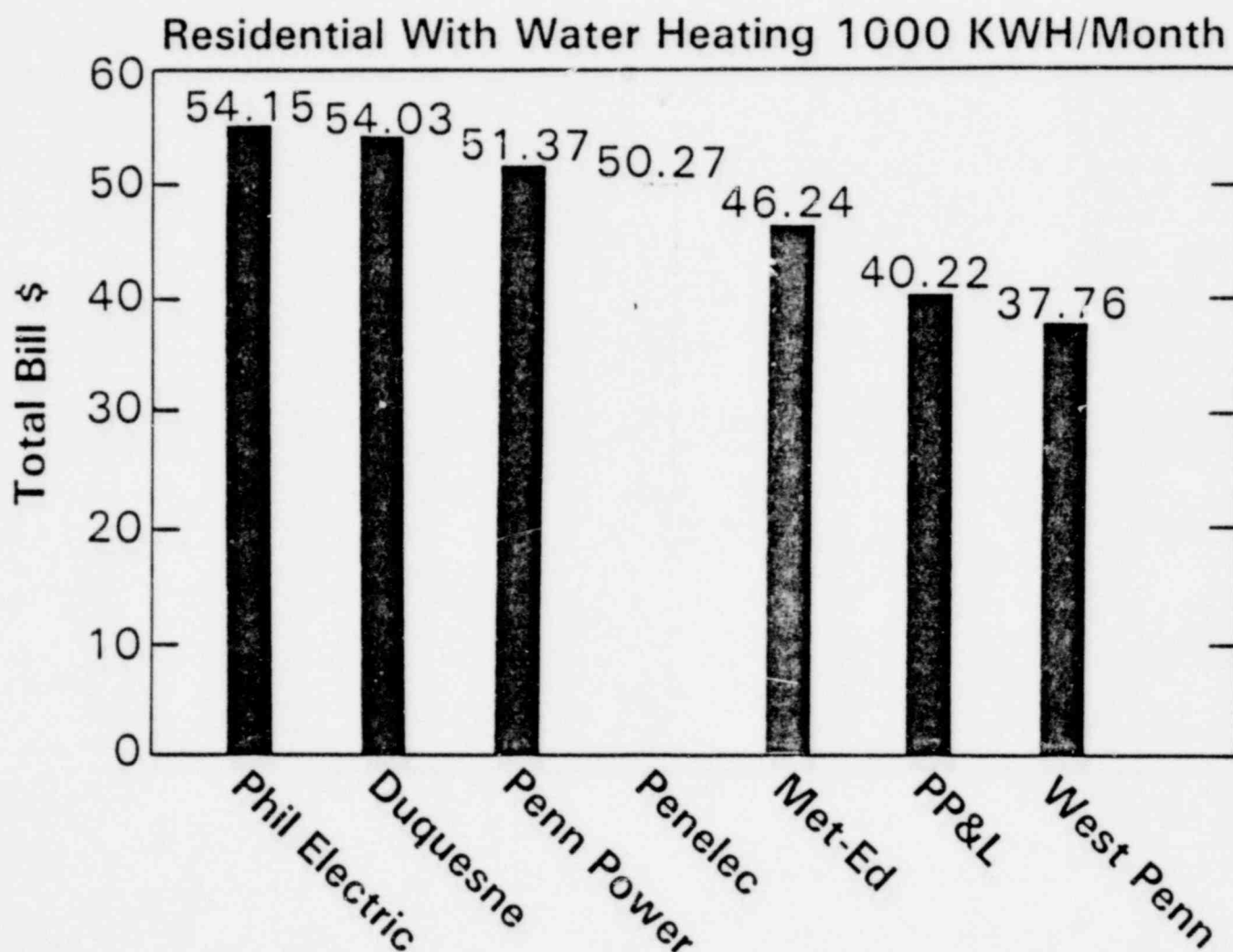
Rates in Effect September 1, 1979



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## Typical Bill Comparisons Pennsylvania Utilities

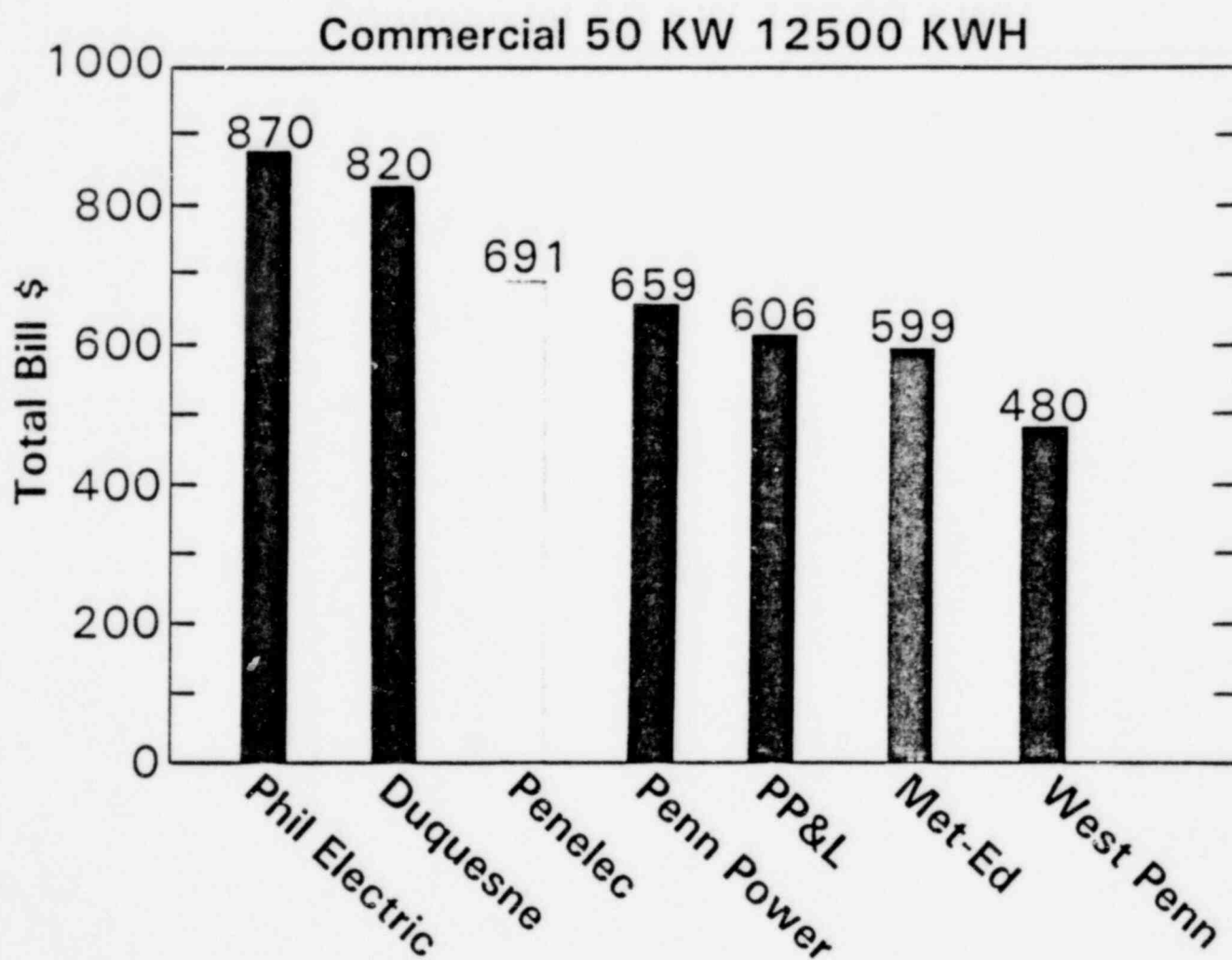
Rates in Effect September 1, 1979



1474 252

## Typical Bill Comparisons Pennsylvania Utilities

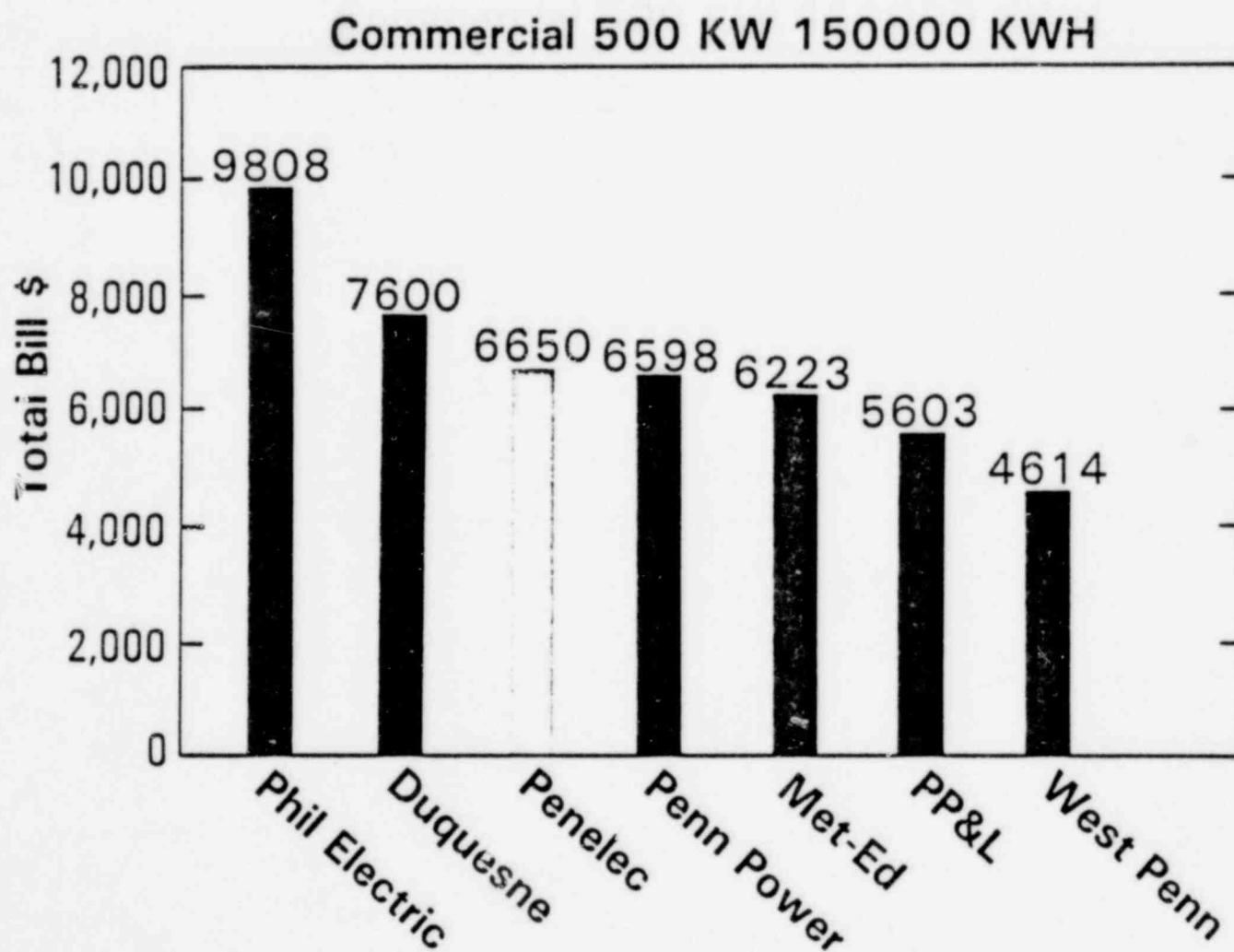
Rates in Effect September 1, 1979



1474 253

## Typical Bill Comparisons Pennsylvania Utilities

Rates in Effect September 1, 1979

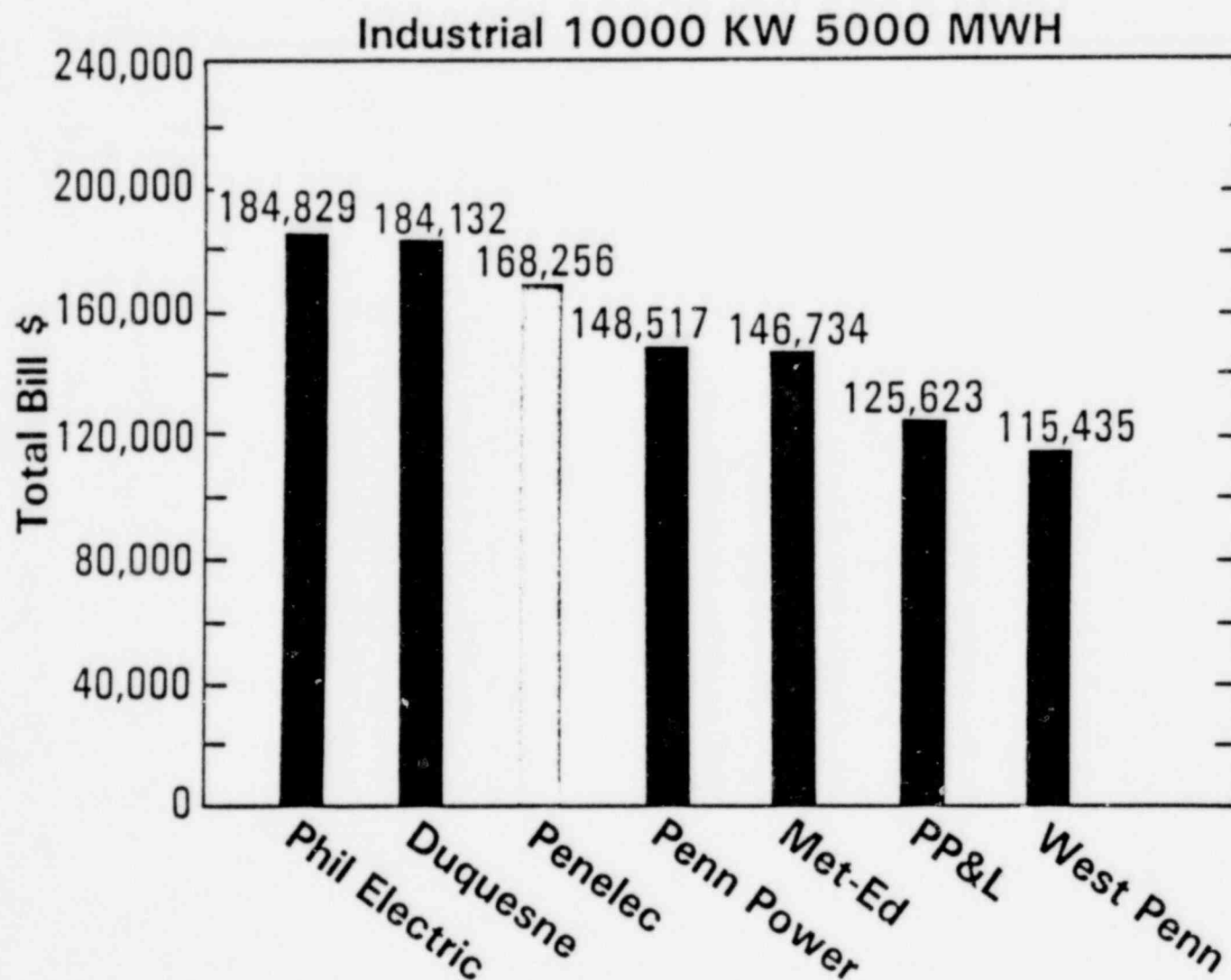


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## Typical Bill Comparisons Pennsylvania Utilities

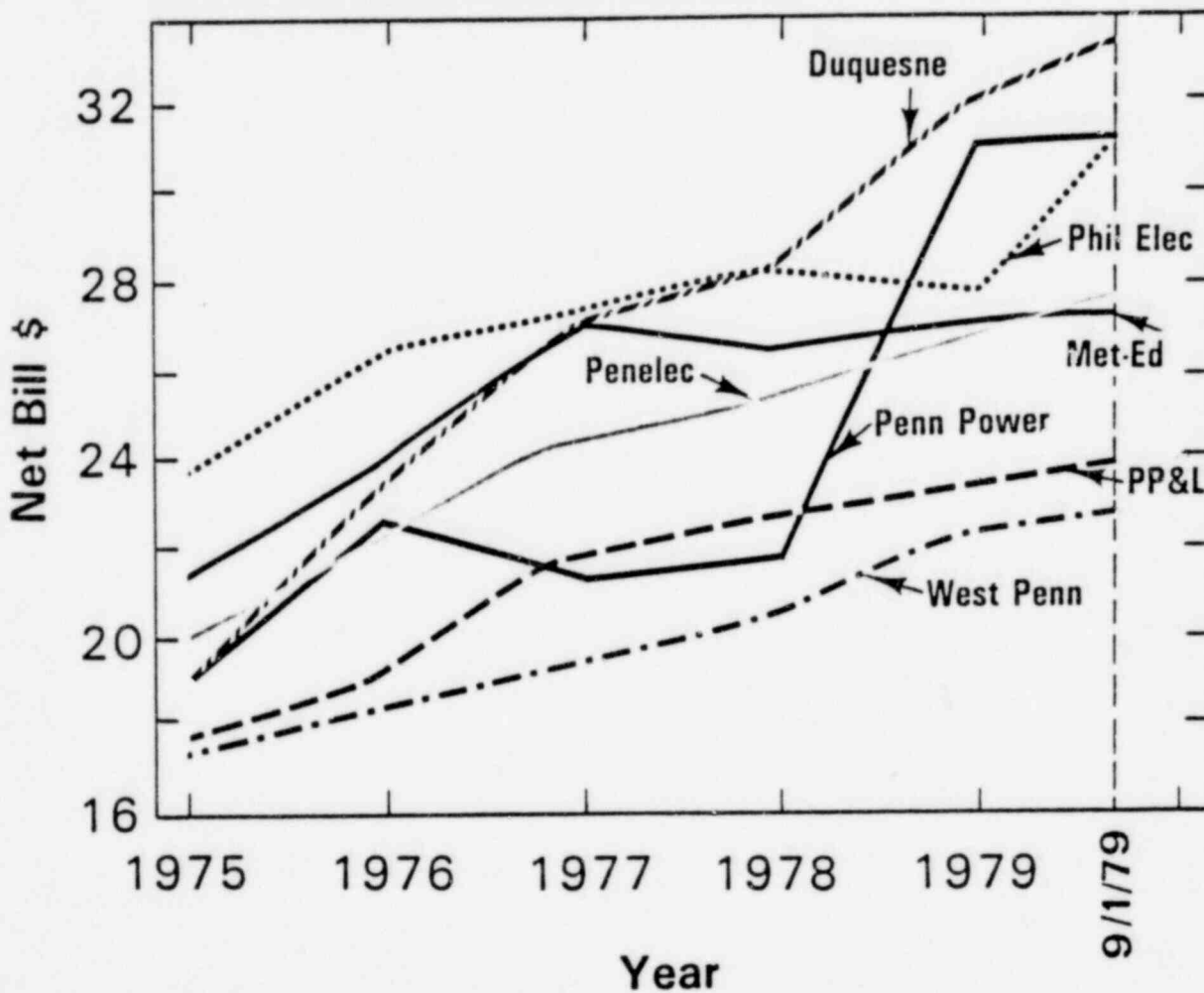
Rates in Effect September 1, 1979



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## Major Pennsylvania Utilities

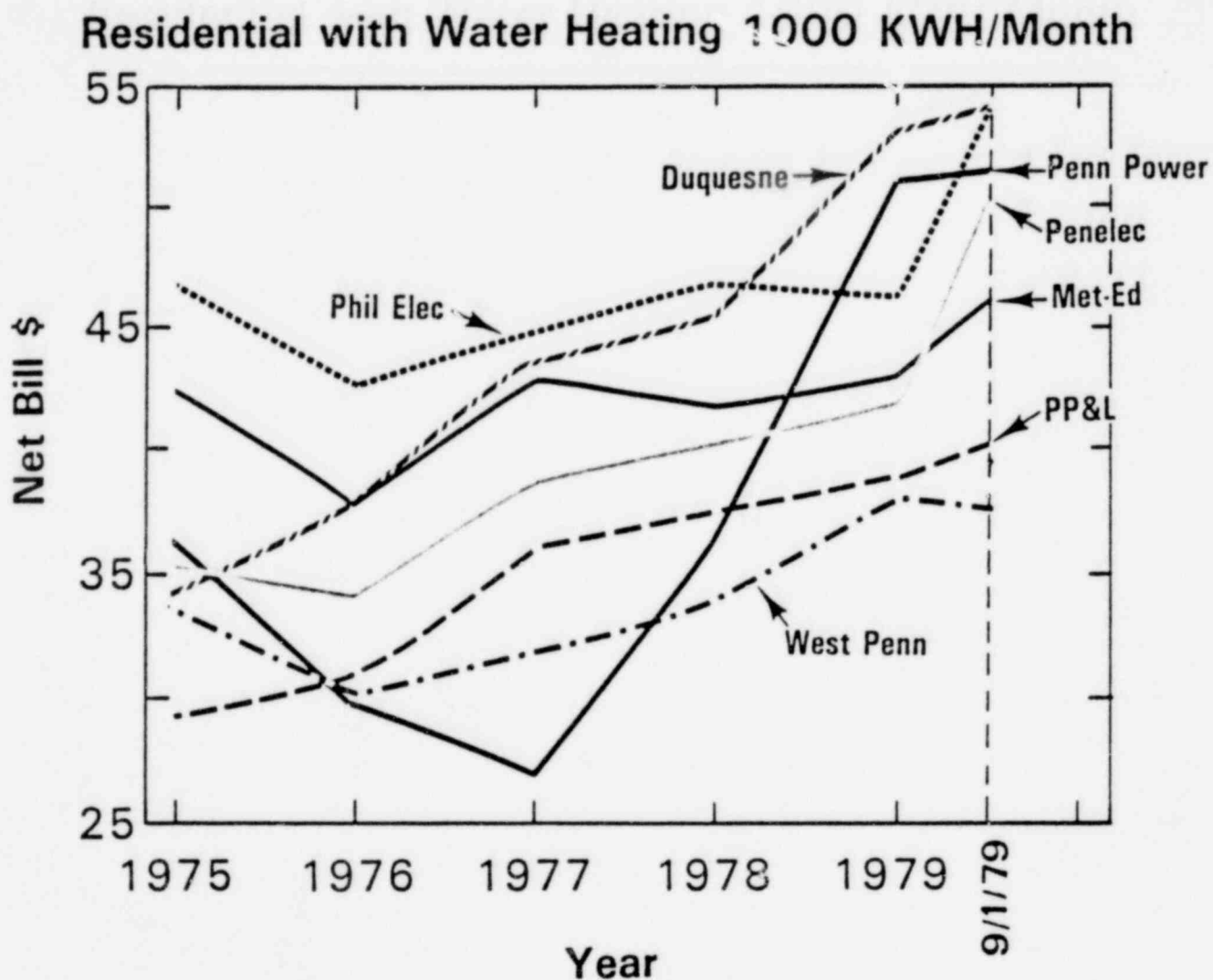
**Typical Bill Comparison**  
**Total Bill for Service Including All Adjustments**  
 Residential No Water Heating 500 KWH/Month



