GPU Service

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

October 19, 1979

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

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

Dear Mr. Vollmer:

In response to the requests for financial information enclosed with your letter dated September 21, 1979 to R. C. Arnold, enclosed are 8 copies of the following:

1. Response to Financial Information Request No. 4-(b) (expected source of funds to cover TMI-1 costs).

2. Response to Financial Information Request No. 7 (copies of PAPUC and NJBPU orders relative to provision for cost of decommissioning TMI-1).

3. Response to Financial Information Request No. 10-(c) (summary of recent relief actions and effect on revenues).

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.

Sincerely,

F. D. Hafer
Vice President,
Rate Case Management

FDH:pan
Enclosures

1197 144

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

B005
S 1/1

7910230284

Person Responsible for Preparation:
F. D. Hafer, Vice President-
Rate Case Management
GPU Service Corp.
Telephone: (201) 263-4900 X 601
Date: October 19, 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

Response to NRC Staff's Financial Information Request No. 4-(b), Dated 9/21/79:

> "Indicate the expected source(s) of funds to cover costs in 4.a., above. Indicate the unit price per Kwh experienced by each licensee and by GPU on system-wide sales of electric power to all customers for the most recent 12-month period. Indicate the portion of this unit price attributable to purchased power."

Response:

The costs of owning and operating TMI-1 are currently being provided for by the rate payers of GPU's operating subsidiaries, Met-Ed, Penelec and Jersey Central, in that the capital and operating costs of TMI-1 were recognized in the retail and resale rates of the three companies shortly after the unit began commercial operation in September, 1974.

On September 21, 1979, the Pennsylvania Public Utility Commission, on the expectation that TMI-1 will not return to service on or before January 1, 1980, entered an order to "show cause" why TMI-1 costs should not be eliminated from Met-Ed's and Penelec's retail rates. A similar order has not been issued by the New Jersey Board of Public Utilities, which has jurisdiction over Jersey Central's retail rates.

Assuming Met-Ed and Penelec demonstrate to the Pennsylvania Commission that continued inclusion of TMI-1 costs in their rates is justified (Met-Ed's and Penelec's response to the PaPUC's show cause order has been included in response to Financial Request No. 10-(c)), it is expected that the TMI-1 costs projected in response to Request 4-(a) will be recognized in future rate proceedings of the three companies.

The average revenue per Kwh of sales received by GPU's operating subsidiaries for the 12 months ended September 30, 1979, the most recent period for which data is available, is shown on page 4, and is summarized below:

GPU SYSTEM
Revenue per Kwh of Electric Sales By Regulatory Jurisdiction
12 Months Ended September 30, 1979

	Sales		Revenue Per Kwh
	Gwh	% of Total	(Mills/Kwh)
Pennsylvania Retail Sales	18 034	56.2%	41.1
New Jersey Retail Sales	12 474	38.8	49.3
New York Retail Sales	73	0.2	33.2
Sales for Resale	1 532	4.8	31.3
Total Sales	32 113	100.0%	44.0

With respect to the portion of the companies' average revenue per Kwh attributable to purchased power, Met-Ed, Penelec and Jersey Central have energy cost adjustment clauses in effect that, in conjunction with the energy cost component of base rates, recover essentially all of the fuel cost of internal generation and the energy-related cost of purchased power (see the response to Financial Request No. 10-(b) for a detailed desciption of the clauses). Changes in the cost of purchased power are therefore directly reflected in corresponding changes in rates and revenues.

For the 12 months ended September 30, 1979, the purchased power and total energy costs used in determining the subsidiaries' energy cost adjustment charges applicable to retail sales were as follows:

GPU AND SUBSIDIARY COMPANIES
Energy Costs Used in Determining Energy Clause
Adjustment Charges Applicable to Retail Sales
12 Months Ended September 30, 1979

	Total System Sales (Gwh)	Total System Energy Costs(1)		Cost of Purchased Power(2)	
		$ Millions	Mills per Kwh of Sales	$ Millions	Mills per Kwh of Sales
Met-Ed	8 126	$134	16.5	$ 61	7.5
Penelec	11 225	139	12.4	(22)	(2.0)
Jersey Central	12 762	264	20.7	170	13.3
GPU	32 113	$537	16.7	$209	6.5

(1) Fuel cost of internal generation plus cost of energy purchased exclusive of demand (capacity) charges. (On a GPU basis, about 95% of total costs are applicable to retail sales.)

(2) See page 5.

However, as a result of billing lag inherent in Met-Ed's and Penelec's retail clauses in effect prior to July 1, 1979, which were based on 6-month average historical costs, and the temporary levelizing of such clauses effective July 1 as ordered by the PaPUC in Docket No. I-79040308 in response to the TMI-2 accident, not all of Met-Ed's and Penelec's retail energy costs were recovered (billed to customers) in the 12 months ended September 30, 1979. The amount not recovered has been deferred for future recovery, subject to Commission review, as summarized on page 6.

Similarly, due to the time required to obtain Commission approval for increases in Jersey Central's levelized energy cost adjustment charge (which has been levelized over 6-month periods since September, 1977) to reflect the effect of the TMI-2 accident on Jersey Central's energy costs and other cost increases, not all of Jersey Central's retail energy costs experienced in the 12 months ended September 30, 1979 were recovered in that period. The amount not recovered has correspondingly been deferred for future recovery in accordance with the provisions of Jersey Central's clause. Jersey Central's unrecovered balance as of September 30, 1979 is also noted on page 6.