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Source: Edison Electric Institute Typical Bill Comparisons

## Major Pennsylvania Utilities

**Typical Bill Comparison****Total Bill for Service Including All Adjustments**

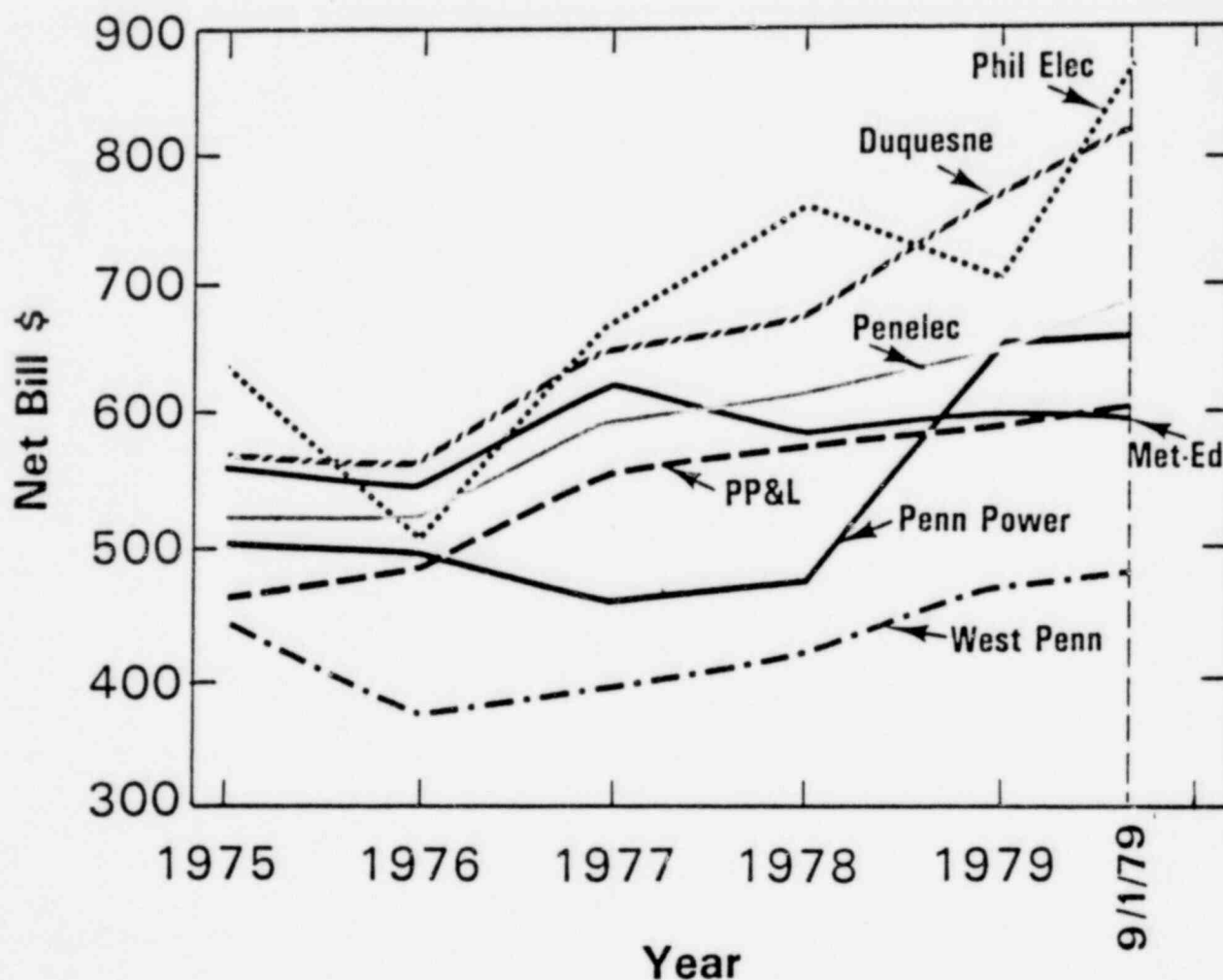
Source: Edison Electric Institute Typical Bill Comparisons

Revised 10/24/79

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## Major Pennsylvania Utilities

### Typical Bill Comparison Total Bill for Service Including All Adjustments Commercial 50 KW 12500 KWH

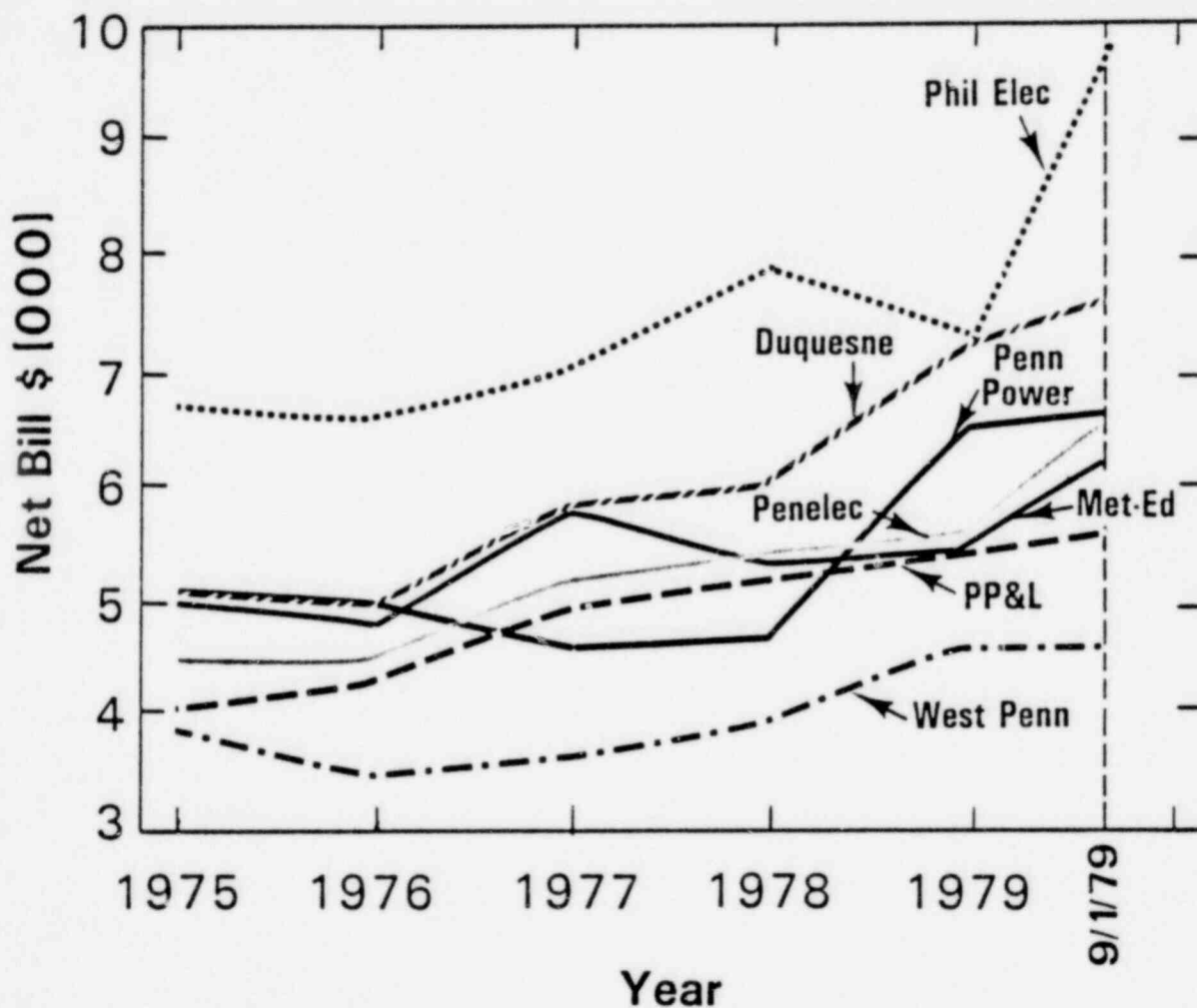


1474 258

Source: Edison Electric Institute Typical Bill Comparisons

## Major Pennsylvania Utilities

**Typical Bill Comparison**  
**Total Bill for Service Including All Adjustments**  
 Commercial 500 Kw 150000 Kwh/Month



1474 259

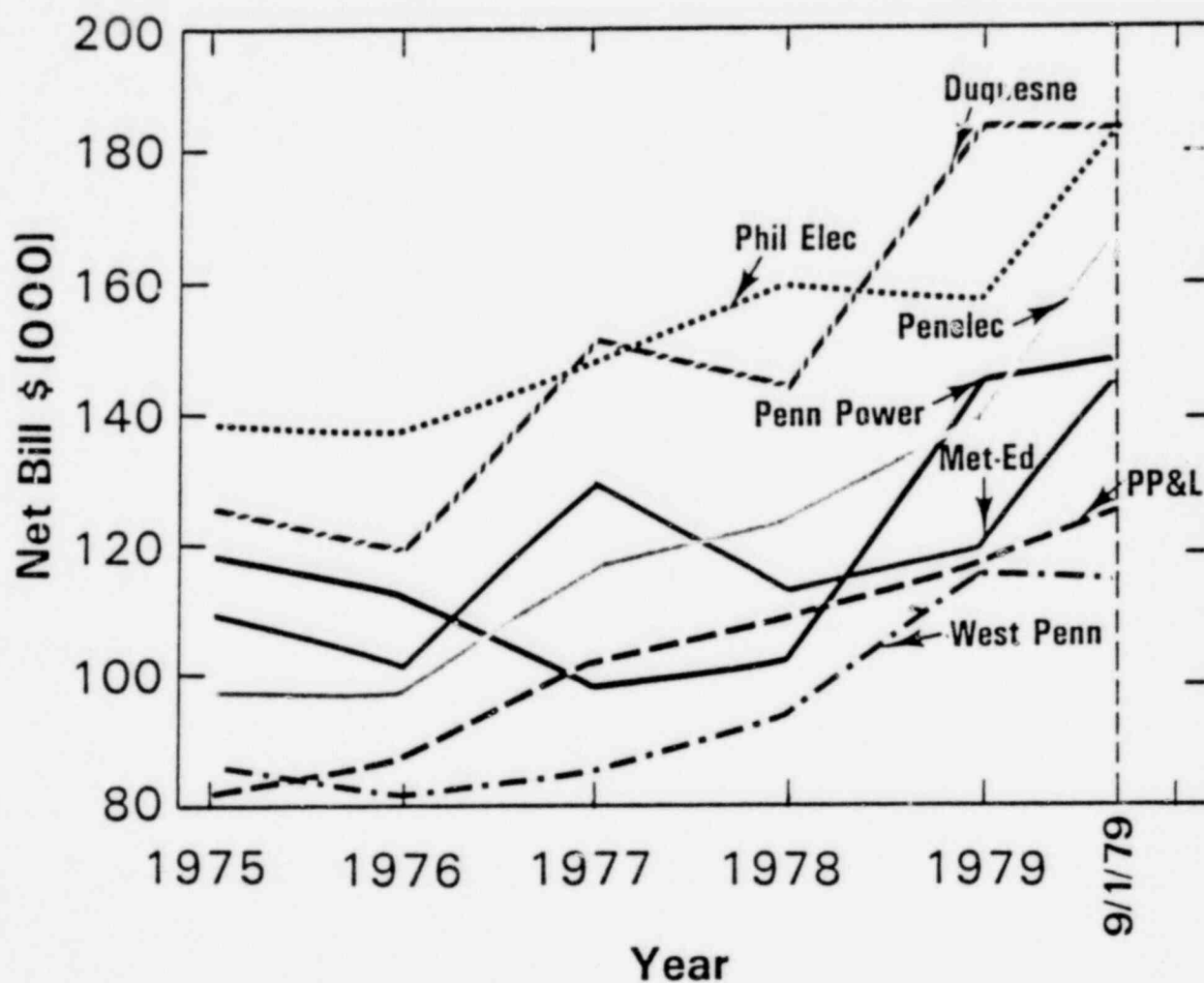
Source: Edison Electric Institute Typical Bill Comparisons

## Major Pennsylvania Utilities

# Typical Bill Comparison

## Total Bill for Service Including All Adjustments

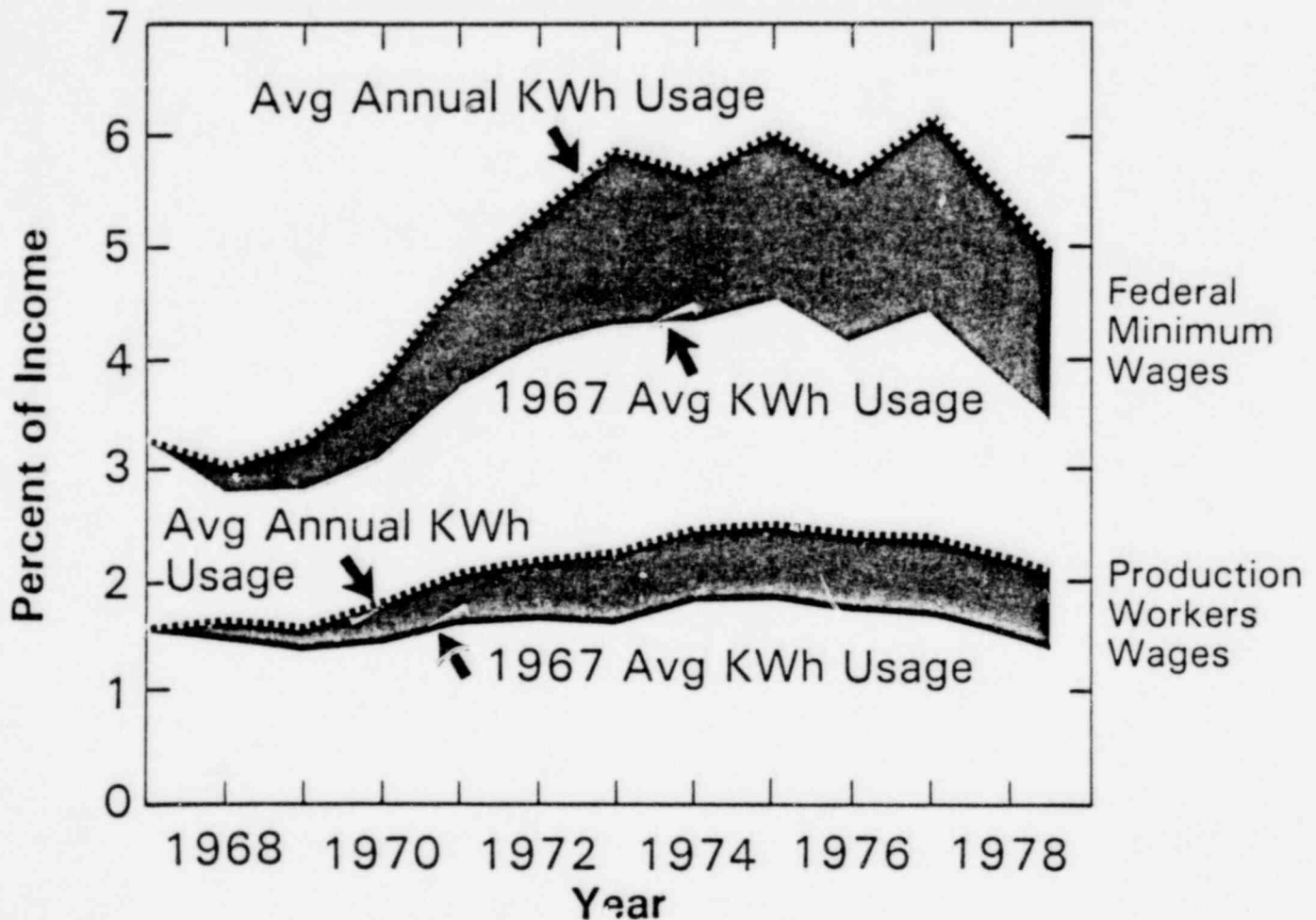
Industrial 10000 KW 5000 MWH



1474 260

Source: Edison Electric Institute Typical Bill Comparisons

Metropolitan Edison Company  
**Average Annual Electric Bill  
 as a Percent of Annual Income<sup>1</sup>**  
**Residential No Electric Water Heating**



<sup>1</sup>Income is based upon Pennsylvania statewide average hourly wages for production workers in the total manufacturing category as compiled by the US Bureau of Labor, Department of Labor Statistics or Federal minimum wage levels.

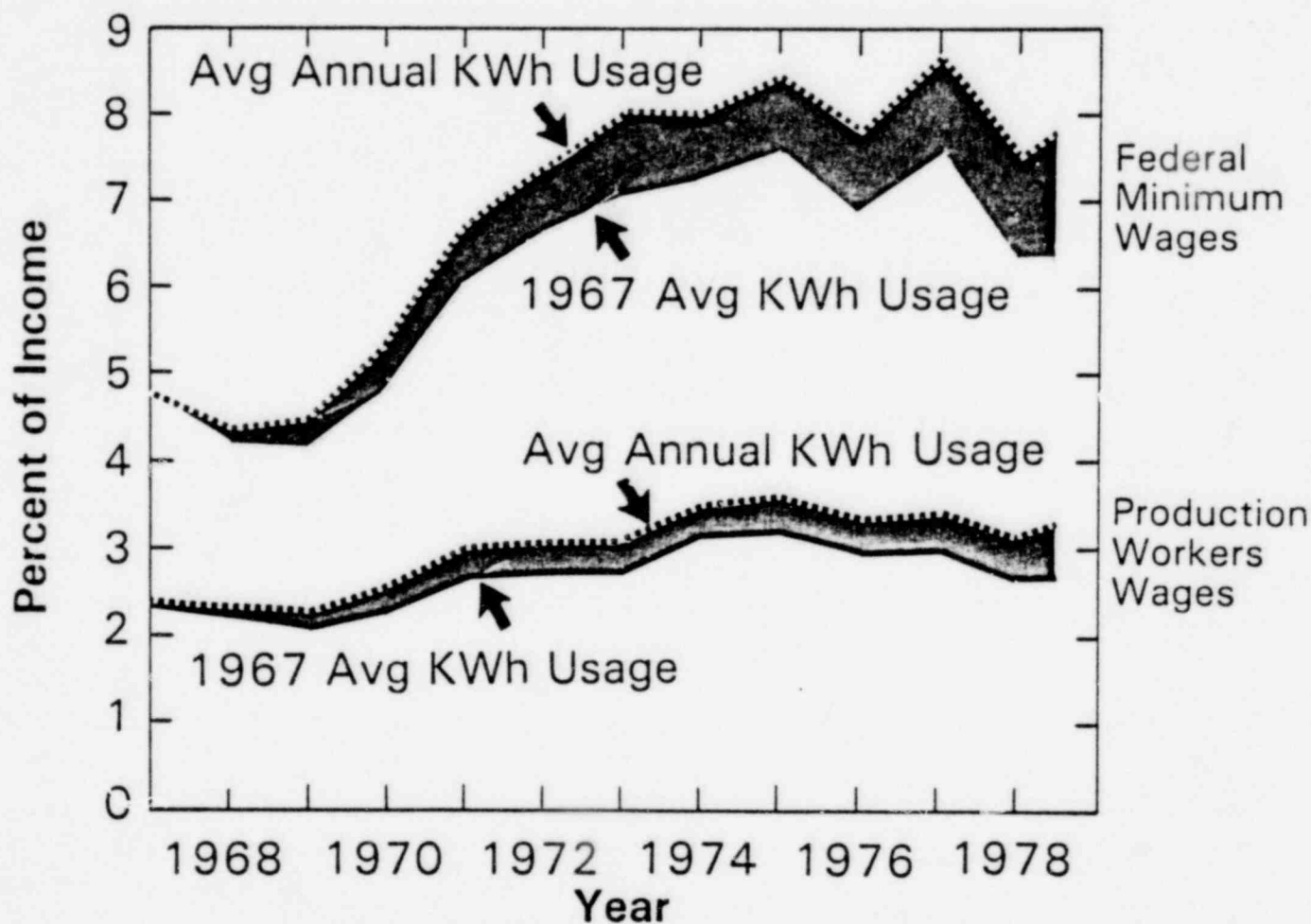
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Metropolitan Edison Company

# **Average Annual Electric Bill as a Percent of Annual Income<sup>1</sup>**

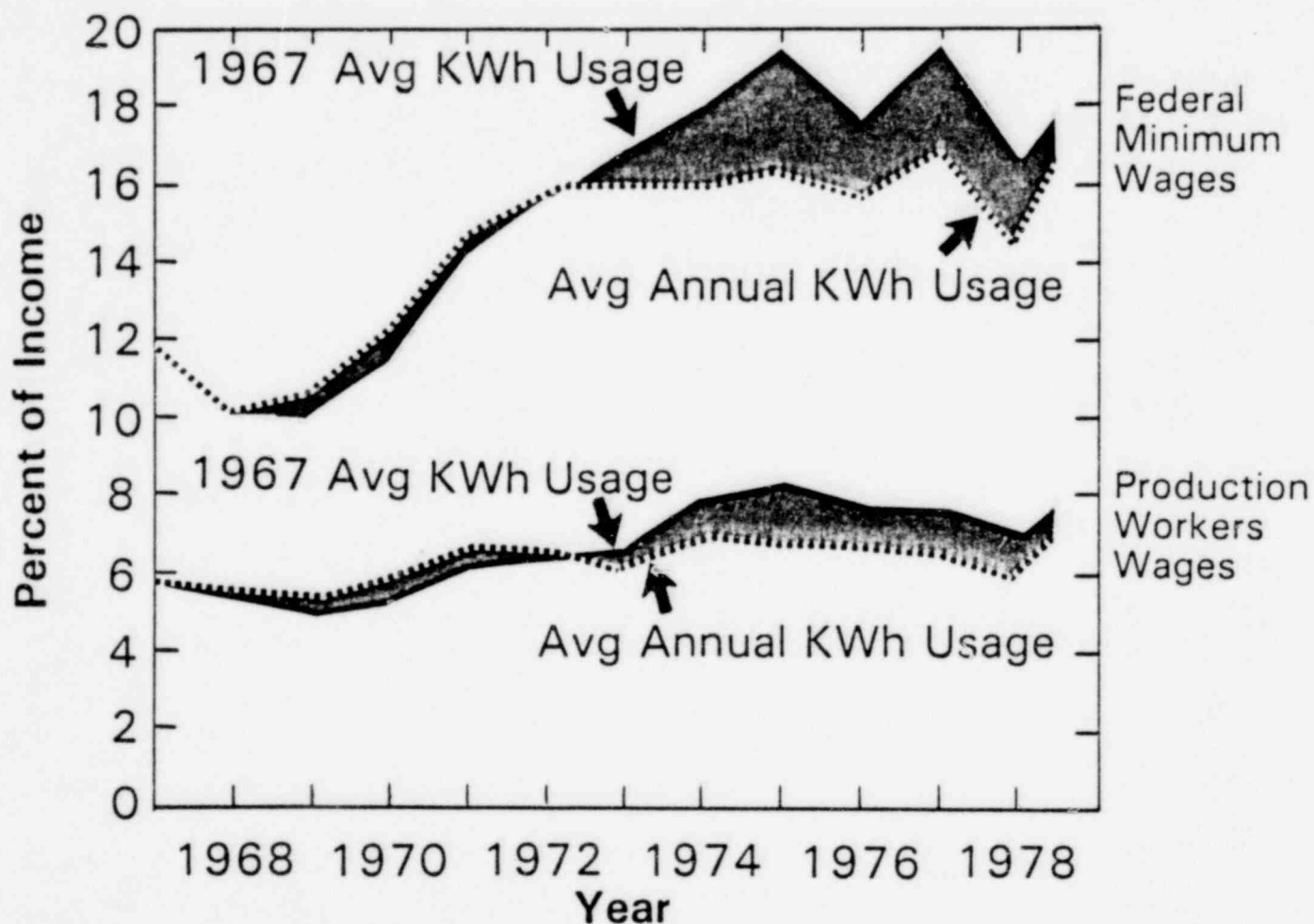
## **Residential with Electric Water Heating**



<sup>1</sup>Income is based upon Pennsylvania statewide average hourly wages for production workers in the total manufacturing category as compiled by the US Bureau of Labor, Department of Labor Statistics or Federal minimum wage levels.

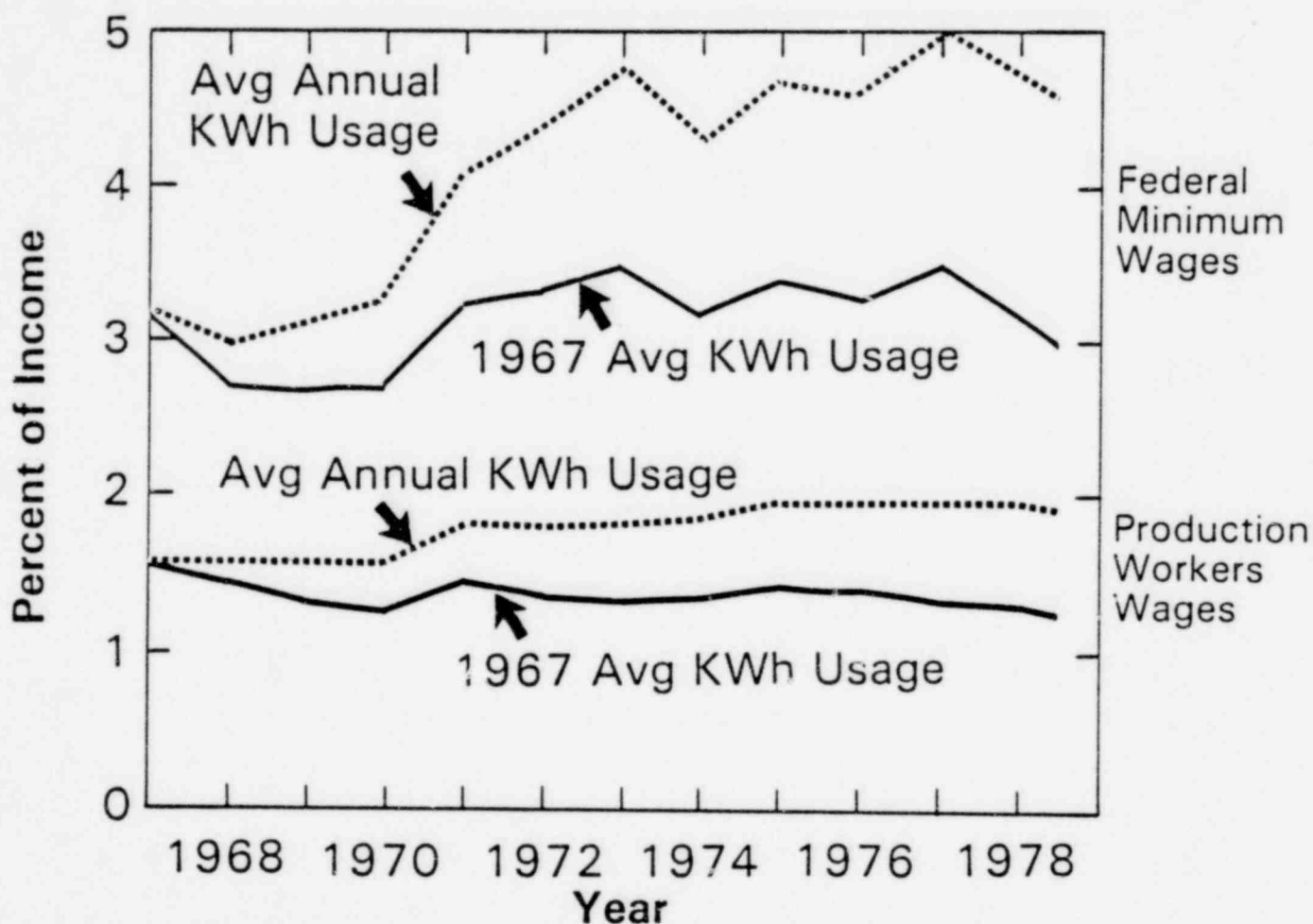
1474 262

Metropolitan Edison Company  
**Average Annual Electric Bill  
 as a Percent of Annual Income<sup>1</sup>**  
**Residential All-Electric**



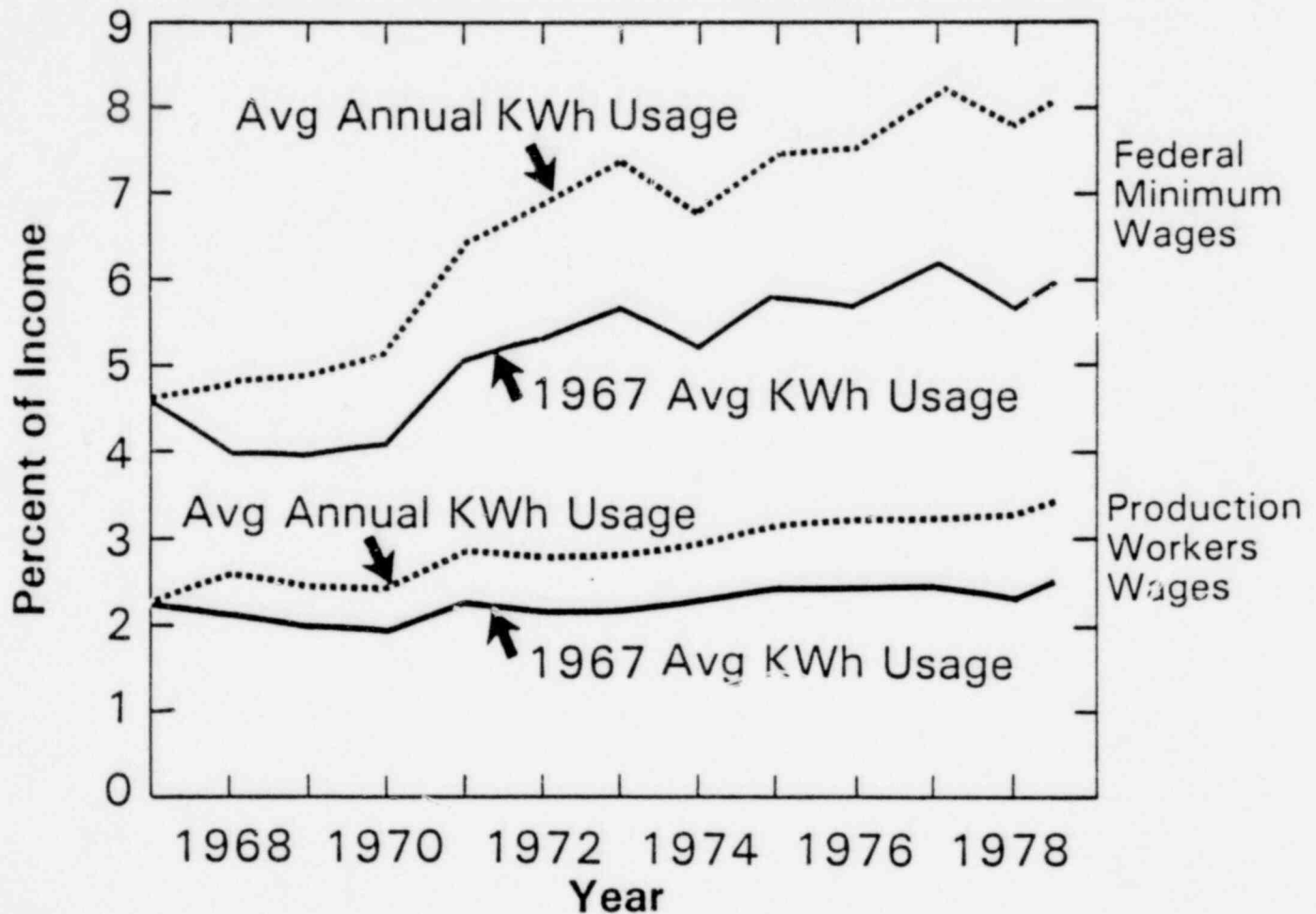
<sup>1</sup>Income is based upon Pennsylvania statewide average hourly wages for production workers in the total manufacturing category as compiled by the US Bureau of Labor, Department of Labor Statistics or Federal minimum wage levels.

Pennsylvania Electric Company  
**Average Annual Electric Bill  
 as a Percent of Annual Income<sup>1</sup>**  
**Residential No Electric Water Heating**



<sup>1</sup>Income is based upon Pennsylvania statewide average hourly wages for production workers in the total manufacturing category as compiled by the US Bureau of Labor, Department of Labor Statistics or Federal minimum wage levels.

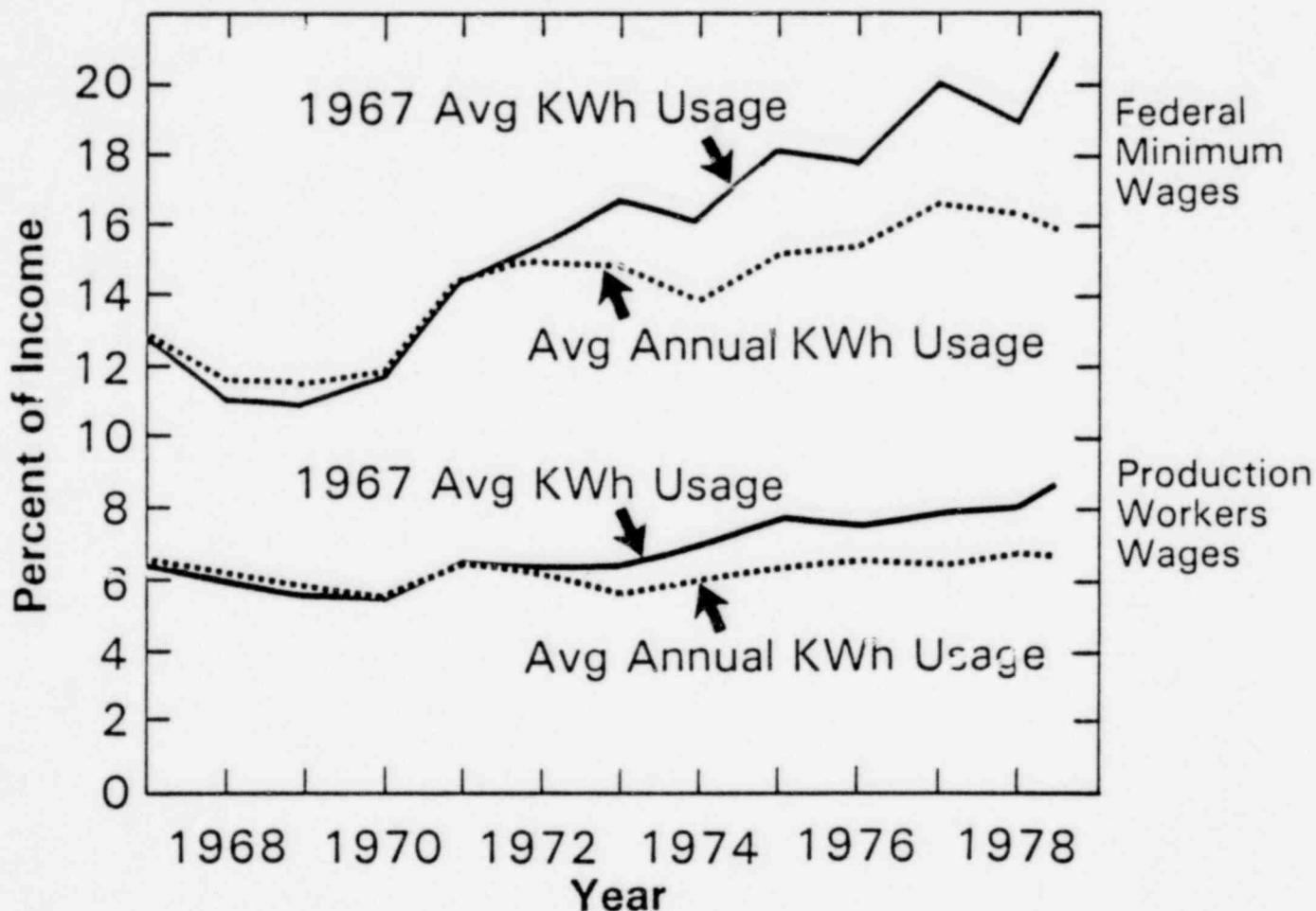
Pennsylvania Electric Company  
**Average Annual Electric Bill  
 as a Percent of Annual Income<sup>1</sup>**  
**Residential with Electric Water Heating**



<sup>1</sup>Income is based upon Pennsylvania statewide average hourly wages for production workers in the total manufacturing category as compiled by the US Bureau of Labor, Department of Labor Statistics or Federal minimum wage levels.

1474 265

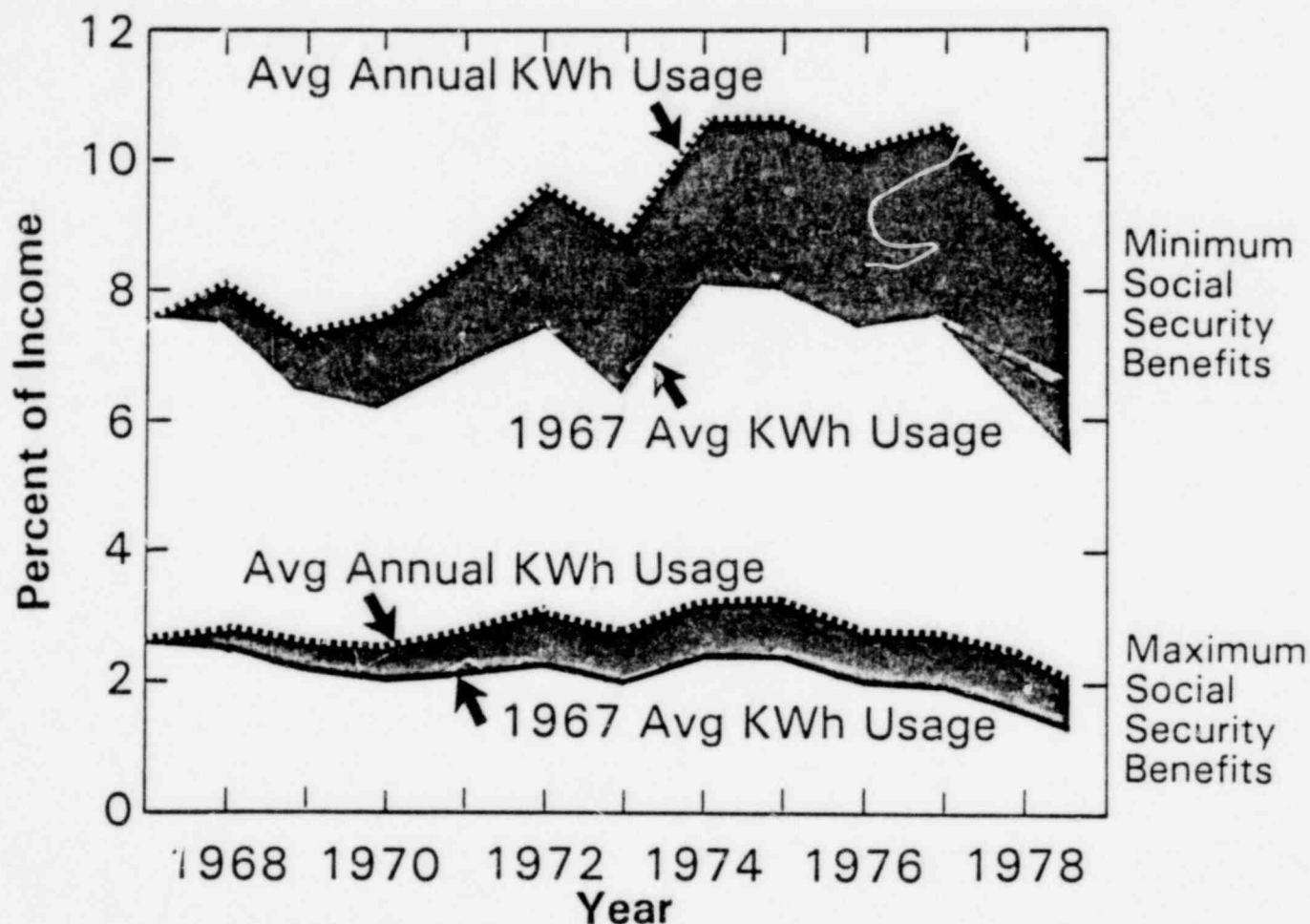
Pennsylvania Electric Company  
**Average Annual Electric Bill  
 as a Percent of Annual Income<sup>1</sup>**  
**Residential All-Electric**



<sup>1</sup>Income is based upon Pennsylvania statewide average hourly wages for production workers in the total manufacturing category as compiled by the US Bureau of Labor, Department of Labor Statistics or Federal minimum wage levels.

1474 256

Metropolitan Edison Company  
**Average Annual Electric Bill  
 as a Percent of Annual Income<sup>1,2</sup>**  
**Residential No Electric Water Heating**



<sup>1</sup>Income is based upon minimum and maximum Social Security old-age benefits payable to a husband and wife retiring at age 65. Benefit information was supplied by the Social Security Administration.