GPU AND SUBSIDIARY COMPANIES
Revenue From Electric Sales, 12 Months Ended September 30, 1979

	MET-ED				PENELEC				JERSEY CENTRAL				GPU			
	Energy Sales		Revenue Received		Energy Sales		Revenue Received		Energy Sales		Revenue Received		Energy Sales		Revenue Received	
	Gwh	% of Total	$ Millions	mills/Kwh	Gwh	% of Total	$ Millions	mills/Kwh	Gwh	% of Total	$ Millions	mills/Kwh	Gwh	% of Total	$ Millions	mills/Kwh
Pennsylvania Retail Sales(1)	7 647	94.1%	$307	40.1	10 387	92.5%	$440	42.3	-	-	-	-	18 034	56.2%	$ 747	41.4
New Jersey Retail Sales(2)	-	-	-	-	-	-	-	-	12 474	97.7%	$615	49.3	12 474	38.8	615	49.3
New York Retail Sales(3)	-	-	-	-	73	0.7	2	33.2	-		-	-	73	0.2	2	33.2
Sales for Resale(4)	479	5.9	14	29.8	765	6.8	24	31.1	288	2.3	10	34.2	1 532	4.8	48	31.3
Total Sales	8 126	100.0%	$321	39.5	11 225	100.0%	$466	41.5	12 762	100.0%	$625	49.0	32 113	100.0%	$1 412	44.0

(1) Rates regulated by Pennsylvania Public Utility Commission ("Pa PUC").
(2) Rates regulated by New Jersey Board of Public Utilities ("NJ BPU").
(3) Rates regulated by New York Public Service Commission ("NY PSC").
(4) Rates regulated by Federal Energy Regulatory Commission ("FERC").

1147 1148

GPU AND SUBSIDIARY COMPANIES

Amounts Paid For Purchased Power, 12 Months Ended September 30, 1979

	Energy Purchased or (Sold) (Gwh) (1)	Energy-Related Costs (Incl. in Retail Clause) (2)	Demand-Related Costs (Excl. From Retail Clause)	Total Cost of Purchased Power (3)	Mills/Kwh
MET-ED					
Energy Purchased	2 634	$ 79.9	$ 2.3	$ 82.2	31.2
Energy (Sold)	(733)	(18.7)	(1.8)	(20.5)	28.0
Net Energy Purchased	1 901	$ 61.2	$ 0.5	$ 61.7	-
Net System Requirements (NSR)	8 784				
Net Energy Purchased as % of NSR	21.6%				
PENELEC					
Energy Purchased	936	$ 28.6	$ 1.9	$ 30.5	32.6
Energy (Sold)	(2 379)	(50.6)	(5.0)	(55.6)	23.4
Net Energy Purchased	(1 443)	$(22.0)	$ (3.1)	$ (25.1)	-
Net System Requirements (NSR)	12 176				
Net Energy Purchased as % of NSR	(11.9)%				
JERSEY CENTRAL					
Energy Purchased	6 253	$178.9	$ 8.2	$ 187.1	29.9
Energy (Sold)	(132)	(8.6)	(0.3)	(8.9)	67.4
Net Energy Purchased	6 121	$170.3	$ 7.9	$ 178.2	-
Net System Requirements (NSR)	13 917				
Net Energy Purchased as % of NSR	44.0%				
GPU					
Energy Purchased	9 823	$287.4	$ 12.4	$ 299.8	30.5
Energy (Sold)	(3 244)	(77.9)	(7.1)	(85.0)	26.2
Net Energy Purchased	6 579	$209.5	$ 5.3	$ 214.8	-
Net System Requirements (NSR)	34 877				
Net Energy Purchased as % of NSR	18.9%				

(1) From all sources (economy interchange from GPU and PJM, TMI-accident-related short-term power purchases).
(2) Includes demand component of cost of TMI-accident-related short-term power purchases.
(3) As recorded in FERC Account 555-Purchased Power Expense.

GPU AND SUBSIDIARY COMPANIES
Deferred Energy Costs as of September 30, 1979
($ Millions)

	MET-ED	PENELEC	JERSEY CENTRAL	GPU Amount	GPU % of Total
Energy costs deferred for recovery by energy cost adjustment clauses currently in effect:					
Pennsylvania retail sales	$42.4	$ 3.0	$ -	$ 45.4	29.9%
New Jersey retail sales	-	-	28.5	28.5	18.7
Other retail sales	-	0.3	-	0.3	0.2
Sales for resale	-	-	-	-	-
Total	$42.4	$ 3.3	$28.5	$ 74.2	48.8%
Unamortized balance of deferred energy costs recoverable by base rates:					
Pennsylvania retail sales	$14.4	$10.8	$ -	$ 25.2	16.6%
New Jersey retail sales	-	-	52.6	52.6	34.6
Other retail sales	-	-	-	-	-
Sales for resale	-	-	-	-	-
Total	$14.4	$10.8	$52.6	$ 77.8	51.2%
Total deferred energy costs as of 9/30/79:					
Pennsylvania retail sales	$56.8	$13.8	$ -	$ 70.6	46.5%
New Jersey retail sales	-	-	81.1	81.1	53.3
Other retail sales	-	0.3	-	0.3	0.2
Sales for resale	-	-	-	-	-
Total	$56.8	$14.1	$81.1	$152.0	100.0%

Person Responsible for Preparation:
F. D. Hafer, Vice President-
Rate Case Management
GPU Service Corp.
Telephone: (201) 263-4900 X 601
Date: October 19, 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

Response to NRC Staff's Financial Information Request No. 7, Dated 9/21/79:

"Provide copies of any orders and directives issued by the Pennsylvania Public Utility Commission (PPUC) and the New Jersey Board of Public Utilities (NJBPU) that relate to funding of costs in items 5 and 6 above."

Response:

In response to this request, enclosed are copies of excerpts from PAPUC and NJBPU orders relative to making provision for the eventual cost of decommissioning TMI-1, as follows:

Met-Ed

Attachment A (1 page) - Excerpt from PAPUC's rate order entered 3/29/79 in R.I.D. 626 relative to decommissioning provision for TMI-1 and TMI-2 ($137,000 annual decommissioning provision allowed was for both units - $68,000 for TMI-1 and $69,000 for TMI-2. The TMI-2 amount was subsequently disallowed in PAPUC Docket No. I-79040308 by order entered 6/19/79).

Attachment B (4 pages) - Excerpt from PAPUC's rate order entered 9/18/78 in R.I.D. 434 relative to decommissioning provision for TMI-1 (allowed annual provision of $132,000).

Attachment C (12 pages) - Trust Agreement dated 9/26/79 between Met-Ed and York Bank and Trust Company establishing a decommissioning trust fund for TMI-1 as required by the orders referred to above.

Penelec

Attachment D (3 pages) - Excerpt from PAPUC's rate order entered 1/26/79 in R.I.D. 599 relative to decommissioning provision for TMI-1 and TMI-2 ($111,000 annual decommissioning provision allowed was for both units - $65,000 for TMI-1 and $46,000 for TMI-2. The TMI-2 amount was subsequently disallowed in PAPUC Docket No. I-79040308 by order entered 6/19/79).

Attachment E (4 pages) - Excerpt from PAPUC's rate order entered 6/22/78 in R.I.D. 392 relative to decommissioning provision for TMI-1 (allowed annual provision of $74,000).

Attachment F (12 pages) - Trust Agreement dated 9/26/79 between Penelec and Pennsylvania Bank and Trust Company establishing a decommissioning trust fund for TMI-2 as required by the orders referred to above.

Jersey Central

Attachment G (3 pages) - Excerpt from NJBPU's rate order (Appendix A) dated 9/1/77 in Docket No. 7610-1021 (Phase I) relative to decommissioning provision for TMI-1 and Oyster Creek ($1,275,000 annual decommissioning provision allowed was for both units - $244,000 for TMI-1 and $1,031,000 for Oyster Creek).

In accordance with these orders, the GPU companies have accumulated the following TMI-1 decommissioning provision as of September 30, 1979:

GPU System
Accumulated Provision For Decommissioning TMI-1
As Of September 30, 1979
($000's)

	Current Annual Provision	Accumulated Balance As Of 9/30/79
Met-Ed (50% of unit)	$ 68	$ 154 (1)
Penelec (25% of unit)	65	124 (1)
Jersey Central (25% of unit)	244	508 (2)
Total	$ 377	$ 786

(1) Held by independent trustee.
(2) Recorded on Jersey Central's books, exclusive of related accumulated deferred income taxes of ($235,000).

future contribution for this project is too speculative at this time. Consequently, respondent's research and development expense is reduced by a total of $418,000.

The remaining adjustments proposed by the OCA are rejected.

Uranium Exploration Costs

Inasmuch as a Motion to Strike the testimony of Mr. Zodiaco regarding uranium exploration costs of respondent was granted by the Administrative Law Judge, respondent's claim for these costs in the amount of $243,000 is denied.

Annual Depreciation

Based upon our decision regarding depreciation lives for TMI-1 and TMI-2, respondent's annual depreciation expense claim is reduced by $1,411,000.

Decommissioning Expenses

Consistent with the decision in the Penelec case, R.I.D. 599 and our prior decision regarding respondent at R.I.D. 434, the respondent's claim is reduced by $1,162,000 to an authorized amount of $137,000. These monies will be treated as trust funds in accordance with our prior direction in R.I.D. 434.

Rate Case Expenses

Respondent claims rate case expenses in the amount of $586,000, which it proposes to amortize over a five year period. This amortization results in a charge to its pro forma income statement in the amount of $117,000. Of this claim, $314,000 represents unamortized expenses from two previous rate cases and $272,000 in estimated expenses for the instant proceeding.

Judges Banzhoff and Cohen disallowed respondent's $1,730,000 claim. Their report found the claim unsupported in as much as the Commission, at that time, had not issued a final order and respondent has not yet committed itself to these expenditures.

Respondent excepts to the wording of the recommended decision. The company feels it should be allowed the $1,730,000 for the implementation of 76-PRMD-10 if it is so ordered by the Commission prior to a final order in this proceeding.

Since the issuance of the Jugdges' initial decision, the Commission on April 13, 1978 has approved Consumer Standards and Billing Practices Rules (76-PRMD-10) in a different form than that envisioned by the company in the original filing in that monthly meter reading has not been mandated. We disallow, therefore, $590,000 of respondent's claimed operating expenses which represents the cost of monthly meter reading.

Three Mile Island Unit No. 2

Metropolitan Edison claimed operation and maintenance expenses related to the inclusion of Three Mile Island Unit No. 2 (TMI-2) in its test year ended March 31, 1977. Respondent considers its claim to be conservative as it reflects TMI-2 at a mature level of operations, meaning a level subsequent to the first few years of operations. The first few years of a plant's operation normally contain extraordinary operation and maintenance problems.

Adjustments of $3,568,000 to operation and maintenance expense, $1,295,000 for payroll and $2,273,000 for other operation and maintenance, have been made to cover the operating costs of TMI-2. In view of our decision to exclude TMI-2 from consideration in this rate proceeding, we will disallow these claims.

Provision for Decommissioning of Nuclear Plant

The company claimed annual decommissioning provisions of $620,000 for TMI-1 and $290,000 for TMI-2, or a total annual provision of $910,000. To arrive at these claims respondent divided the cost of decommissioning for each unit by the estimated remaining life for each times its percentage share (i.e., $37.2 million divided by 30 years for TMI-1 times 50% and $35.9 million divided by 31 years for TMI-2 times 25%). The estimated remaining lives correspond to the expiration date of the respective operating licenses being 2008 for TMI-1 and 2009 for TMI-2. Respondent's claim is based on the concept that rate payers who receive the energy generated by the nuclear units at Three Mile Island should bear the costs of decommissioning.