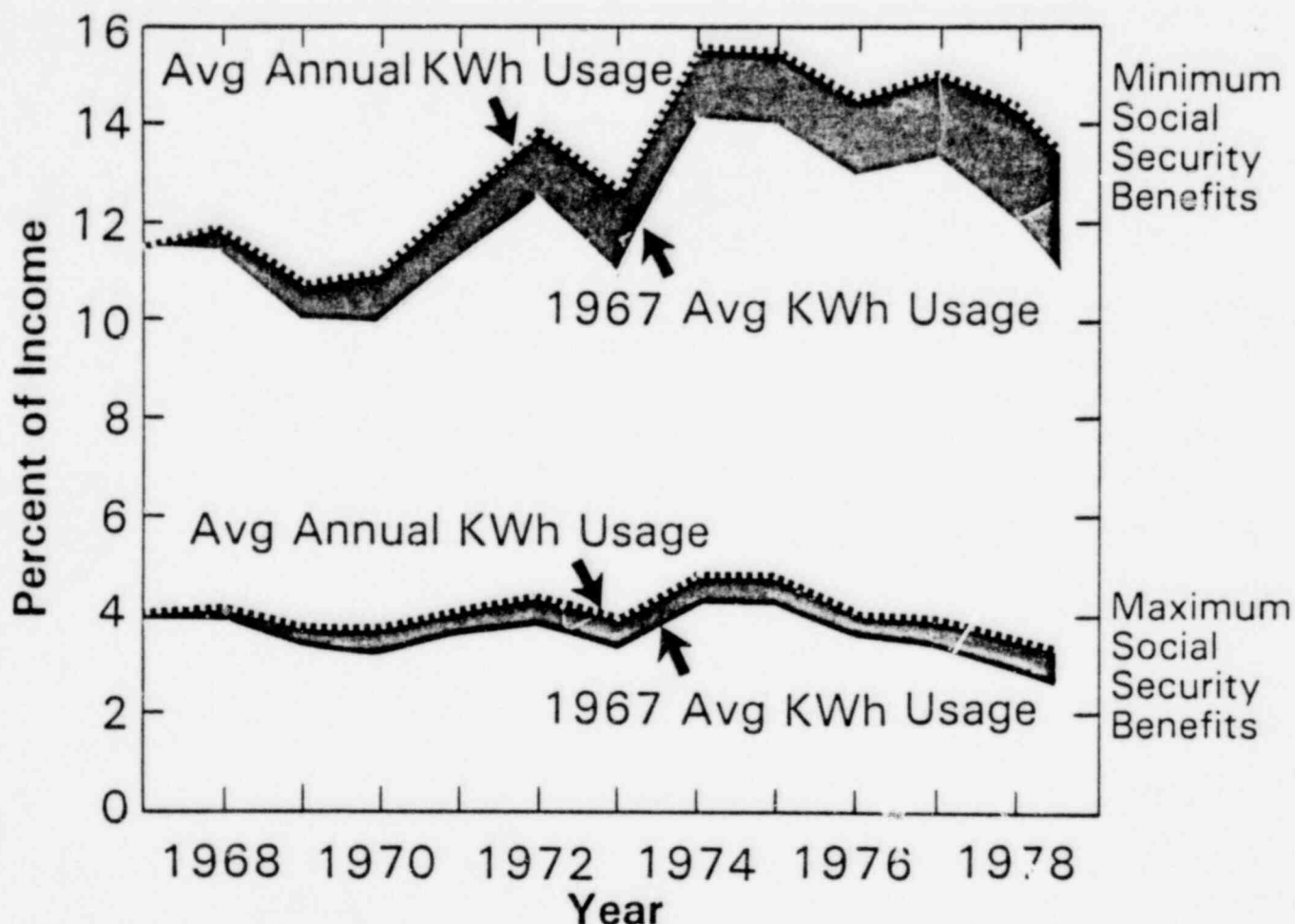
<sup>2</sup>Senior citizen annual usage: 68.6% of rate group average.

1474 267



Metropolitan Edison Company

## Average Annual Electric Bill as a Percent of Annual Income<sup>1,2</sup> Residential with Electric Water Heating



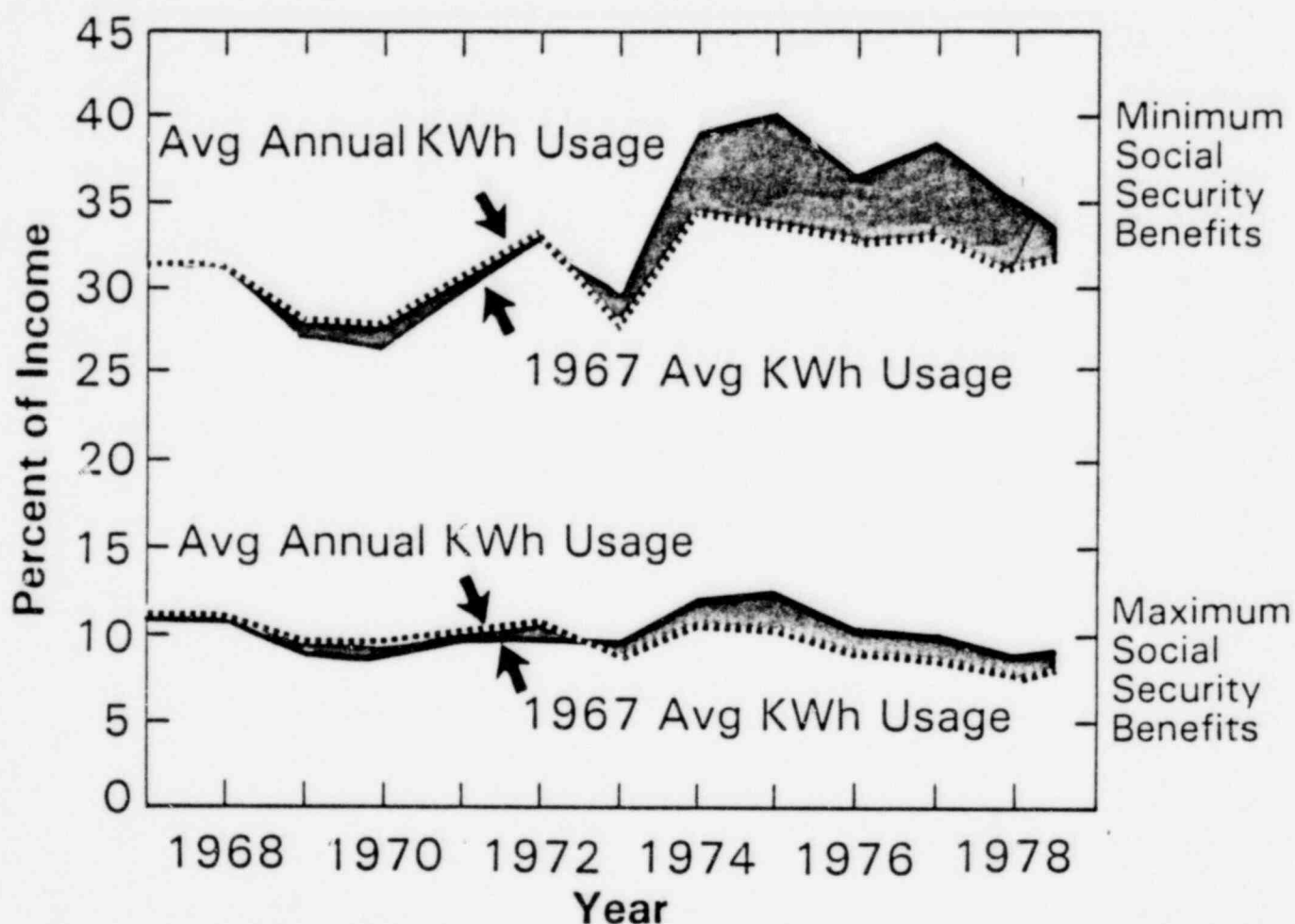
<sup>1</sup>Income is based upon minimum and maximum Social Security old-age benefits payable to a husband and wife retiring at age 65. Benefit information was supplied by the Social Security Administration.

<sup>2</sup>Senior citizen annual usage: ~1.5% of rate group average.

1474 268



Metropolitan Edison Company  
**Average Annual Electric Bill  
 as a Percent of Annual Income<sup>1,2</sup>**  
**Residential All-Electric**

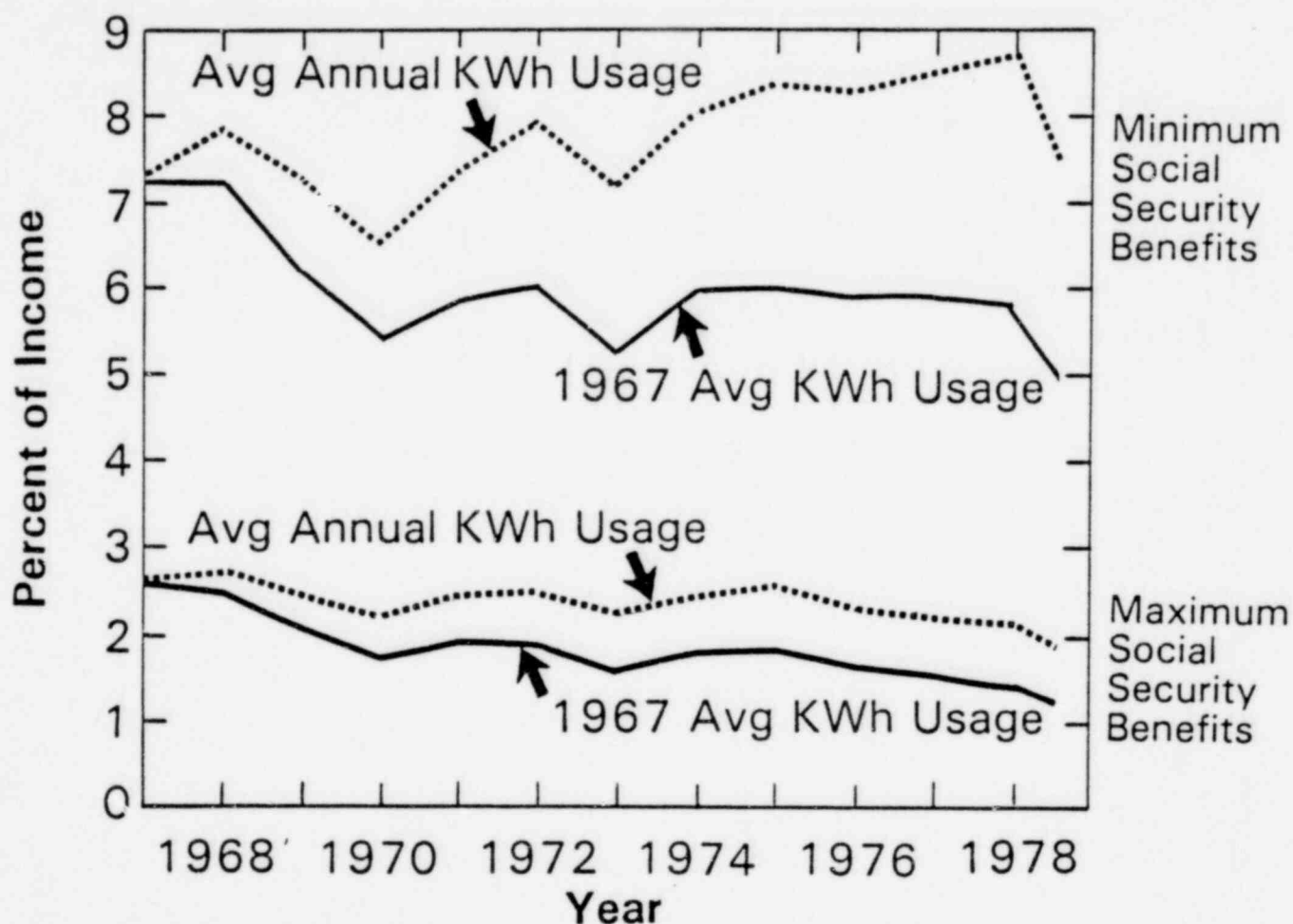


<sup>1</sup>Income is based upon minimum and maximum Social Security old-age benefits payable to a husband and wife retiring at age 65. Benefit information was supplied by the Social Security Administration.

<sup>2</sup>Senior citizen annual usage: 79.6% of rate group average.

1474 269

Pennsylvania Electric Company  
**Average Annual Electric Bill  
 as a Percent of Annual Income<sup>1,2</sup>**  
 Residential No Electric Water Heating



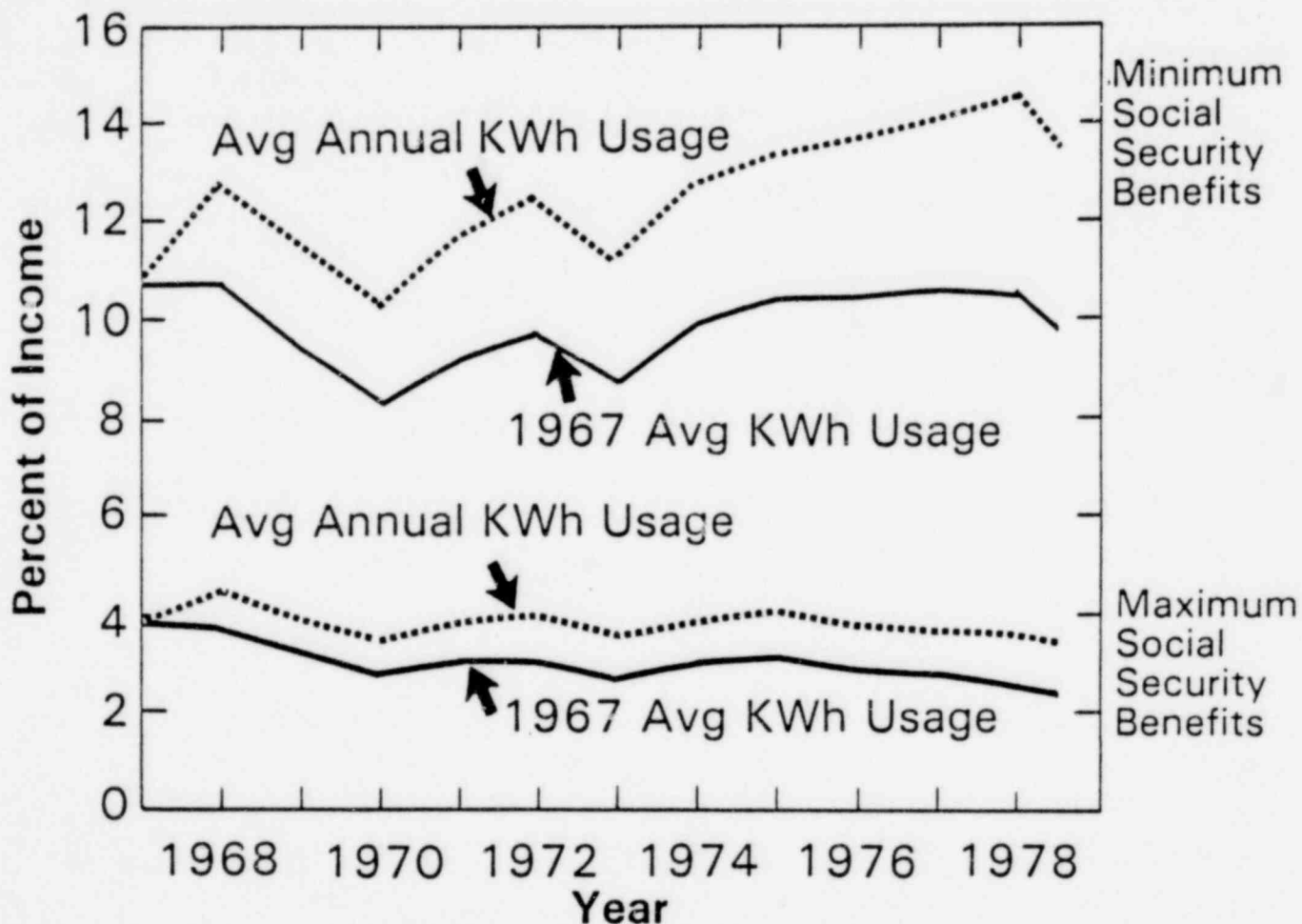
<sup>1</sup>Income is based upon minimum and maximum Social Security old-age benefits payable to a husband and wife retiring at age 65. Benefit information was supplied by the Social Security Administration.

<sup>2</sup>Senior citizen annual usage: 68.9% of rate group average.

1474 270

Pennsylvania Electric Company

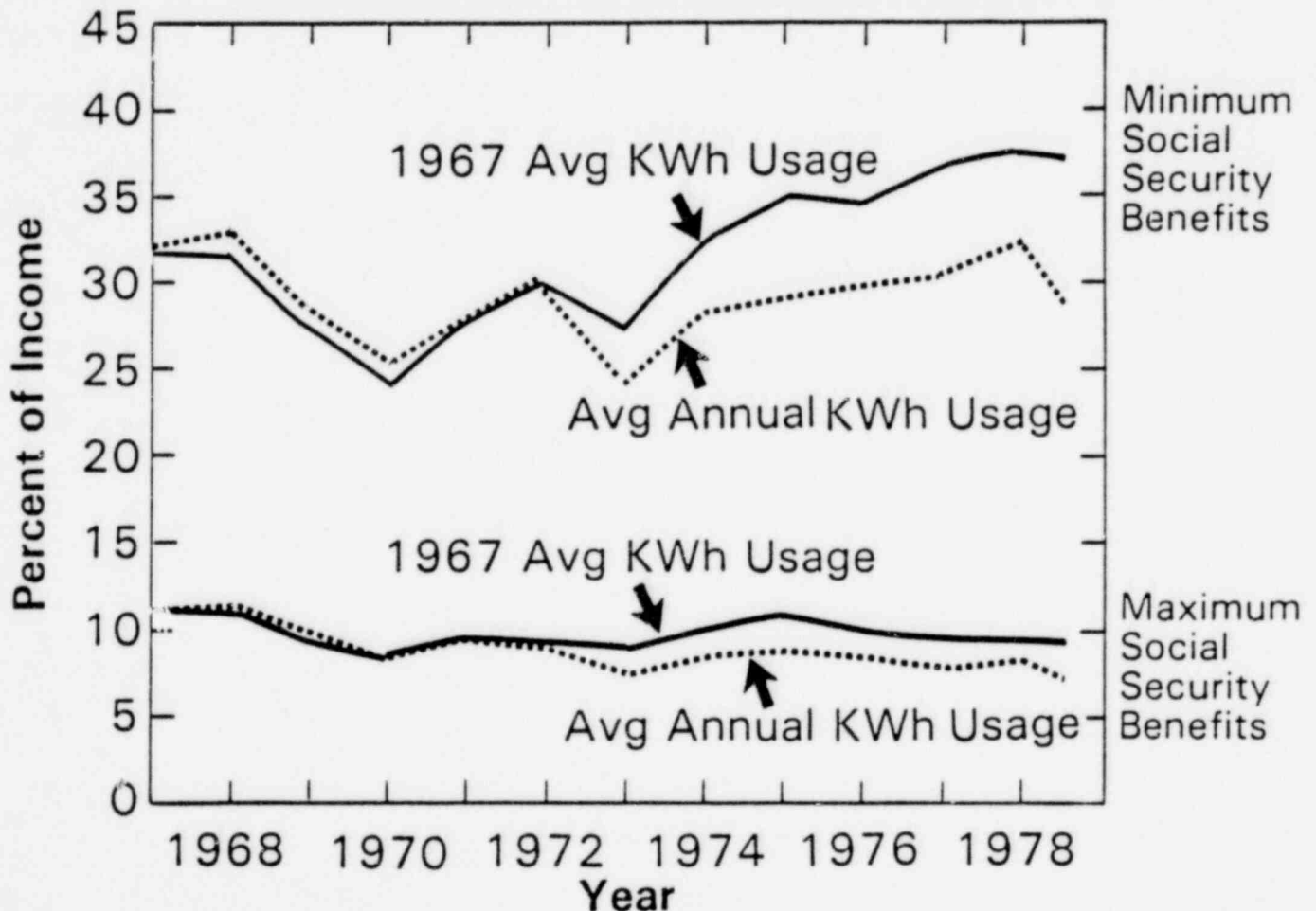
## Average Annual Electric Bill as a Percent of Annual Income<sup>1,2</sup> Residential with Electric Water Heating



<sup>1</sup>Income is based upon minimum and maximum Social Security old-age benefits payable to a husband and wife retiring at age 65. Benefit information was supplied by the Social Security Administration.

<sup>2</sup>Senior citizen annual usage: 69.7% of rate group average.

Pennsylvania Electric Company,  
**Average Annual Electric Bill  
 as a Percent of Annual Income<sup>1,2</sup>**  
 Residential All-Electric



<sup>1</sup>Income is based upon minimum and maximum Social Security old-age benefits payable to a husband and wife retiring at age 65. Benefit information was supplied by the Social Security Administration.

<sup>2</sup>Senior citizen annual usage: 74.0% of rate group average.