Witness of respondent presented the technical background to the decommissioning of a nuclear plant. Basically, the guidelines have

been set down by the Nuclear Regulatory Commission. There are four possible alternative methods of decommissioning nuclear facilities, each requiring a proposal, review, and approval before authorization can be granted by the NRC. Respondent's witness concluded the in-place entombment method with the cost estimate claimed in this proceeding involved the lowest cost of any method expected to be available in 2008 and 2009. Respondent believes these cost estimates are conservative, for 1977 dollars will buy substantially less in the years 2008 - 2009 due to escalating costs in the interim. Also, more stringent requirements by nuclear regulatory agencies involving greater costs can be expected.

Respondent proposes to invest any funds allowed for decommissioning in tax-exempt securities under the control of an independent trustee. These funds would be used exclusively for the purpose intended. Any earnings realized from this reserve would be used to offset the escalation of decommissioning costs.

Consumer Advocate opposes a decommissioning costs allowance. Its position is based on the Commission order in the last Met-Ed case at R.I.D. No. 170-171, Metropolitan Edison Company, 50 Pa. P.U.C. 82 (1976). The Commission rejected a similar proposal in that proceeding. In the instant proceeding the Consumer Advocate recognizes a difference in the claim in that respondent now proposes to invest the annual allowances in tax-exempt securities under the control of an independent trustee.

Consumer Advocate believes that in the prior proceeding mentioned above the Commission cited Penn Sheraton Hotel et al. v. Pennsylvania Public Utility Commission, 198 Pa. Super. Ct. 618 (1962) precludes the establishment of a provision for decommissioning. It bases its conclusion on the argument that Penn Sheraton and this claim both involve recognition of prospective negative salvage, and both proposed the same amortization of the net cost of removal upon retirement. Also, Consumer Advocate argues the estimated costs and remaining lives used by respondent are highly speculative.

Staff, in its brief, also bases its opposition to respondent's decommissioning expense claim on respondent's last rate proceeding at R.I.D. No. 170.

The Administrative Law Judges urge the Commission to reconsider its earlier decision. Accordingly, they recommended that respondent be allowed an annual expenses for the decommissioning of TMI-1 and TMI-2 in the amount of $301,000. This annual amount is simply an amount to be invested each year in a thirty year annuity at a 6 1/2% interest rate compounded semi-annually necessary to produce the costs of decommissioning at the end of the annuity period.

We accept the principle that some allowance should be made for decommissioning expenses. Previously, we approved a similar claim of respondent's sister company at R.I.D. No. 392, Pennsylvania Electric Company (Order Adopted March 1978). Again, we are motivated by our concern for the future health and safety of the citizens of the Commonwealth. Our action in this proceeding is an initial step to protect future citizens from bearing a significant revenue burden associated with decommissioning this plant, a plant from which they will receive no service.

Both Commission Staff and Consumer Advocate argue in briefs and exceptions that Penn Sheraton Hotel et al. v. Pa. P.U.C. 198 Pa. Super. 618 (1962) sets a precedent which precludes an allowance for decommissioning expenses. We agree with the Judges that this case does not support those parties' position. The Penn Sheraton case discussed the prospective negative salvage value of the removal of steam distribution mains upon retirement. The Superior Court in its decision defined prospective negative salvage as "the estimated negative salvage to be incurred if and when the distribution mains are removed some time in the future." (emphasis added.)

We feel it is necessary to begin to provide a financial mechanism for the control of hazardous nuclear plant components. At the same time we must assure that the costs of the nuclear technology enjoyed today is not burdened on future ratepayers. Although the total costs of decommissioning a nuclear power plant cannot be precisely determined our over riding concern is for the health and safety of the citizens of this Commonwealth.

Met-Ed's claim for in-place entombment of Three Mile Island Unit No. 1 was an annual provision designed to accumulate its share of $37.2 million, estimated TMI-1 decommissioning costs in 1977 dollars, in a separate fund by the year 2000. Consistent with our Penelec decision, we reduce the estimate of $37.2 million by $13.6 million, the amount allocated to the dismantling of non-nuclear structures. Neither the turbine buildings, cooling towers, river water pump house, and miscellaneous structures pose a continuing threat to health and safety. All of these components should be considered the "prospective negative salvage" referred to in the Penn Sheraton case. Our allowance in this matter then will only be sufficient to accumulate the $23.6 million viewed as necessary to contain the nuclear components upon decommissioning.

Finally, the calculation by Met-Ed for allowance of decommissioning expenses is improper. This Commission should reject the assumption that inflation will continue through the year 2008 and that the interest earned upon respondent's annual investment in tax-exempt securities would offset that inflation. At this time we should make no provision for inflation, but rather adjust the annual allowance from time to time to account for any experienced inflation. If we would permit Met-Ed to collect $132,000 annually and to invest in tax-exempt, state and/or

municipal serucities with an annual yield to maturity of 6.5%, by 2008 it would have accumulated the established $23.6 million to be used for the decommissioning of the nuclear components of TMI-1.

This $132,000 annuity should be treated in the following manner:

1. The annuity and its accumulated interest shall be placed in an escrow fund, unavailable to Metropolitan Edison until the dismantling of Three Mile Island No. 1 occurs. One-twelfth of the annuity will be deposited in the fund at the end of each calendar month.

2. Each fund investment by the escrow agent shall be in those tax-exempt state, municipal, and/or Authority bonds having the highest yield at the time the investment occurs. (The interest on such bonds is free of both state and federal income taxes, and thus served to reduce the amount of the burden on the ratepayers.)

3. A strict accounting shall be maintained for the fund, so that its balance can be determined at any moment in time. Thus, if at any time there is a change in the estimated life of TMI-1, in the decontamination and dismantling costs, in the proposed method of decommissioning, or in the average yield on the proposed bonds, the difference between the projected costs and the amount already accumulated in the fund can be readily ascertained, and the annual annuity requirement on the remainder can be readily computed.

4. It is expected that by following the procedure herein, the difference between the total amount of the fund which will have been accumulated and the actual costs incurred at decommissioning will be de minimis. However, if there is any excess whatever in the fund, Metropolitan Edison shall return the excess to the ratepayers or use it for their direct benefit in any other manner that the Commission may order; and conversely, if the costs exceed the amount of the fund, Metropolitan Edison shall amortize the excess as a charge over a reasonable period as ordered by the Commission.

Using these provisions, not only will the interest on the escrowed fund be free of state and federal income taxes, but the annuity itself may be excluded from taxable income.

Decommissioning expenses must be considered in this proceeding, and current ratepayers who are benefitting from the generation of TMI-1 should be the ones who contribute toward the cost of the eventual decommissioning of that facility. An annuity of $132,000 is sufficient to provide $23.6 million, the current estimate for the proper containment (by the in-place entombment method) of the nuclear components of TMI-1. The accumulation of this decommissioning fund shall be used only for the purposes of the eventual decommissioning of that plant, and as such should not be deducted from rate base.

The original claim was for an annual decommissioning expense of $620,000. An annual provision of $132,000 represents a disallowance of $488,000.

Out of Period Wage Adjustment

Respondent claimed an additional $1,310,000 to reflect the full year's effect of an 8.07 percent wage increase granted to Met-Ed's weekly employees effective May 1, 1977. Consumer Advocate argues against this claim in its brief, claiming that resondent has not recognized any post test-year revenues growth as an offset to the wage increase. The Administrative Law Judges rejected the argument of Consumer Advocate stating that the Commission has discretion to make such adjustments. Pittsburgh v. Pennsylvania P.U.C., 171 Pa. Super. Ct. 187 (1952).

It is argued by Consumer Advocate that the Judges have confused two separate arguments with regard to the out-of-period wage adjustment. The Judges' recognition of the adjusment proposed by the Consumer Advocate reflects revenues as of March 31, 1977, the last day of the test year, but it does not account for revenue growth in 1978 and 1979. The Consumer Advocate feels the revenue growth in 1978 and 1979 will more than absorb this out-of-period wage adjustment.

The Administrative Law Judges recommended adoption of this adjustment. We agree with that result. A wage increase effective May 1, 1977, only one month after the end of the year should be reflected in the rate allowance set here. Use of revenue growth in 1978 and 1979 by Consumer Advocate as an offset, is not reasonable.

Uncollectible Accounts Expense

Staff in its brief urges that an adjustment to uncollectible expense be made. Position of Staff is centered around a comparison of reported test year uncollectibles and the historically experienced costs. Respondent's reported test year uncollectible expenses of $620,000 includes $168,000 due to the termination of business of National Portland Cement, a major industrial customer of respondent. The 1976 budget for uncollectibles (exclusive of the $768,000) would be in the area of $550,000, or roughly nine percent greater than the 1975 actual. Application of the same nine percent to the 1976 actual of $507,000 would produce an allowable uncollectible accounts expense of $560,000 or $60,000 less than respondents claimed test year expenses of $620,000. The Administrative Law Judges concurred in Staff's position and Met-Ed does not except. We will therefore reduce the Company's adjusted expenses by $60,000.

1107 158

INDENTURE, dated as of the 26th day of September, 1979, between METROPOLITAN EDISON COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania, having its registered office at 2800 Pottsville Pike, Muhlenberg Township, Berks County, Pennsylvania 19640 (the "Company"), party of the first part, and York Bank and Trust Company, a corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania (the "Trustee"), having its registered office at Market and Beaver Streets, York, Pennsylvania 17405, party of the second part.

WHEREAS, the Company owns a 50% undivided interest (as tenant in common with the owners of the other undivided interests) in Unit No. 1 of the Three Mile Island nuclear generation station ("TMI-1") which is located in Londonderry Township, Dauphin County, Pennsylvania; and

WHEREAS, the Company, pursuant to the Order of the Pennsylvania Public Utility Commission (the "P.U.C.") entered September 18, 1978 at R.I.D. 434 et al. and March 29, 1979 at R.I.D. 626 et al., desires to establish a trust to make provision for the payment of all, or as great a portion as possible, of the Company's 50% share of the expense of decommissioning TMI-1 subsequent to the retirement thereof; and

WHEREAS, all conditions and requirements necessary to make this Indenture a valid and binding legal instrument,

in accordance with its terms and for the purposes herein expressed, have been performed and fulfilled and the execution and delivery hereof have been duly authorized:

NOW, THEREFORE, THIS INDENTURE WITNESSETH: That in consideration of the covenants herein contained, the Company hereby covenants and agrees with the Trustee, as follows:

Article I.

Nature and Duration of the Trust

Section 1.01. The within trust is hereby established pursuant to the aforesaid Orders in order to make assured provision for the payment of all, or as great a portion as possible, of the Company's 50% share of the expense associated with the decommissioning of TMI-1 following the retirement of such unit, i.e., following the cessation of usefulness of such unit for the public service. Included among the scope of work of such decommissioning are the dismantlement in whole or in part of the said unit and the disposal of the component parts thereof in a manner not inimical to the common defense and security or to the health and safety of the public, in accordance with the statutory and regulatory requirements then applicable to such decommissioning.

Section 1.02. The term of the within trust shall extend until all of the funds contributed to the trust and all earnings thereon accumulated by the trust shall have been paid out in accordance with the provisions of Article III hereof. Upon such payment by the Trustee of the last of

the funds in the trust in accordance with the provisions of Article III hereof, the trust hereunder shall thereupon terminate. It is understood, however, that depending upon the adequacy of the level of funding of the within trust and the method or methods of decommissioning of TMI-1 authorized by the cognizant regulatory agency or agencies and utilized by the Company following the retirement of the unit, the trust may extend for an indefinite period thereafter in order to provide for continuing decommissioning costs of TMI-1.

Article II.

Payments into the Trust; Trust Purposes

Section 2.01. The Company shall make monthly payments into the trust in the amounts specified in the aforesaid P.U.C. orders and in any further orders hereafter entered by the P.U.C. or any other governmental agency having jurisdiction in the premises and in any amendments or revisions of said orders.