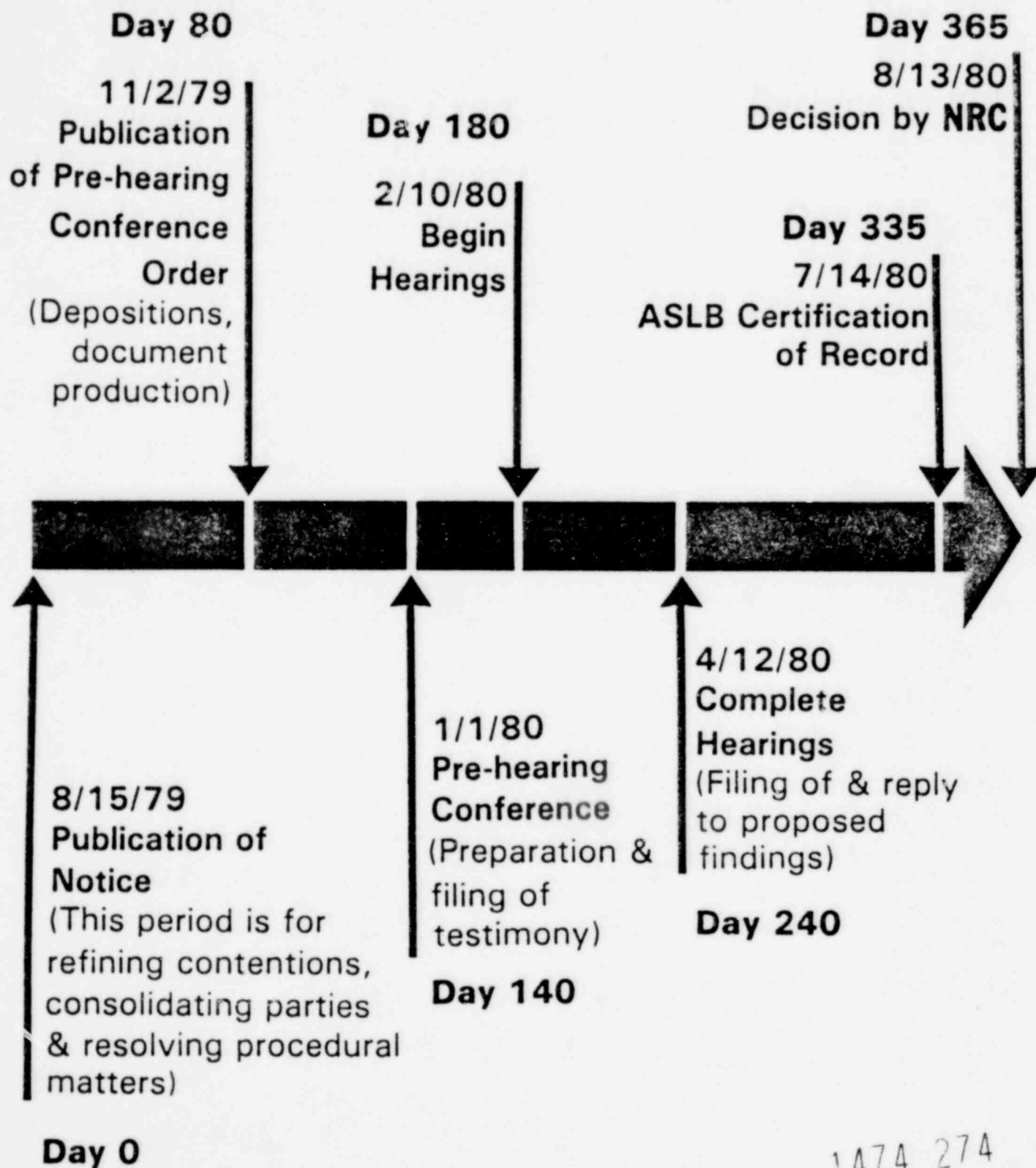
1474 272

## **TMI-1 Restart**

- I Operator Retraining & Reexamination**
- II Procedure Reviews & Revisions**
- III Emergency Preparedness**
- IV Plant Modifications**
- V Isolation of TMI-1/TMI-2**
- VI Waste Management**
- VII Management**
- VIII Finance**

1474 273

## TMI-1 Restart Schedule



Metropolitan Edison Company  
**Computation of Cost  
of Energy by Weighted Components**

	<u>Fuel Cost</u> (Million \$)	<u>MWH</u> (000's MWH)	<u>\$/MWH</u>	<u>Percent of</u> <u>Total MWH</u>	<u>Effective</u> <u>\$/MWH</u>
<b>1978</b>					
Interchange Delivered	\$(16.4)	(795.2)	\$(20.66)	(9.2)%	\$(1.90)
Interchange Received	30.0	975.3	30.72	11.4	3.50
Purchased Power	—	—	—	—	—
Hydro	—	131.2	—	1.5	—
Oil & Other	7.5	189.7	39.53	2.2	.87
Coal	69.5	4 897.0	14.20	57.1	8.10
Nuclear	4.9	2 846.2	1.72	33.2	.57
Nuclear (Test)	—	326.7	—	3.8	—
<b>Total 1978</b>	<u>\$ 95.5</u>	<u>8 570.9</u>		<u>100.0%</u>	<u>\$11.14</u>
<b>1979</b>					
Interchange Delivered	\$(9.1)	(305.1)	\$(29.86)	(3.4)	\$(1.03)
Interchange Received	58.4	1 714.6	34.05	19.4	6.60
Purchased Power	44.9	1 602.8	28.01	18.1	5.07
Hydro	—	138.8	—	1.6	—
Oil & Other	5.8	109.0	53.53	1.2	.65
Coal	68.4	4 520.9	15.13	51.0	7.72
Nuclear	3.4	1 074.8	3.19	12.1	.39
<b>Total 1979</b>	<u>\$171.8</u>	<u>8 855.8</u>		<u>100.0%</u>	<u>\$19.40</u>
<b>1980</b>					
Interchange Delivered	\$ (5.2)	(127.1)	\$(41.29)	(1.4)	\$ (.58)
Interchange Received	90.5	1 991.0	45.48	22.2	10.11
Purchased Power	43.7	1 332.6	32.76	14.9	4.87
Hydro	—	147.6	—	1.6	—
Oil & Other	9.6	111.9	85.99	1.3	1.08
Coal	95.0	5 497.0	17.28	61.4	10.61
Nuclear	—	—	—	—	—
<b>Total 1980</b>	<u>\$233.6</u>	<u>8 953.0</u>		<u>100.0%</u>	<u>\$26.09</u>
<b>1981</b>					
Interchange Delivered	\$ (8.1)	(281.9)	\$(28.86)	(3.1)	\$ (.88)
Interchange Received	90.7	1 690.1	53.66	18.3	9.83
Purchased Power	—	—	—	—	—
Hydro	—	152.0	—	1.7	—
Oil & Other	12.3	117.7	104.85	1.3	1.34
Coal	99.4	5 145.8	19.31	55.7	10.76
Nuclear	5.7	2 407.4	2.38	26.1	.62
<b>Total 1981</b>	<u>\$200.0</u>	<u>9 231.1</u>		<u>100.0%</u>	<u>\$21.67</u>

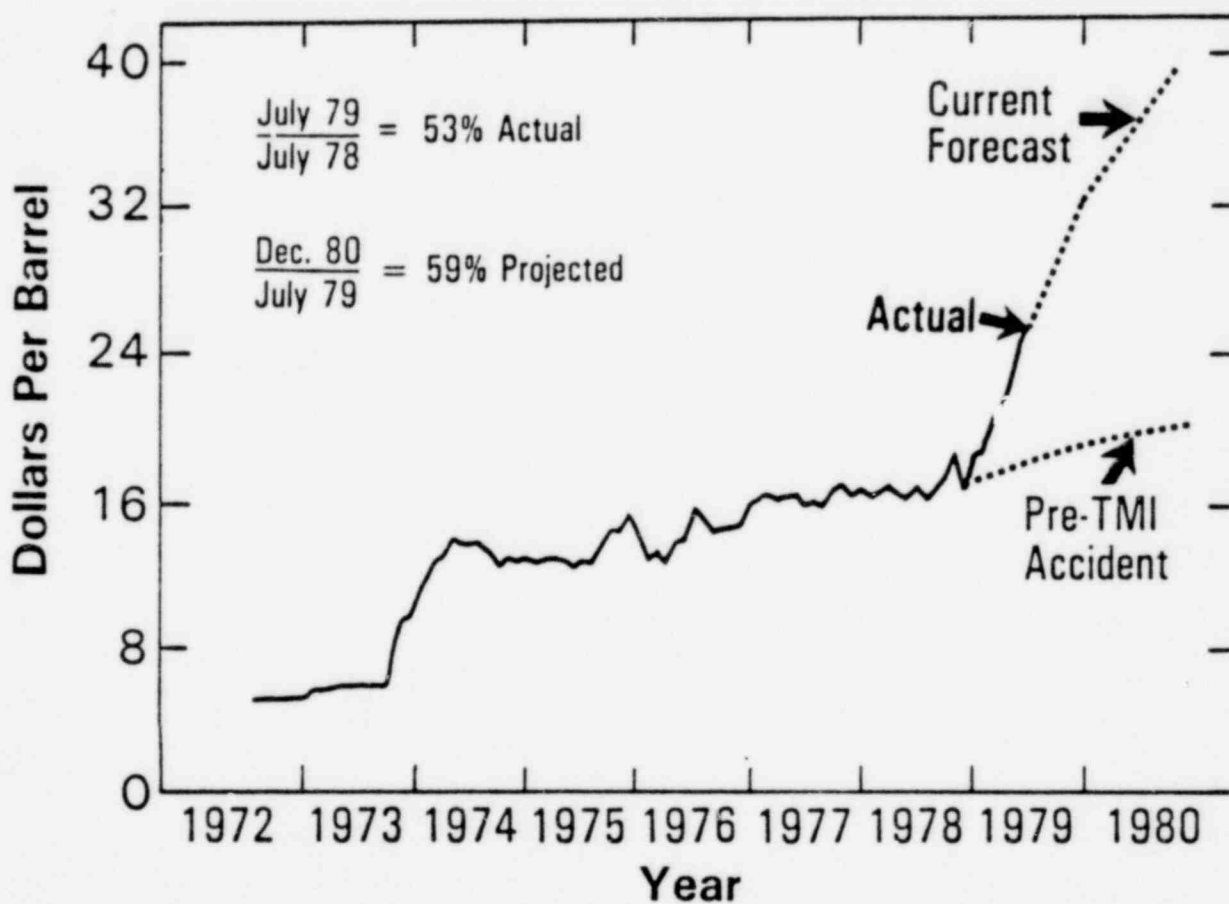
1474 275



Pennsylvania Electric Company  
**Computation of Cost  
of Energy by Weighted Components**

	Fuel Cost (Million \$)	MWH (000's MWH)	\$/MWH	Percent of Total MWH	Effective \$/MWH
<b>1978</b>					
Interchange Delivered	\$(26.1)	(1 369.8)	\$(19.05)	(11.5)%	\$(2.19)
Interchange Received	25.6	853.6	29.99	7.2	2.16
Purchased Power	—	—	—	—	—
Hydro	—	58.3	—	0.5	—
Oil & Other	5.1	144.1	35.73	1.2	.43
Coal	135.0	10 534.3	12.82	89.2	11.43
Nuclear	2.5	1 423.1	1.76	12.0	.21
Nuclear (Test)	—	163.3	—	1.4	—
<b>Total 1978</b>	<b>\$142.1</b>	<b>11 806.9</b>		<b>100.0%</b>	<b>\$12.04</b>
<b>1979</b>					
Interchange Delivered	\$(38.3)	(1 633.6)	\$(23.15)	(13.1)	\$(3.09)
Interchange Received	15.9	435.4	36.52	3.5	1.28
Purchased Power	20.2	708.3	28.52	5.7	1.63
Hydro	—	77.3	—	0.6	—
Oil & Other	2.2	63.0	34.92	0.5	0.18
Coal	158.5	12 243.9	12.95	98.5	12.75
Nuclear	1.7	540.1	3.15	4.3	.13
<b>Total 1979</b>	<b>\$160.2</b>	<b>12 434.4</b>		<b>100.0%</b>	<b>\$12.88</b>
<b>1980</b>					
Interchange Delivered	\$(28.6)	(942.5)	\$(30.36)	(7.3)	\$(2.19)
Interchange Received	60.3	1 284.1	46.98	9.9	4.65
Purchased Power	21.8	666.3	32.75	5.1	1.67
Hydro	—	49.8	—	0.4	—
Oil & Other	4.0	67.4	58.89	0.5	.29
Coal	168.9	11 871.9	14.22	91.4	13.00
Nuclear	—	—	—	—	—
<b>Total 1980</b>	<b>\$226.4</b>	<b>12 997.0</b>		<b>100.0%</b>	<b>\$17.42</b>
<b>1981</b>					
Interchange Delivered	\$(36.1)	(1 323.0)	\$(27.27)	(9.9)	\$(2.69)
Interchange Received	52.7	971.4	54.23	7.3	3.96
Purchased Power	—	—	—	—	—
Hydro	—	48.8	—	0.4	—
Oil & Other	6.4	82.9	77.01	0.6	.46
Coal	190.5	12 357.2	15.42	92.6	14.28
Nuclear	2.9	1 203.7	2.38	9.0	.21
<b>Total 1981</b>	<b>\$216.4</b>	<b>13 341.0</b>		<b>100.0%</b>	<b>\$16.22</b>

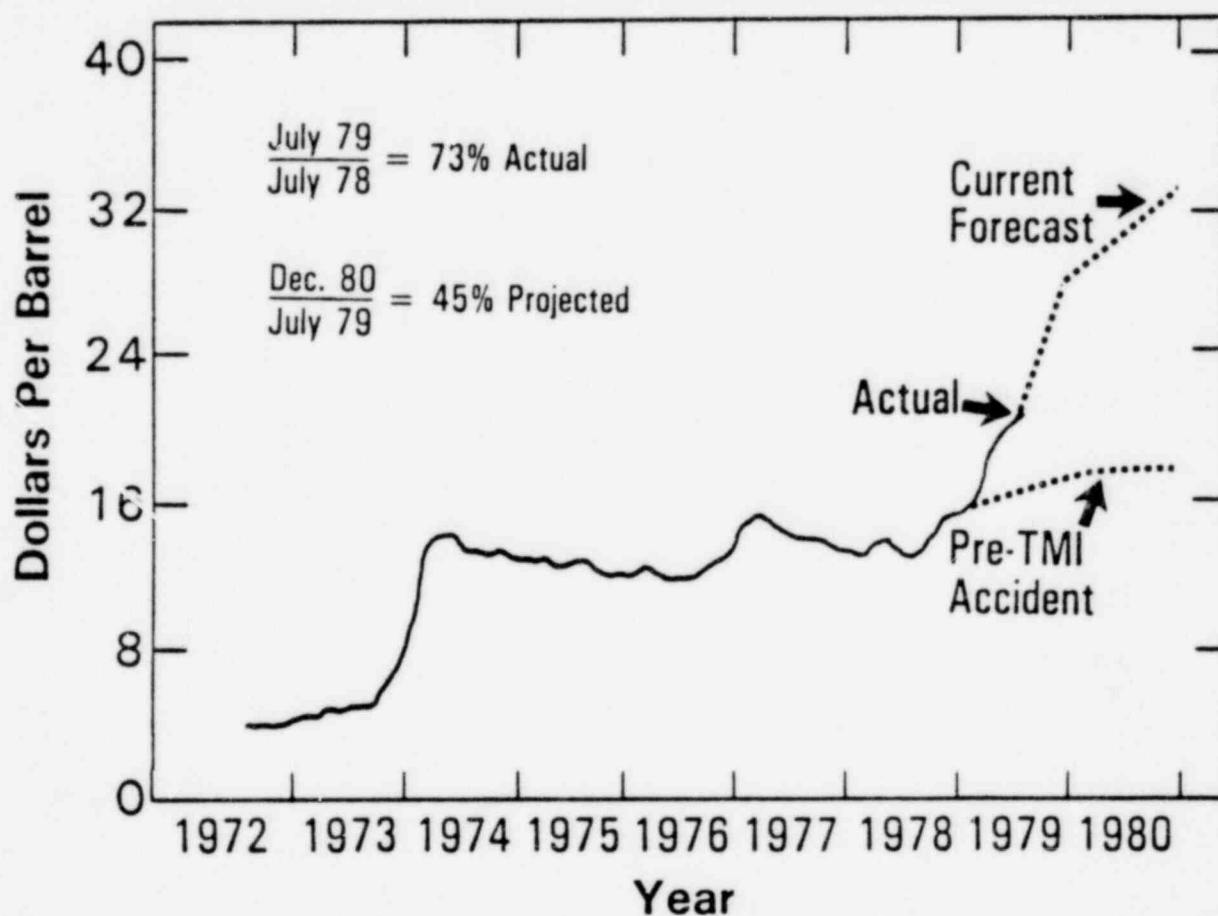
## GPU System No. 2 Fuel Oil Prices Actual & Projected



Source of Historical Costs:  
FPC Form 423 Fuel Cost Data

1474 277

## GPU System NO. 6 Fuel Oil Prices Actual & Projected



Source of Historical Costs:  
FPC Form 423 Fuel Cost Data

1474 278

Metropolitan Edison Company  
 Forecast System Energy Clause Costs  
**Estimated Effects of TMI Accident, Fuel Price Increases  
 and Short Term Purchases**  
 Calendar Year 1980

		Original- Estimate Docket <u>I-79040308</u>	<u>Current Estimate</u>
Average GPU Oil Cost	\$/BBL	17	31
Net System Requirements	GWH	8,953	8,953
Energy Cost with Normal TMI Operation	\$million \$/MWH	91.2 10.2	106* 11.8
Incremental Effect TMI-2 Removed	\$million	40.4	64
Incremental Effect TMI-1 Removed	\$million	0	90
Incremental Effect Short Term Purchases	\$million	0	(26)
Energy Cost without TMI, with short term purchases	\$million \$/MWH	131.6 14.7	234* 26.1
PUC Allowance per June 15, 1979 Order	\$million \$/MWH	121.5 13.6	1474 279

\*Official Budget does not include the PJM/TMI special provisions.

Pennsylvania Electric Company  
 Forecast System Energy Clause Costs  
**Estimated Effects of TMI Accident, Fuel Price Increases  
 and Short Term Purchases**  
 Calendar Year 1980

		Original-Estimate Docket <u>1-79040308</u>	<u>Current Estimate</u>
Average GPU Oil Cost	\$/BBL	17	31
Net System Requirements	GWH	12,997	12,997
Energy Cost with Normal TMI Operation	\$million	174.7	161*
	\$/MWH	13.4	12.4
Incremental Effect TMI-2 Removed	\$million	22.7	38
Incremental Effect TMI-1 Removed	\$million	0	37
Incremental Effect Short Term Purchases	\$million	0	(10)
Energy Cost without TMI, with short term purchases	\$million	197.4	226*
	\$/MWH	15.2	17.4
PUC Allowance per June 15, 1979 Order	\$million	191.7	
	\$/MWH	14.7	1474 280

\*Official Budget does not include the PJM/TMI special provisions.

Penelec/Met-Ed/Jersey Central  
**Summary of TMI Accident Related Short Term Power  
Purchases**  
July, 1979

	<u>Energy Purchased (Proportional to TMI Ownership)</u>				<u>Estimated</u>	<u>Estimated</u>
	<u>GWH</u>	<u>Energy &amp; Op. Cap. \$1,000</u>	<u>Demand \$1,000</u>	<u>Total Cost \$1,000</u>	<u>Alternate Cost \$1,000</u>	<u>Energy &amp; Op. Cap. Savings \$1,000</u>
APS (Start 5-79) GPU	13.2	213	55	268	310	42
AEP and West (Start 6-79) GPU	500.8	11,025	2,817	13,842	17,791	3,949
PP&L (Start 6-79) GPU	73.6	2,733	0	2,733	3,258	525
Ontario (Start 7-79) GPU	94.1	2,424	394	2,818	3,704	886
Jamestown (Start 7-79) GPU	4.3	101	0	101	184	83
Total						
Penelec	171.5	4,116	817	4,933	5,270	337
Met-Ed	343.0	8,232	1,632	9,864	12,882	3,018
Jersey	171.5	4,148	817	4,965	7,095	2,130
GPU	686.0	16,496	3,266	19,762	25,247	\$5,485

1474 281

Penelec/Met-Ed/Jersey Central  
**Summary of TMI Accident Related Short Term Power  
Purchases**  
May thru July, 1979

	<u>Energy Purchased (Proportional to TMI Ownership)</u>			<u>Estimated</u>	<u>Estimated</u>
	<u>GWH</u>	<u>Energy &amp; Op. Cap. \$1,000</u>	<u>Demand \$1,000</u>	<u>Alternate Cost \$1,000</u>	<u>Energy &amp; Op. Cap. Savings \$1,000</u>
APS (Start 5-79)					
GPU	197.0	3,421	817	4,238	6,121
AEP and West (Start 6-79)					
GPU	607.9	13,443	3,442	16,885	20,990
PP&L (Start 6-79)					
GPU	114.9	4,087	0	4,087	4,909
Ontario (Start 7-79)					
GPU	94.1	2,424	394	2,818	3,704
Jamestown (Start 7-79)					
GPU	4.3	101	0	101	184
Total					
Penelec	254.6	5,858	1,164	7,022	7,589
Met-Ed	509.0	11,713	2,325	14,038	18,280
Jersey	<u>254.6</u>	<u>5,905</u>	<u>1,164</u>	<u>7,069</u>	<u>10,039</u>
GPU	1,018.2	23,476	4,653	28,129	35,908



## **PJM/TMI Provision (1980)**

<b>Amount</b>	<b>7000 GWHRS/yr at no more than 1100 MWHRS/HR</b>
<b>Price</b>	<b>10% above supplier's average cost of sales</b>
<b>Effective</b>	<b>FERC Filing Date</b>
<b>Duration</b>	<b>Thru 1980</b>
<b>File</b>	<b>By the end of October</b>
<b>Contingent</b>	<b>FERC, PaPUC and other States Commission Approval</b>

## **Current Estimated Impact of PJM/TMI (1980)**

PJM 24 Hr. Cost	38 Mills per KWH
Current Split Savings/Cost	8 Mills per KWH
@ 10% Markup	4 Mills per KWH
Savings	4 Mills per KWH
X 7000 GWHRS *	= \$30 Million *

\*Max Take on GPU Basis

Metropolitan Edison Company  
 Pennsylvania Electric Company

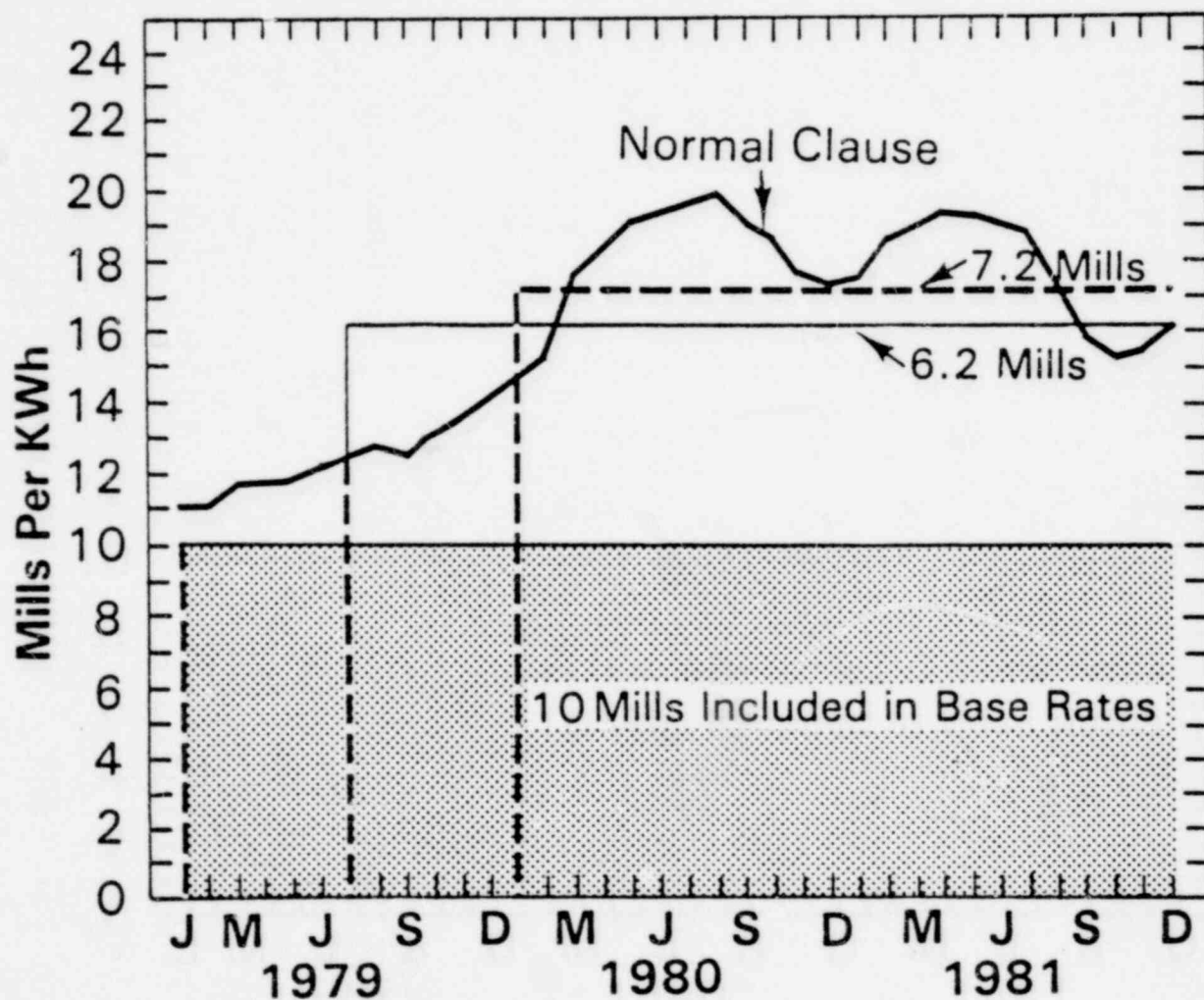
## Current Estimated 1980 Purchase Power Savings

<u>Source</u>	<u>Met-Ed</u>	<u>Penelec</u>
Purchased Power*	\$26 Million/Yr	\$10 Million/Yr
From PP&L 200 MW	(2)	(1)
From PJM Inter- change On Cost Plus 10% Basis	<u>8</u>	<u>5</u>
Total Savings	\$32 Million/Yr	\$14 Million/Yr

\*To the extent energy is available and cheaper than PJM/TMI special provision, such energy from APS and the West could increase this savings.