Section 2.02. It is the express purpose and intent of the within trust and of the several governmental agency orders relating thereto that the payments made and to be made into the trust and all earnings accumulated and to be accumulated thereon shall be utilized exclusively for the payment of (a) the costs incurred by the Company for the decommissioning of TMI-1 following the retirement thereof and (b) possible customer refunds, in such manner as the PUC and any other governmental agency having jurisdiction in the premises may direct, of any funds not required to pay, or

make provision for the payment of, either immediate or foreseeable long-term post-retirement decommissioning costs of TMI-1; and that, except as hereinafter provided under Article III hereof, none of such funds shall be subject to any power of the Company, its successors and assigns, to acquire, assign, transfer, pledge, hypothecate or dispose of the said funds in any manner, nor be subject to attachment, garnishment, execution or otherwise for the benefit of creditors of the Company.

Article III.

Payments by the Trustee

Section 3.01. No funds shall be paid out of the trust except upon the presentation by the Company to the Trustee of a certificate of the Company, signed by its President or one of its Vice Presidents and its Treasurer or an Assistant Treasurer, requesting such payment.

Section 3.02. Any certificate with respect to reimbursement of the Company for decommissioning costs theretofore incurred or expended shall include the following:

(a) A statement that TMI-1 has been retired and is in the process of being decommissioned;

(b) A brief identification of the work performed, services rendered and materials and labor expended by the Company in connection with the decommissioning of such unit which gave rise to the costs for which reimbursement is requested;

(c) A statement that such costs have not theretofore been the subject of reimbursement of the Company out of funds of the trust; and

(d) A statement that all necessary authorizations of the P.U.C. and any other governmental agencies having jurisdiction with respect to the decommissioning of such unit and the requested payment from the trust have been obtained.

Each certificate of the Company requesting payment, as aforesaid, out of the trust for decommissioning costs theretofore incurred or expended by the Company shall be accompanied by a certificate of a registered professional engineer, an appraiser or other expert, who may be an officer or employee of the Company or of an affiliate of the Company, as to the fair value of the work performed, services rendered and materials and labor expended which are the subject of the request for reimbursement out of the trust.

Section 3.03. Any certificate with respect to reimbursement of the Company for refunds theretofore made by it to customers of funds previously collected from customers and paid into the within trust shall include the following:

(a) a statement of the circumstances which gave rise to the payment of such refund;

(b) a statement of the amount of refunds so paid;

(c) a statement that such refunds have not theretofore been the subject of reimbursement of the Company out of the funds of the trust; and

(d) a statement that all necessary authorizations of the P.U.C. and any other governmental agencies having jurisdiction with respect to the requested payment from the trust have been obtained.

Section 3.04. Each certificate of the Company requesting payment, as aforesaid, out of the trust shall be accompanied by an opinion of counsel stating that the request for such payment to the Company has been duly authorized by the Company and that all necessary authorizations, approvals or consents of the P.U.C. and any other governmental agencies having jurisdiction with respect to such requested payment have been obtained.

Article IV.

Concerning the Trustee

Section 4.01. The Trustee hereby accepts the trust created hereunder. The Trustee agrees that it shall use the same degree of care and skill in the execution by it of the rights and powers vested in it by this Indenture as persons of prudence, discretion and intelligence would exercise under the circumstances in the conduct of their own affairs.

Section 4.02. The Trustee shall hold, invest and reinvest the funds delivered to it hereunder and shall accumulate, invest and reinvest the trust income hereunder.

Section 4.03. The Trustee shall invest and reinvest the funds delivered to it hereunder and the income thereon in securities issued by the Commonwealth of Pennsylvania, its political subdivisions, agencies and authorities which are legal investments under Pennsylvania law for savings banks, as the Trustee may, from time to time, determine. The Trustee may also invest in such other securities as may be authorized by the P.U.C. or such other governmental agencies having jurisdiction in the premises, which authorization shall be conclusively evidenced by delivery to the Trustee by the Company of a copy of the order or other document setting forth such authorization.

Pending the making of such investments, the Trustee may deposit any amounts held by it hereunder in interest-bearing accounts in any commercial bank or banks having a capital and surplus not less than $40,000,000.

Section 4.04. The Company agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to receive, reasonable compensation for services rendered by it in the execution of the trust hereunder. Under no circumstances, however, shall the assets of the trust be subject to claims of the Trustee for compensation or expenses; the Trustee shall look solely to the Company, its successors and assigns, for payment thereof.

Section 4.05. The Trustee shall keep true and correct books of account with respect to the trust funds and investments, which books of account shall at all reasonable times be open to the inspection of the Company, or its duly appointed representatives, and the P.U.C. or other governmental agency having jurisdiction in the premises. On or before the first day of February of each year, commencing on February 1, 1980, the Trustee shall furnish to the Company a detailed statement showing, with respect to the preceding calendar year, the balance of assets on hand at the beginning of such year, all receipts and investment transactions which took place during such year, all disbursements, if any, made during such year in accordance with Article III hereof and the balance of assets on hand at the end of such year.

Section 4.06. The Trustee, upon receipt of documents furnished to it by the Company pursuant to the provisions of the Indenture, shall examine the same to determine whether they conform to the requirements hereof. The Trustee acting in good faith may conclusively rely, as to the truth of statements and the correctness of opinions expressed therein, upon certificates or opinions conforming to the requirements of this Indenture. In the event that the Trustee in the administration of the trust hereunder, shall deem it necessary or desirable that any matter be proved or established prior to taking or suffering any action hereunder, such matter (unless evidence in respect thereof is otherwise specifically

prescribed hereunder) may be deemed by the Trustee to be conclusively proved or established by a certificate signed by the President or a Vice President and the Treasurer or an Assistant Treasurer or the Comptroller or an Assistant Comptroller of the Company and delivered to the Trustee.