1474 285

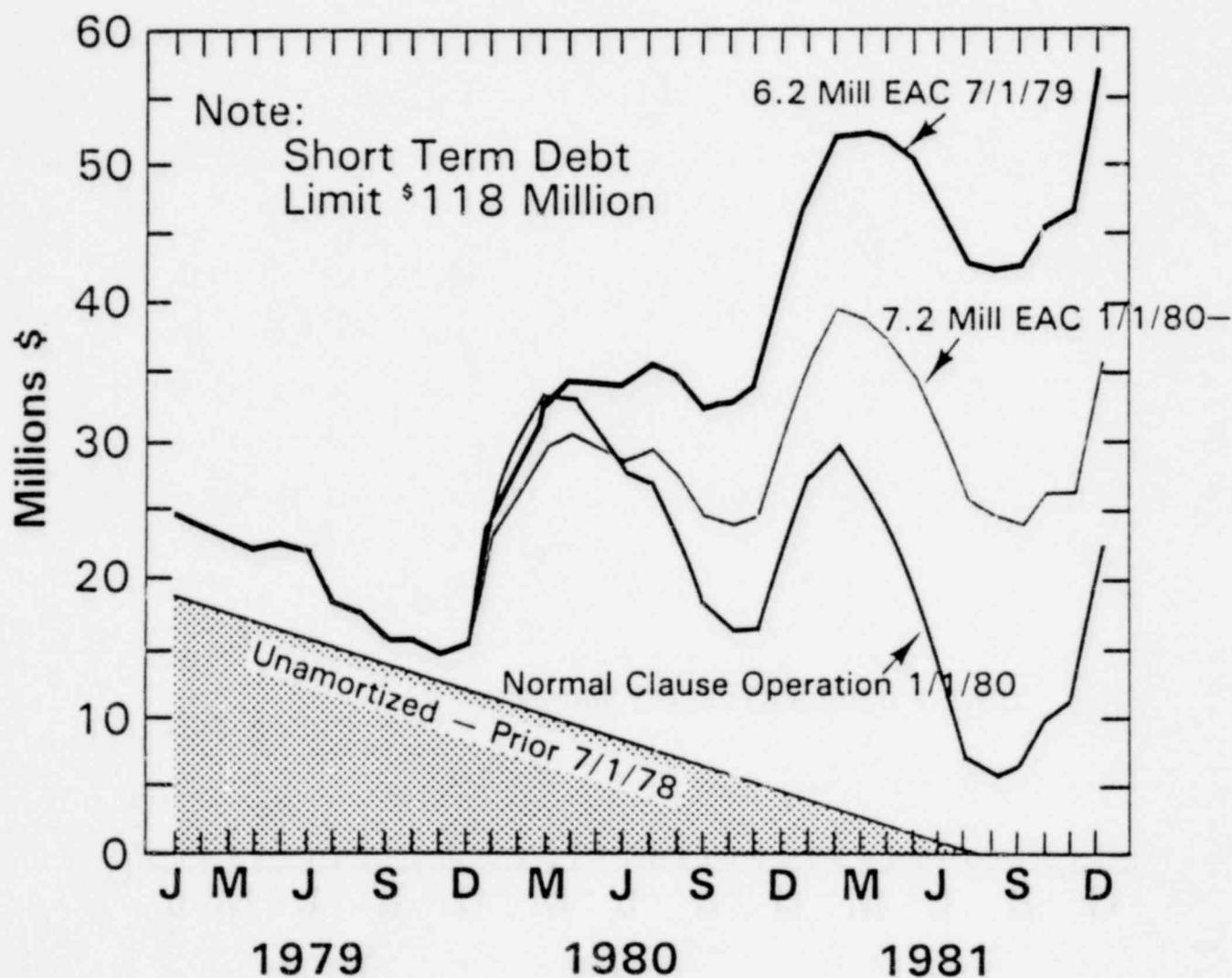
Pennsylvania Electric Company  
**Energy Cost Billing Rates**  
(Base and Clause Rates Excluding Taxes)



Assumes TMI-1 Returns to Service 1/1/81

1474 286

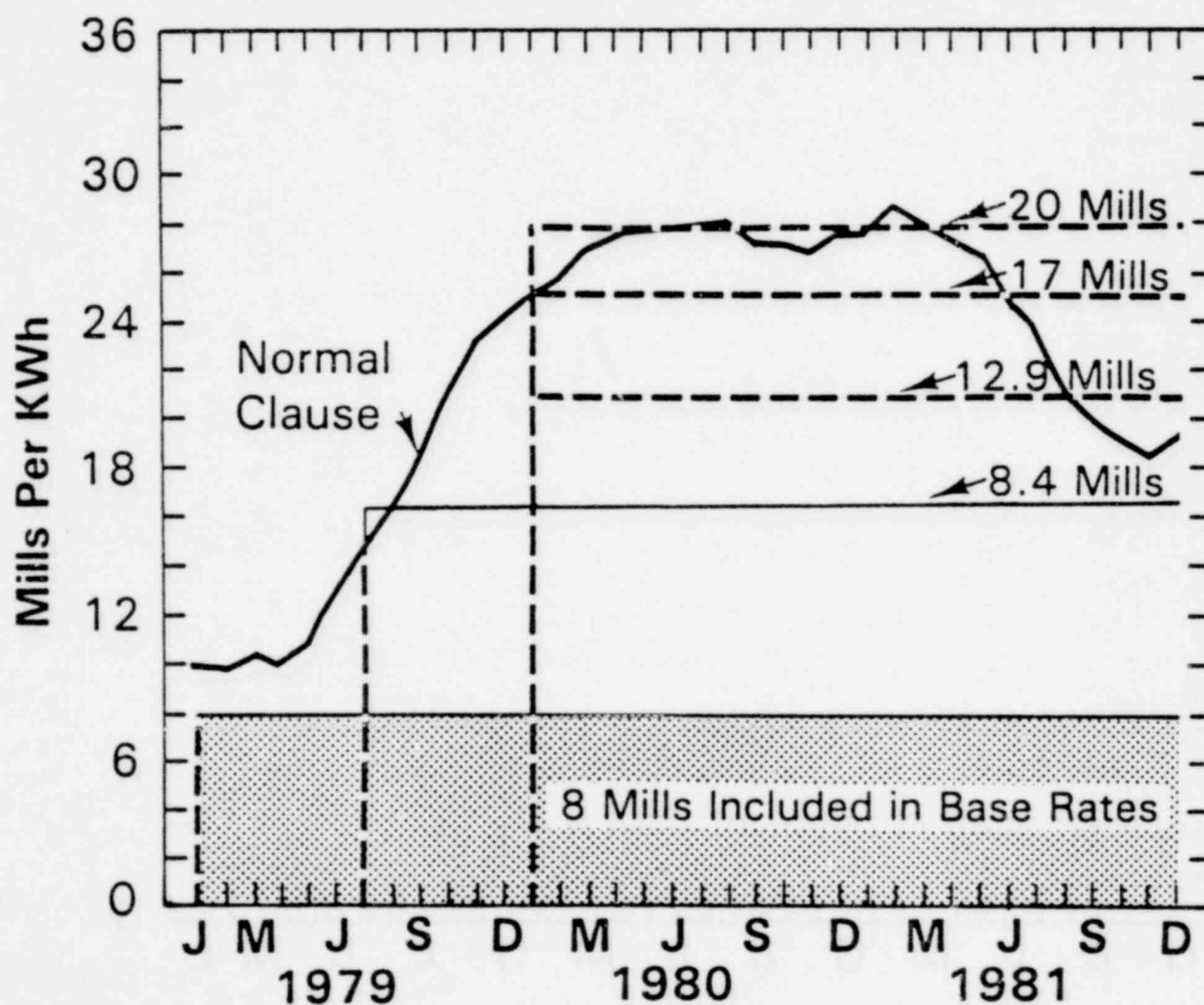
Pennsylvania Electric Company  
**Deferred Energy Balances**  
 (10.0 Mills Included in Base Rates)



Assumes TMI-1 Returns to Service 1/1/81

1474 287

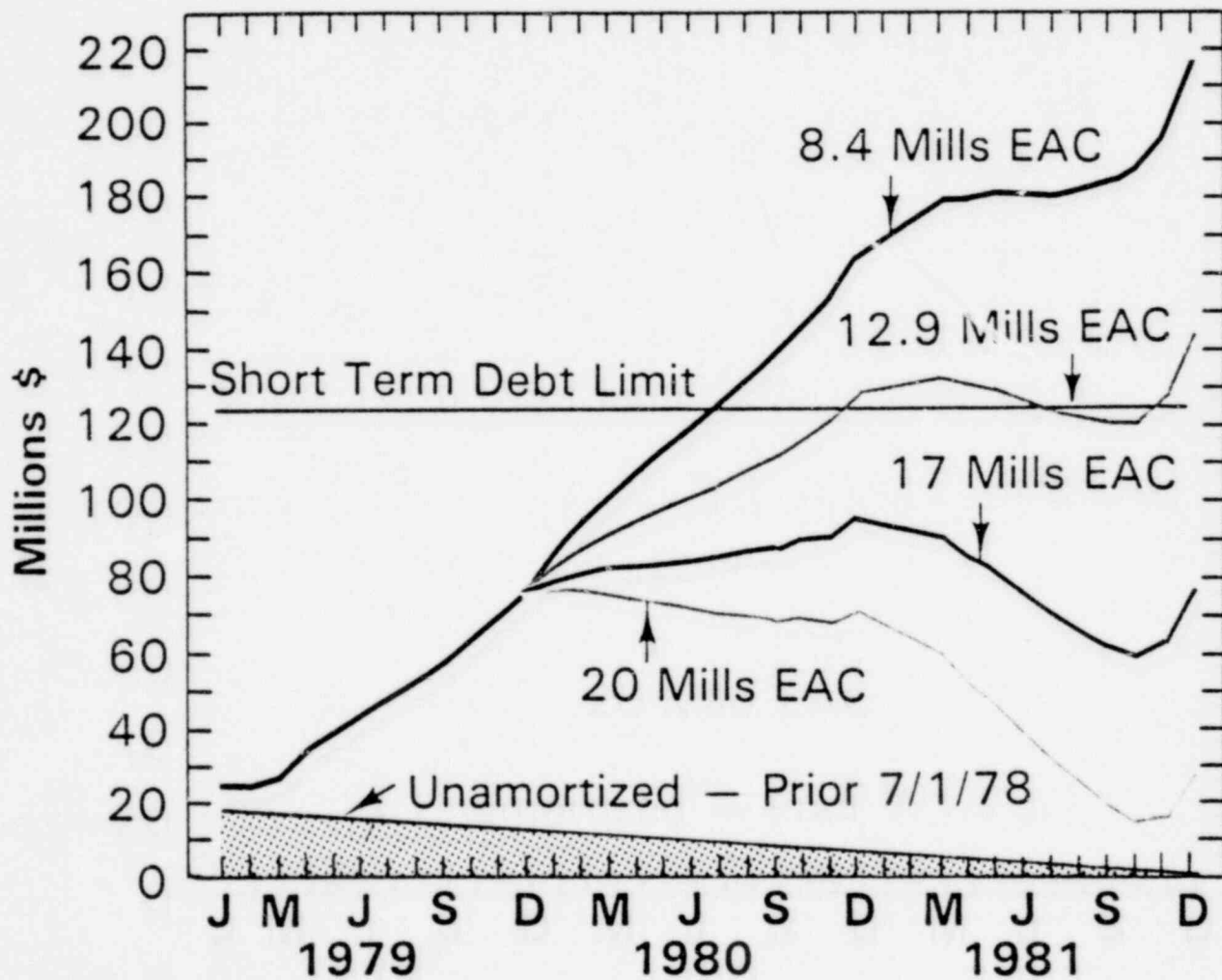
Metropolitan Edison Company  
**Energy Cost Billing Rates**  
 (Base and Clause Rates Excluding Taxes)



Assumes TMI-1 Returns to Service 1/1/81

1474 288

Metropolitan Edison Company  
**Deferred Energy Balances**  
 (8.0 Mills Included in Base Rates)



Assumes TMI-1 Returns to Service 1/1/81

1474 289



Pennsylvania Electric Company  
**Comparison of Pre-TMI Budget  
with Current Forecast**  
**Payroll & Other O&M Expenses**  
**(\$ Millions)**

1979 Original Budget \$123.8

Reductions:

Eliminate Budgeted Personnel Additions	\$ .9
Reduce Overtime	.4
Reduce Outside Services	1.9
GPUSC Cost Reduction Programs	1.9
Defer Fossil Generation Maintenance	4.8
Tree Trimming	1.6
Employee Reduction Program	<u>1.3</u>

Total Reductions 12.8

1979 Current Forecast \$111.0

1474 290

Pennsylvania Electric Company  
**Analysis of Personnel Changes**  
**3/31/79 – 12/31/79**

Employees at 3/31/79	4,202
Changes:	
Laid off 7/1/79	(150)
Early Retirements	<u>(60)</u>
Total Change	<u>(210)</u>
Estimated Employees at 12/31/79	3,992

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Pennsylvania Electric Company  
**Construction Budget Before TMI Accident**  
 (\$ Millions)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
<b>New Generation</b>							
Seward	\$11	\$ 16	\$ 17	\$ 50	\$ 94	\$113	\$120
Coho	1	1	1	3	5	21	39
Combustion Turbines	1	2	22	13	2	18	10
Other	<u>1</u>	<u>2</u>	<u>10</u>	<u>4</u>	<u>2</u>	<u>7</u>	<u>9</u>
Total	\$14	\$ 21	\$ 50	\$ 70	\$103	\$159	\$178
<b>Existing Generation</b>	25	26	31	24	18	17	13
<b>Nuclear Fuel</b>	11	12	19	20	21	14	25
<b>Transmission</b>	8	12	23	31	28	27	26
<b>Distribution</b>	27	42	43	47	49	54	54
<b>Other</b>	<u>6</u>	<u>5</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<b>Total Construction</b>	<u>\$91</u>	<u>\$118</u>	<u>\$168</u>	<u>\$194</u>	<u>\$221</u>	<u>\$273</u>	<u>\$238</u>

1474 292

Pennsylvania Electric Company  
**Current Construction Forecast**  
(\$ Millions)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
<b>New Generation</b>							
Seward	\$ 3	\$ 8	\$ 21	\$ 62	\$119	\$135	\$140
Other	<u>3</u>	<u>1</u>	<u>10</u>	<u>5</u>	<u>.</u>	<u>.</u>	<u>.</u>
Total	\$ 6	\$ 9	\$ 31	\$ 67	\$119	\$135	\$140
<b>Existing Generation</b>	21	23	24	27	23	20	15
<b>Nuclear Fuel</b>	10	8	4	21	14	19	27
<b>Transmission</b>	5	7	12	14	14	21	21
<b>Distribution</b>	24	38	32	41	45	43	50
<b>Other</b>	<u>5</u>	<u>4</u>	<u>6</u>	<u>2</u>	<u>3</u>	<u>2</u>	<u>2</u>
Total*	\$71	\$ 89	\$115	\$172	\$218	\$240	\$255
<b>Nuclear Fuel Deferral &amp; Retentions</b>	(3)	1	6	.	.	.	.
<b>TMI-2 Restoration**</b>	<u>24</u>	<u>27</u>	<u>17</u>	<u>12</u>	<u>2</u>	<u>.</u>	<u>.</u>
Total Construction	<u>\$92</u>	<u>\$117</u>	<u>\$138</u>	<u>\$184</u>	<u>\$220</u>	<u>\$240</u>	<u>\$255</u>

\*Construction Budget  
Pre-TMI Accident

\$ 91	\$ 118	\$ 168	\$ 194	\$ 221	\$ 273	\$ 298
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\*\*Replacement Nuclear Fuel Core Included in Nuclear Fuel

1474 293

Metropolitan Edison Company

## **Comparison of Pre-TMI Budget with Current Forecast**

### **Payroll & Other O&M Expenses (\$Millions)**

1979 Original Budget		\$90.8
Reductions:		
Eliminate Budgeted Personnel Additions	\$1.6	
Reduce Overtime	.1	
Reduce Outside Services	1.7	
GPUSC Cost Reduction Programs	1.7	
Defer Fossil Generation Maintenance	2.1	
Tree Trimming	1.7	
Diversion of Employees to TMI	1.5	
Total Reductions		<u>10.4</u>
1979 Current Forecast		<u><u>\$80.4</u></u>

Metropolitan Edison Company  
**Analysis of Personnel Changes**  
**3/31/79 — 12/31/79**

	<u>Non TMI</u>	<u>TMI</u>	<u>Total</u>
Employees at 3/31/79	2,284	508	2,792
Changes:			
Attritions	(29)	—	(29)
Regular Retirements	(27)	—	(27)
Early Retirement Program	(53)	—	(53)
Additions & Replacements	38	—	38
Temporary Assigned to TMI	(215)	215	—
Additional Requirements at TMI	<u>—</u>	<u>164</u>	<u>164</u>
Total Change	<u>(286)</u>	<u>379</u>	<u>93</u>
Estimated Employees at 12/31/79	<u><u>1,998</u></u>	<u><u>887</u></u>	<u><u>2,885</u></u>

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Metropolitan Edison Company  
**Construction Budget Before TMI Accident**  
 (\$ Millions)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
<b>New Generation</b>							
Seward	\$ 1	\$ 2	\$ 2	\$ 6	\$ 12	\$ 14	\$ 16
Coho	.	.	.	1	3	10	20
Combustion Turbines	.	.	1	9	7	18	10
Other	<u>4</u>	<u>5</u>	<u>4</u>	<u>6</u>	<u>4</u>	<u>9</u>	<u>11</u>
Total	\$ 5	\$ 7	\$ 7	\$ 22	\$ 26	\$ 51	\$ 57
<b>Existing Generation</b>	14	10	9	6	6	6	6
<b>Nuclear Fuel</b>	23	24	38	39	41	27	49
<b>Transmission</b>	2	6	7	9	7	13	5
<b>Distribution</b>	19	22	24	24	26	26	27
<b>Other</b>	<u>2</u>	<u>1</u>	<u>1</u>	<u>—</u>	<u>1</u>	<u>3</u>	<u>2</u>
<b>Total Construction</b>	<u>\$65</u>	<u>\$70</u>	<u>\$86</u>	<u>\$100</u>	<u>\$107</u>	<u>\$126</u>	<u>\$146</u>

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Metropolitan Edison Company  
**Current Construction Forecast**  
(\$ Millions)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
<b>New Generation</b>							
Seward	\$ 1	\$ 1	\$ 3	\$ 8	\$15	\$17	\$17
Other	<u>2</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>—</u>	<u>—</u>
Total	\$ 3	\$ 2	\$ 6	\$11	\$17	\$17	\$17
<b>Existing Generation</b>	14	5	9	7	6	6	6
<b>Nuclear Fuel</b>	19	15	8	41	27	37	54
<b>Transmission</b>	1	4	5	14	10	7	7
<b>Distribution</b>	17	20	24	26	27	29	31
<b>Other</b>	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>3</u>
Total *	\$55	\$48	\$53	\$100	\$88	\$98	\$118
<b>Nuclear Fuel Deferral &amp; Retentions</b>	(5)	.	10	.	.	.	.
<b>TMI-2 Restoration**</b>	<u>48</u>	<u>54</u>	<u>34</u>	<u>24</u>	<u>4</u>	<u>—</u>	<u>—</u>
Total Construction	<u>\$98</u>	<u>\$102</u>	<u>\$97</u>	<u>\$124</u>	<u>\$92</u>	<u>\$98</u>	<u>\$118</u>