Section 4.07. The Trustee may resign at any time upon thirty (30) days' prior written notification to the Company. The Company may remove the Trustee at any time upon thirty (30) days' prior written notification to the Trustee. In the event that the Trustee shall be adjudged bankrupt or insolvent, a vacancy shall thereupon be deemed to exist in the office of Trustee and a successor shall thereupon be appointed by the Company. Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company an appropriate written instrument accepting such appointment hereunder, subject to all the terms and conditions hereof, and thereupon such successor Trustee shall become fully vested with all the rights, powers, trusts, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named as Trustee hereunder. The predecessor Trustee shall upon written request of the Company deliver to the successor Trustee all such instruments and perform such other acts as may be required or be desirable to vest and confirm in said successor Trustee all right, title and interest in the res of the trust to which it succeeds.

Section 4.08 Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation to which the corporate trust functions of the Trustee may be transferred, shall be the successor Trustee under this Indenture, without the necessity of executing or filing any additional acceptance of this trust or the performance of any further act on the part of any other parties hereto; provided, however, that the Trustee hereunder shall at all times be a bank or trust company having its registered office and principal place of business in the Commonwealth of Pennsylvania and which is authorized under the laws of said Commonwealth to exercise corporate trust powers subject to supervision or examination by Federal or Commonwealth authorities.

Article V.

Amendments

This Indenture may be amended from time to time by the Company in such manner as shall not be inconsistent with any orders or regulations of the P.U.C. or other governmental agencies having jurisdiction in the premises; provided, however, that no amendment shall be made which would allow any portion of the trust assets to be turned over to the Company, its successors or assigns, except to reimburse the

Company, as aforesaid, for funds theretofore expended by it either for decommissioning purposes or as refunds of unneeded funds to its customers, in each case in accordance with all applicable statutory and regulatory requirements.

Article VI.

Miscellaneous

Section 6.01. All covenants and agreements in this Indenture shall be binding upon and inure to the benefit of the respective parties hereto, their successors and assigns. In the event that the Company shall transfer any or all of its interest in TMI-1, such transferee or transferees of such interest shall succeed to the Company's rights and obligations hereunder with respect to the interest transferred upon their execution of an instrument satisfactory in form and substance to the Trustee making them a party to this agreement.

Section 6.02. Written notices hereunder shall be deemed to have been given to a party hereto if delivered or mailed to such party at the registered office of such party.

Section 6.03. This Indenture has been concluded within, and shall be construed in accordance with the laws of, the Commonwealth of Pennsylvania.

Section 6.04. This Indenture shall be simultaneously executed in several counterparts, and all such counterparts executed and delivered, each as an original,

shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Metropolitan Edison Company, the party of the first part, has caused this Indenture to be signed in its corporate name by its President or one of its Vice Presidents, and its corporate seal to be affixed hereunto, and the same to be attested by its Secretary or an Assistant Secretary; and York Bank and Trust Company, party of the second part, has caused this Indenture to be signed in its corporate name by its President or one of its Vice Presidents, and its corporate seal to be affixed hereunto, and the same to be attested by its Secretary or one of its Assistant Secretaries.

Executed and delivered in the Township of Muhlenberg, Berks County, Pennsylvania, as of the day and year first above written.

METROPOLITAN EDISON COMPANY

By _____
Vice President

Attest:

_____
Secretary

YORK BANK AND TRUST COMPANY

By _____
Vice President

Attest:

_____
Assistant Secretary

Decommissioning Expenses

Respondent has claimed annual expense allowances of $330,000 and $308,000 for the decommissioning of TMI-1 and TMI-2, respectively. The company has chosen the entombment method of decommissioning, and its claim for the Three Mile Island nuclear units duplicates the method employed in its last proceeding. The decision in that case granted respondent an annual allowance of $74,000 for TMI-1. The Administrative Law Judge approved respondent's claim. Consumer Advocate excepts citing the Commission policy on decommissioning described in Pa. P.U.C. v. Pennsylvania Electric Company (Order entered February 24, 1978 at R.I.D. 392).

We grant the exception of Consumer Advocate. In our decision we reviewed the particulars of our deduction for the cost of dismantling non-nuclear structures. The total estimated decommissioning costs in this proceeding are $39.6 million for TMI-1 and $38.2 million for TMI-2, in 1978 dollars. Continuing with our policy set in the last Penelec case, we reduce the total estimated costs by the estimates of the cost of dismantling non-nuclear structures (Exh. E-3 and E-4, p. 2). The reduced in-place entombment claim is $25.1 million for TMI-1 and $23.7 million for TMI-2.

An annuity was then developed. This annuity will provide for the investment in tax exempt state and/or municipal securities. The total of this annuity and the interest accumulated thereupon (at a 6.5% interest rate) will amount to the reduced in-place entombment costs at the time of TMI's eventual decommissioning assuming a 35

year nuclear unit life. The annuity will amount to $111,000.[1/]

This $111,000 annuity should be treated in the following manner:

1. The annuity and its accumulated interest shall be placed in an escrow fund, unavailable to Penelec until the dismantling of Three Mile Island. One-twelfth of the annuity will be deposited in the fund at the end of each calendar month.

2. Each fund investment by the escrow agent shall be in tax exempt state and/or municipal securities having the highest yield at the time the investment occurs. (The interest on such bonds is free of both state and federal income taxes, and thus serves to reduce the amount of the burden on the ratepayers).

3. A strict accounting shall be maintained for the fund, so that its balance can be determined at any moment in time. Thus, if at any time there is a change in the estimated life of TMI-1, or TMI-2 in the decontamination and dismantling costs, in the proposed method of decommissioning, or in the average yield on the securities, the difference between the projected costs and the amount already accumulated in the fund can be readily ascertained, and the annual annuity requirement on the remainder can be readily computed.