\*Construction Budget  
Pre TMI Accident

\$65	\$ 70	\$86	\$100	\$107	\$126	\$146
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\*\*Replacement Nuclear Fuel Core Included in Nuclear Fuel

1474 297

## Possible Effects of Reduced 1979 Construction Expenditures (\$ Millions)

<u>Project</u>	<u>Reductions</u>		<u>Impact of Cutbacks</u>
	<u>Met-Ed</u>	<u>Penelec</u>	
New Generation	\$1.7	\$7.4	Higher Expenditures in Future Years
Nuclear Fuel	3.4	1.6	None
Existing Generation	0.9	4.1	Up to One Year Delay in Achieving Performance Improvements <ul style="list-style-type: none"> <li>– Loss of Generation Output through Higher Unavailability</li> <li>– Higher Energy Costs</li> <li>– Higher Maintenance Costs</li> </ul>
T&D			
Transmission	0.8	2.4	Reduced System Design Criteria Resulting in: <ul style="list-style-type: none"> <li>– Premature Equipment Failure Due to Overloading</li> <li>– Reduced System Back-Up Capability in Time of Emergency</li> <li>– Increased Frequency &amp; Duration of Outages</li> <li>– Higher Maintenance Costs</li> <li>– Higher Future Capital Costs Due to Short Term Solutions</li> </ul>
Distribution	1.9	2.5	
Other	<u>1.3</u>	<u>1.9</u>	Delay in Office Additions
Total	<u>\$10.0</u>	<u>\$19.9</u>	

## GPU Operating Companies

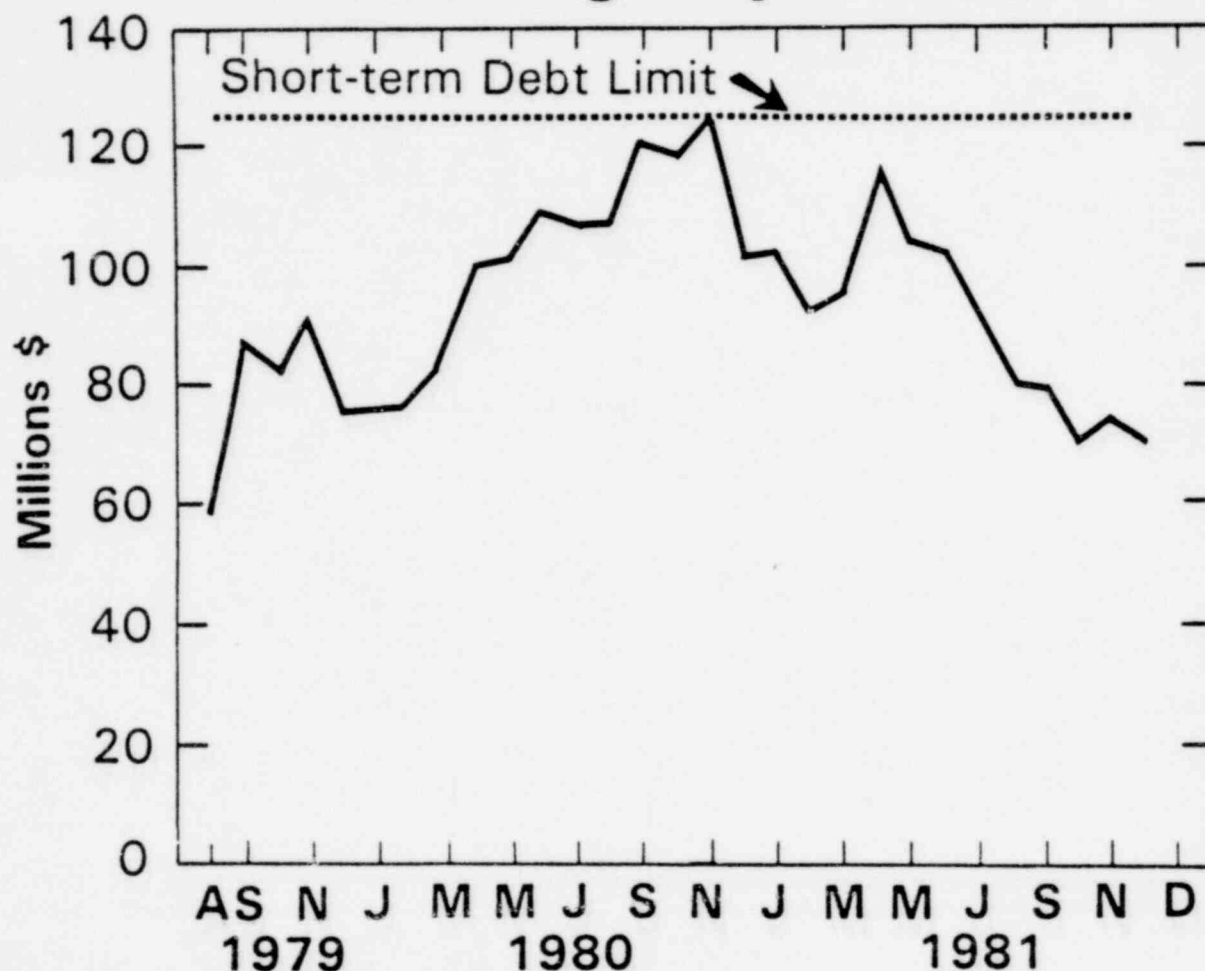
# Statement of Cash Needs, Internal Sources & External Sources — 1979, 1980, & 1981 (\$ Millions)

	Year 1979		Year 1980		Year 1981	
	<u>ME</u>	<u>PN</u>	<u>ME</u>	<u>PN</u>	<u>ME</u>	<u>PN</u>
<b>Needs for Cash</b>						
Construction	\$ 50	\$ 68	\$ 48	\$ 90	\$ 63	\$121
TMI-2 Restoration*	48	24	54	27	34	17
Refinancings	2	14	14	5	2	10
Deferral of Energy Costs	<u>52</u>	<u>(8)</u>	<u>53</u>	<u>14</u>	<u>(26)</u>	<u>4</u>
Total	<u>\$152</u>	<u>\$ 98</u>	<u>\$169</u>	<u>\$136</u>	<u>\$ 73</u>	<u>\$152</u>
<b>Internal Sources of Cash</b>						
Net Income Before Preferred Div.	30	54	22	54	23	53
Depreciation & Amortization	41	48	39	47	45	52
Deferred Taxes & ITC (net)	37	10	30	13	17	29
Changes in Working Capital	3	9	2	(8)	3	(6)
TMI-2 Insurance Proceeds	18	9	60	30	36	18
Dividends on Preferred & Common	<u>(17)</u>	<u>(49)</u>	<u>(10)</u>	<u>(49)</u>	<u>(20)</u>	<u>(50)</u>
Total	<u>\$112</u>	<u>\$ 81</u>	<u>\$143</u>	<u>\$ 87</u>	<u>\$104</u>	<u>\$ 96</u>
Cash Deficiency	<u>\$ 40</u>	<u>\$ 17</u>	<u>\$ 26</u>	<u>\$ 49</u>	<u>\$(31)</u>	<u>\$ 56</u>
<b>External Sources of Cash</b>						
Long Term Financings	—	50	—	—	—	50
Capital Contributions	—	—	—	—	—	—
Bank Borrowings	40	—	26	16	(31)	6
Temporary Investments	<u>—</u>	<u>(33)</u>	<u>—</u>	<u>33</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 40</u>	<u>\$ 17</u>	<u>\$ 26</u>	<u>\$ 49</u>	<u>\$(31)</u>	<u>\$ 56</u>
Short Term Debt Balance	\$ 75	—	\$101	\$ 16	\$ 70	\$ 22
Temporary Investments	—	\$ 33	—	—	—	—

\*Nuclear Fuel Included In Construction

1474 299

Metropolitan Edison Company  
**Cumulative External  
 Financing Requirements**



**Assumptions:**

- No Permanent financings
- No GPU Contributions
- Energy Cost Adjustment (excl. taxes)

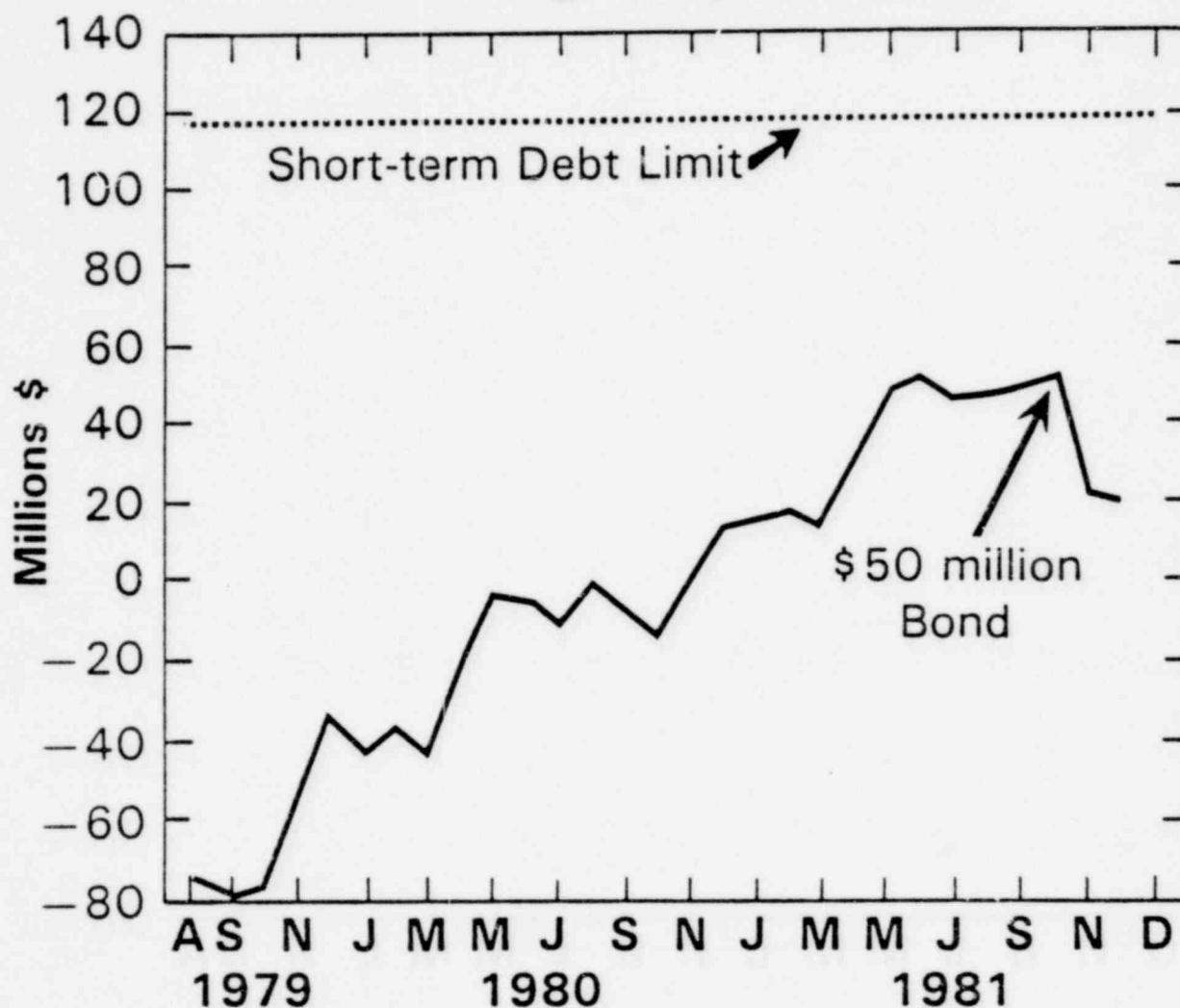
- 1979 at 8.4 mills
- 1980 at 12.9 mills
- 1981 at 17.8 mills

— TMI-1 Returns to Service 1/1/81

— 8.0 Mills Energy Cost Included in Base Rates

1474 400

Pennsylvania Electric Company  
**Cumulative External  
 Financing Requirements**



Assumptions:

- No GPU Contributions
- Energy Cost Adjustment (excl. taxes)
  - 1979 at 6.2 mills
  - 1980, 1981 at 7.2 mills
- TMI-1 Returns to Service 1/1/81
- 10.0 Mills Energy Cost Included in Base Rates

1474 301

Metropolitan Edison Company  
**Condensed Income Statements**  
**12 Months Ended 12/31/80**  
**(\$ Millions)**

<u>Line No.</u>		<u>Total Company</u> (1)	<u>Rate Making Treatment (A)</u> (2)
1	Revenue	\$411.9	\$411.9
	<b><u>Expenses:</u></b>		
2	Energy	\$180.8	\$180.8
3	Payroll	37.9	36.7
4	Other O&M	41.7	40.3
5	Depreciation	39.0	27.7
6	Taxes, Other	34.9	34.9
7	Income Taxes	<u>3.1</u>	<u>18.2</u>
8	Total Expense	<u>\$337.4</u>	<u>\$338.6</u>
9	Return on Rate Base	\$ 74.5	\$ 73.3
10	Int. & Pref. Div.	<u>62.1</u>	<u>35.2</u>
11	Equity Return	<u>\$ 12.4</u>	<u>\$ 38.1</u>
	<b><u>Rates of Return</u></b>		
12	On Rate Base	-	9.80%
13	On Total Capital	6.54%	-
14	On Common Equity Devoted to Rate Base	-	13.39%
	On Total Common Equity	3.19%	-
	<b><u>Coverage Ratios</u></b>		
16	Interest Coverage		1.76
17	Preferred Stock		1.19

(A) Excludes TMI-2

1474 002

## Metropolitan Edison Company

Revenues Associated with Components of TMI-1 & 2  
 Costs and Impact on Costs to Customers, Interest Coverage  
 Ratios and Return on Common Equity  
 (1980)

	<u>Revenues</u> (\$ Millions)	<u>Change in</u> <u>Customer</u> <u>Costs<sup>1</sup></u> (%)	<u>Impact on</u> <u>Interest</u> <u>Coverage</u> <u>Ratio</u>	<u>Impact on</u> <u>ROR on Avg</u> <u>Total Common</u> <u>Equity</u> (%)
Current Forecast Excluding TMI-1	\$377.8	(9.3)%	1.04	(.85)%
TMI-1:				
Interest	7.3	2.0	.15	.88
Preferred Dividends	3.7	1.0	.08	.44
Depreciation	3.9	1.1	.08	.47
Return on Common Equity	17.0	4.7	.36	2.00
Operating Expenses	<u>2.2</u>	<u>.5</u>	<u>.05</u>	<u>.25</u>
Total TMI-1	<u>\$34.1</u>	<u>9.3%</u>	<u>.72</u>	<u>4.04%</u>
Current Forecast:	<u>\$411.9</u>	<u>—</u>	<u>1.76</u>	<u>3.19%</u>
TMI-2:				
Interest	13.7	3.8	.29	1.62
Preferred Dividends	6.7	1.8	.14	.80
Depreciation	9.0	2.5	.19	1.08
Return on Common Equity	31.8	8.6	.66	3.80
Operating Expenses	<u>2.8</u>	<u>.7</u>	<u>.06</u>	<u>.33</u>
Total TMI-2	<u>64.0</u>	<u>17.4%</u>	<u>1.34</u>	<u>7.63%</u>
Forecast, Adjusted to Include TMI-2	<u>\$475.9</u>	<u>17.4%</u>	<u>3.10</u>	<u>10.2%</u>

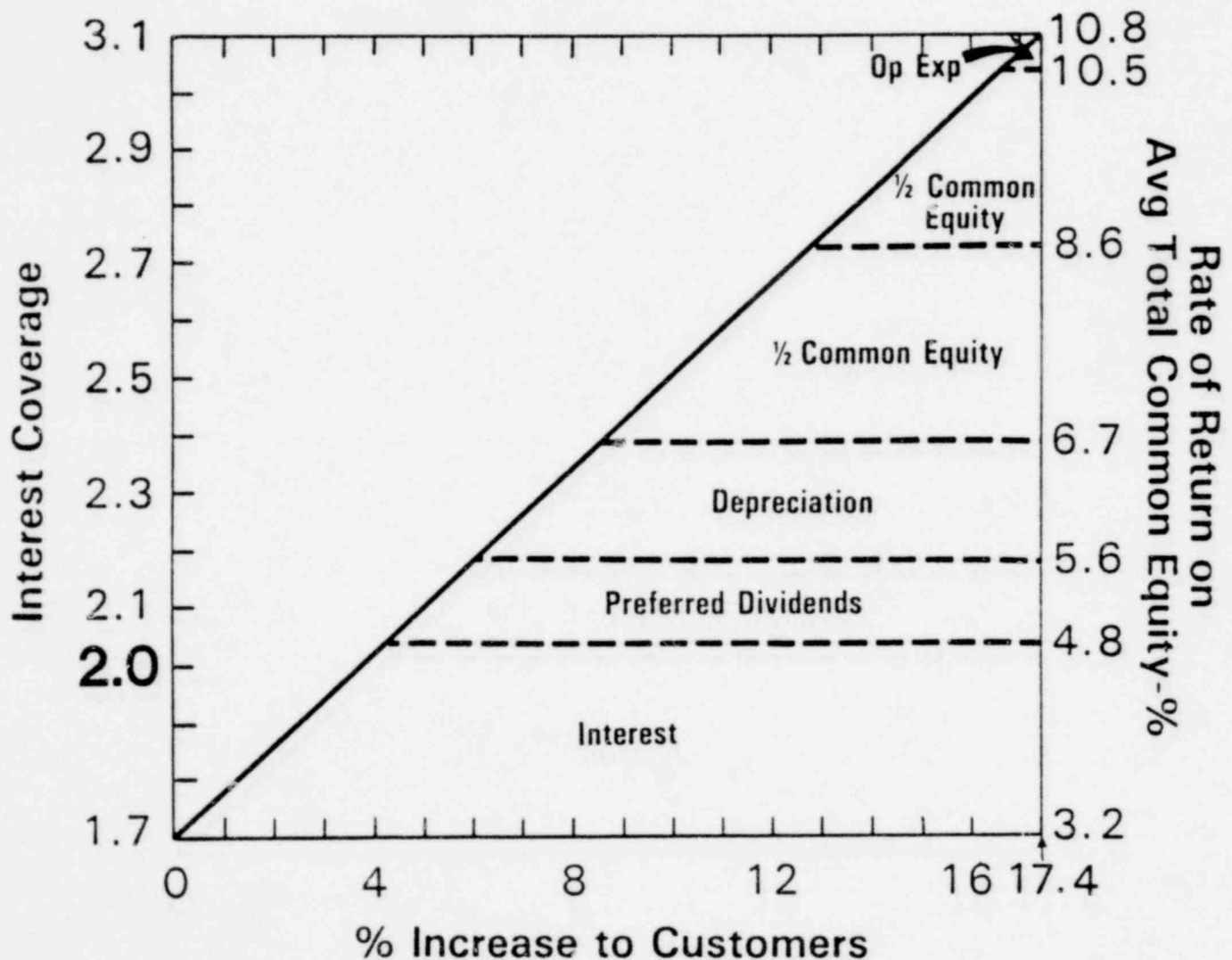
<sup>1</sup>Compared to Current Rates

1474 03



Metropolitan Edison Company

# Impact of Rate Increase for Components of TMI-2 Costs Upon Charges to Customers, Interest Coverage Ratios & Return on Common Equity (1980)



[Rev 9/26/79]

1474 504

Pennsylvania Electric Company  
**Condensed Income Statements**  
**12 Months Ended 12/31/80**  
**(\$ Millions )**

Line No.		<u>Total Company</u> (1)	<u>Rate Making Treatment (A)</u> (2)
1	Revenues	\$558.9	\$558.9
	<b><u>Expenses:</u></b>		
2	Energy	\$212.1	\$212.1
3	Payroll	49.3	49.3
4	Other O&M	78.3	72.3
5	Depreciation	47.3	41.6
6	Taxes, Other	41.0	40.9
7	Income Taxes	<u>30.8</u>	<u>40.4</u>
8	Total Expenses	\$ <u>458.8</u>	\$ <u>456.6</u>
9	Return on Rate Base	\$100.1	\$102.3
10	Int. & Pref. Div.	<u>64.2</u>	<u>57.1</u>
11	Equity Return	\$ <u><u>35.9</u></u>	\$ <u><u>45.2</u></u>
	<b><u>Rates of Return</u></b>		
12	On Rate Base	-	9.72%
13	On Total Capital	7.94%	-
14	On Common Equity Devoted to Rate Base	-	13.24%
15	On Total Common Equity	8.60%	-
	<b><u>Coverage Ratios</u></b>		
	Interest Coverage		2.68
	Preferred Stock		1.50

(A) Excludes TMI-2

1474 505

Pennsylvania Electric Company  
 Revenues Associated with Components of TMI-1 & 2  
 Costs and Impact on Costs to Customers, Interest Coverage  
 Ratios and Return on Common Equity  
 (1980)

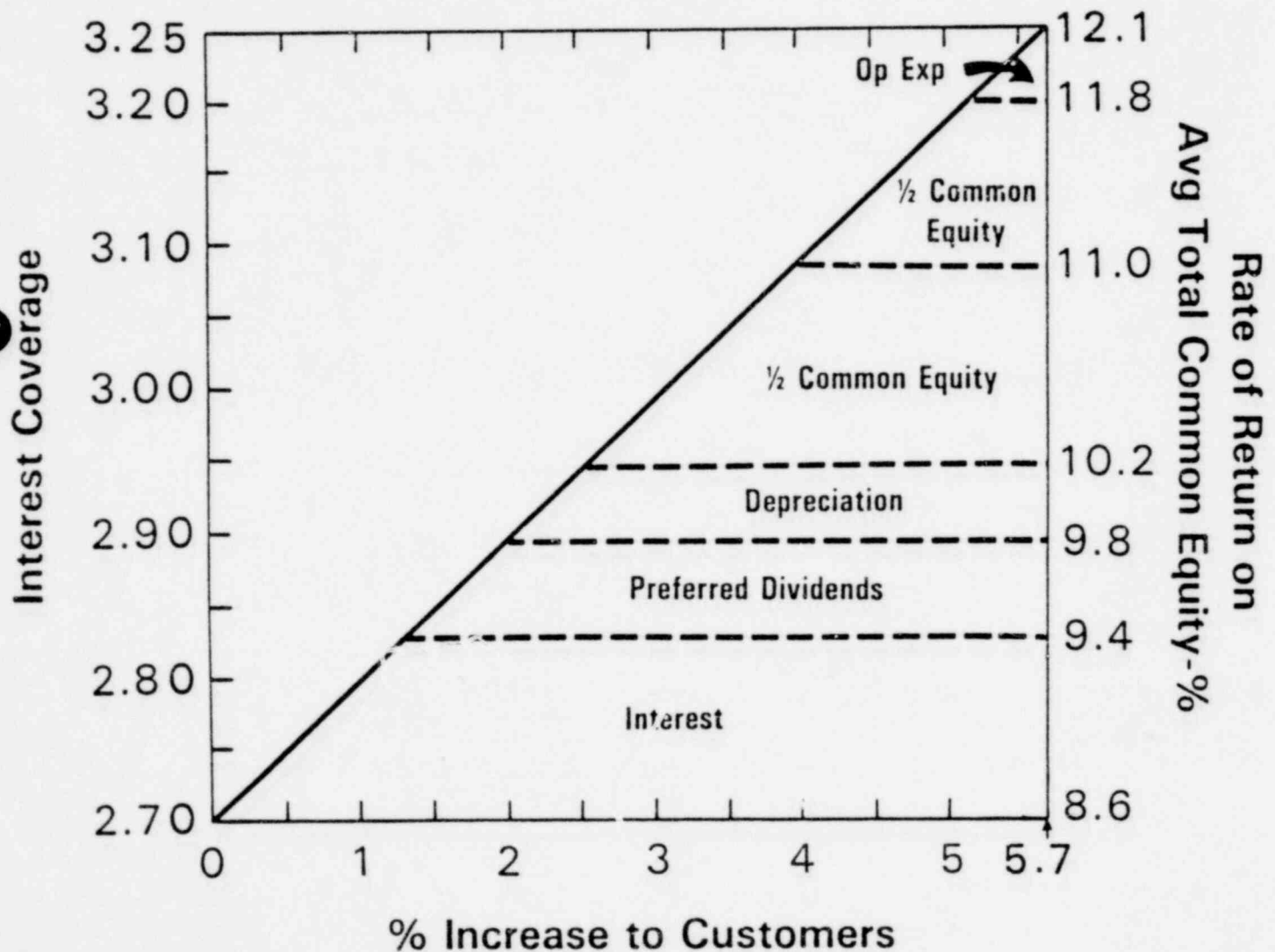
	<u>Revenues</u> (\$ Millions)	<u>Change in</u> <u>Customer</u> <u>Costs<sup>1</sup></u> (%)	<u>Impact on</u> <u>Interest</u> <u>Coverage</u> <u>Ratio</u>	<u>Impact on</u> <u>ROR on Avg</u> <u>Total Common</u> <u>Equity</u> (%)
Current Forecast Excluding TMI-1	\$542.6	(3.1)%	2.42	6.80%
TMI-1:				
Interest	3.9	.7	.07	.42
Preferred Dividends	2.1	.4	.04	.23
Depreciation	.9	.2	.02	.10
Return on Common Equity	7.6	1.4	.12	.85
Operating Expenses	<u>1.8</u>	<u>.4</u>	<u>.03</u>	<u>.20</u>
Total TMI-1	\$ <u>16.3</u>	<u>3.1%</u>	<u>.28</u>	<u>1.80%</u>
Current Forecast:	<u>\$558.9</u>	<u>—</u>	<u>2.70</u>	<u>8.60%</u>
TMI-2:				
Interest	7.3	1.3	.13	.81
Preferred Dividends	4.0	.6	.07	.44
Depreciation	3.0	.6	.05	.33
Return on Common Equity	14.4	2.6	.25	1.60
Operating Expenses	<u>3.1</u>	<u>.6</u>	<u>.05</u>	<u>.33</u>
Total TMI-2	31.8	5.7%	.55	3.51%
Forecast, Adjusted to Include TMI-2	<u>\$590.7</u>	<u>5.7%</u>	<u>3.25</u>	<u>12.11%</u>

<sup>1</sup>Compared to Current Rates

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Pennsylvania Electric Company

# Impact of Rate Increase for Components of TMI-2 Costs Upon Charges to Customers, Interest Coverage Ratios & Return on Common Equity (1980)

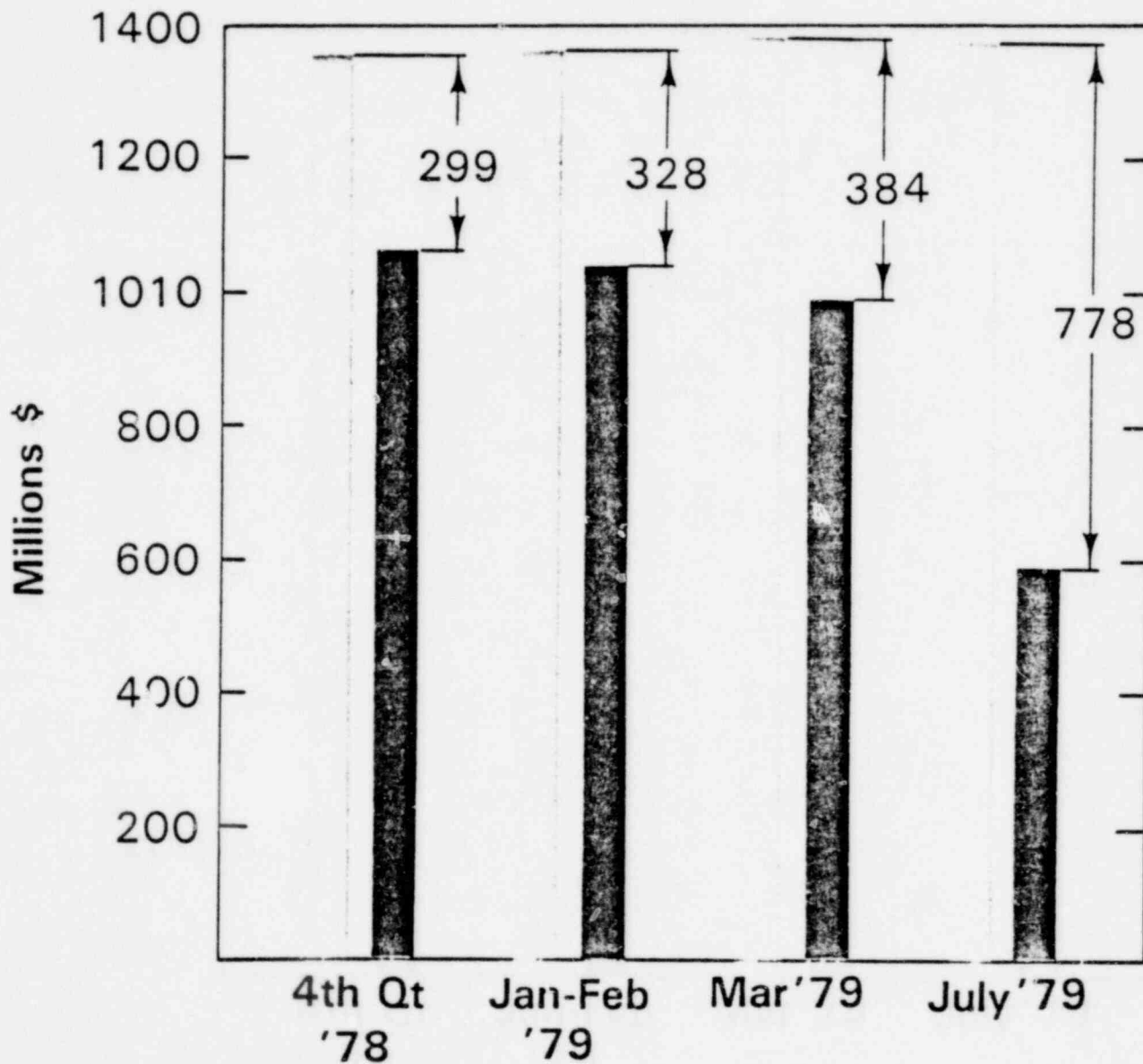


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[Rev 9/26/79]

Impact of TMI-2 Accident  
on GPU Common Stockholder

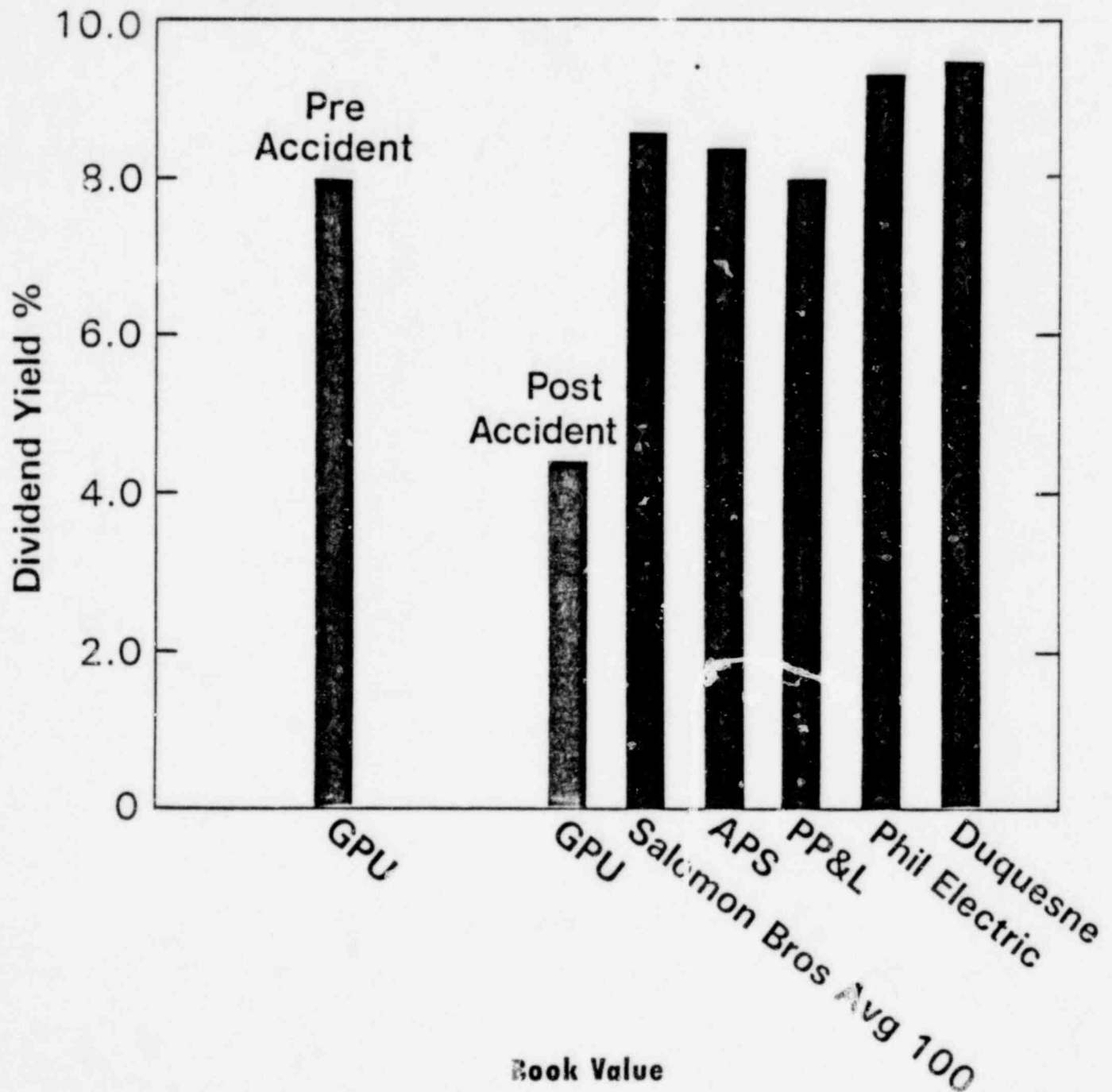
## Common Stockholder Investment vs Market Worth



Book Value  
 Closing Market Price at end of Period  
 Multiplied by Shares Outstanding at end of Period

1474 308

## Impact of TMI-2 Accident on GPU Common Stockholder Dividend Yield on Book Value

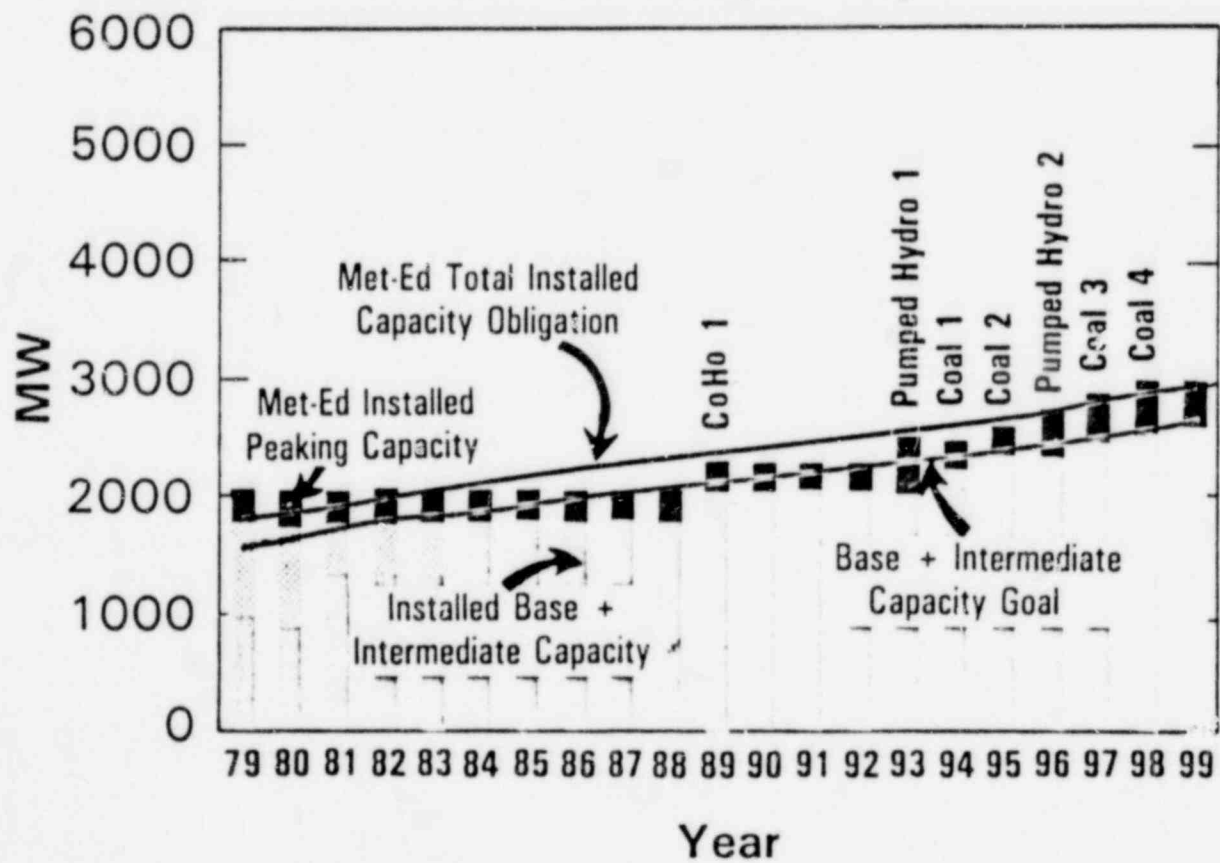


GPU Pre Accident - Annual Dividend Rate @ 12/31/78 (\$1.80) ÷ Book Value @ 12/31/78 (\$22.41)

GPU Post Accident and Utility Sample: Per Salomon Brothers Stock Research Report -  
8/1/79 (Annual Dividend Rate @ 7/31/79  
+ Book Value @ 3/31/79)

1474 209

Metropolitan Edison Company  
**Installed Capacity & Obligation**  
**Proposed Capacity Plan**



..... TMI Capacity

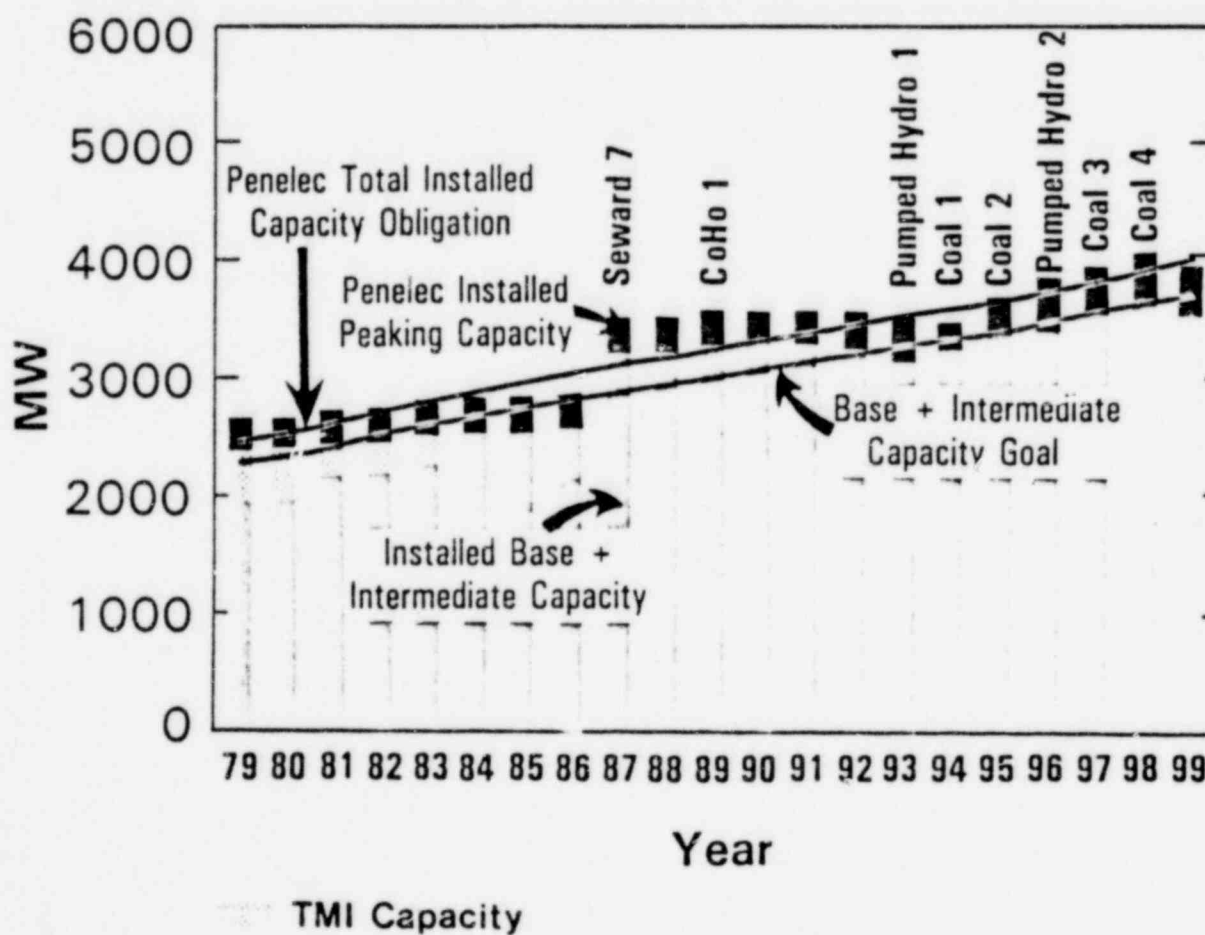
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Pennsylvania Electric Company

## Installed Capacity & Obligation

### Proposed Capacity Plan



1474 511

## Conclusions

- Currently and Historically, Met-Ed and Penelec Rates Compare Favorably with Other Pennsylvania Utilities.
- The Percent of Income Required for Payment of Electricity Measured Against Wages, and Social Security Benefits Has Been Relatively Stable Over the Last Several Years
- TMI-1 Restart Schedule Hinges Upon NRC Proceedings.
- Energy Costs Are Extremely Sensitive to Oil Prices and Nuclear Generation Availability.
- TMI Short Term Power Purchases and PJM/TMI Emergency Provisions Will Substantially Reduce Replacement Power Costs.
- Met-Ed Deferred Energy Balance Requires Modification of Levelized Cost Rate. Penelec Could Revert to Standard ECR.
- Reductions in Construction, O&M Expenses, and Personnel Will Provide Short Term Savings But May Affect Service Reliability and Long Term Costs.
- External Financial Requirements Continue to Pose Formidable Barriers (Short Term Limits and Coverage Tests). New Equity Issues Unlikely.
- Modest TMI Related Revenues Can Restore Credit Worthiness.
- Future Construction of Generation Required to Meet Load Growth Needs to Be Addressed.