1/ $A = \frac{Pr}{(1+r)^n - 1} \times 2$

where P_1 = 25% (25.1) = $6.275 million
P_2 = 25% (23.7) = $5.925 million
r = 3.25% per half-year
n_1 = 62 half years
n_2 = 70 half years

therefore: A_1 = $ 65,113
A_2 = $ 45,946

A = $111,059

4. It is expected that by following the procedure herein, the difference between the total amount of the fund which will have been accumulated and the actual costs incurred at decommission will be de minimis. However, if there is any excess whatever in the fund, Penelec shall return the excess to the ratepayers or use it for their direct benefit in any other manner that the Commission may order; and conversely, if the costs exceed the amount of the fund, Penelec shall amortize the excess as a charge over a reasonable period as ordered by the Commission.

Using these provisions, not only will the interest on the escrowed fund be free of state and federal income taxes, but the annuity itself may be excluded from taxable income.

Decommissioning expenses must be considered in this proceeding, and current ratepayers who are benefitting from the generation of the TMI units should be the ones who contribute toward the cost of the eventual decommissioning of that facility. An annuity of $111,000 is sufficient to provide $48.8 million, the current estimate for the proper containment (by the in-place entombment method) of the nuclear components of the TMI units. The accumulation of this decommissioning fund shall be used only for the purposes of the eventual decommissioning of that plant, and as such should not be deducted from rate base.

The original claim was for an annual decommissioning expense of $638,000. An annual provision of $111,000 represents a disallowance of $527,000.

Amortization of Book Reserve Deficiency

Penelec possessed a book depreciation reserve deficiency of $9,016,000 on the basis of its calculated reserve as of December 31, 1978.

76-PRMD-10 (Consumer Standards and Billing Practices for Residential Service). The Consumer Advocate, the Commission's staff and the Administrative Law Judges recommend denial of these adjustments since the proposals are still under consideration by the Commission. The company does not except to this recommendation.

Load Reserve Program

Penelec claimed $250,000 in increased expenses relating to its comprehensive load research program. This represents one-third of the program's total estimated cost of $750,000 to be spent over three years. It is apparent from the record that progress on this program has been considerably delayed, caused in part by the flooding of last July. As a result the company estimated that it would spend only about $51,000 on this program during 1977. While the Administrative Law Judges recommended that the company's total request be allowed, be believe that only the actual test year expenditures should be passed on to ratepayers.

Decommissioning Expenses

Penelec has requested an annual expense allowance of $300,000 with respect to TMI-1 to provide for the decommissioning of this nuclear station. This represents Penelec's share of the expense of "in-place entombment" of TMI-1 estimated at $37.2 million, spread over 31 years, TMI-1's estimated remaining service life. The Administrative Law Judges considered this expense reasonable and prudent. Staff and the Consumer Advocate except.

We believe that the Administrative Law Judge's position is basically correct. In reaching this conclusion we are motivated by our concern for the future health and safety of the citizens of the Commonwealth. This concern requires that the company make adequate annual financial provision for a known event in the future; an event that has a substantial cost. We must take the initial step now to protect future ratepayers from bearing a significant revenue burden associated with the decommissioning of a plant from which they will receive no service.

The Consumer Advocate and Commission Staff argue that Penn Sheraton Hotel, et. al. v. Pa. P.U.C., 198 Pa. Super. 618 (1962) precludes establishment of a provision for decommissioning. The Penn Sheraton case dealt with the prospective negative salvage value of the removal of steam distribution mains from beneath Pittsburgh streets upon retirement. The Superior Court defined this prospective negative salvage as "the estimated negative salvage to be incurred if and when the distribution mains are removed some time in the future." (Emphasis added).

The key word in this Court decision is "if". The Consumer Advocate questioned the necessity of a decommissioning claim, quoting Penelec's witness as admitting that, "depending upon the world-wide energy situation in 2008, the regulatory agencies and the public may be willing to take greater risks than they might be at present." The question, however, is whether this Commission is willing to begin upon this path of greater risk now. By providing a mechanism for carrying out the fiscal aspects of control of these hazardous nuclear components, we insure that this will be done. Those who now enjoy the benefits of this technology can do no less than to assure that it will not impose an unreasonable financial burden on future ratepayers.

It is true that the total costs of decommissioning a nuclear power plant cannot now be determined with precision and may be termed speculative by some.

Although the total amount determined to be needed may not be accurate, the rejection of the claim would ignore the vital issues of health and safety which are reasonably foreseeable. Changes in the estimates of decommissioning costs may be dealt with through periodic review and adjustment of the total estimate (and its annual provision) within each rate case, or at any time upon the initiative of the Commission when it feels that such review is necessary.

Penelec's claim in this proceeding for the in-place entombment of the Three Mile Island Unit No. 1 was an annual provision designed to accumulate $37.2 million in a separate fund by the year 2008, this fund being respondent's estimate in 1977 dollars for the future decommissioning of this unit. The company proposed to invest the funds collected in tax-exempt securities, the earnings upon which to be "available to offset in part the escalation in the cost that is expected to occur" by the year 2008.

An analysis of the estimated claim shows that of the $37.2 million, approximately $13.6 million is for the dismantling of non-nuclear structures of TMI-1 and include the turbine buildings, cooling towers, river water pump house, and miscellaneous structures which by their nature, pose no special concern in regard to health and safety. Thus we should consider such expense as the "prospective negative salvage" referred to in the Penn Sheraton case. Penelec's expense in this matter will be limited to an allowance of funds sufficient to accumulate the $23.6 million now viewed as necessary for the proper containment of the nuclear components upon decommissioning. Provision for a greater amount is without adequate justification.

Finally, the calculation by Penelec for allowance of decommissioning expenses is improper. We reject the assumption that inflation will continue at its present rate through the year 2008 and that the interest earned upon respondent's annual investment in tax-exempt securities would offset that inflation. At this time we will make no provision for inflation, but rather adjust the annual allowance from time to time to account for any experienced inflation. If we would permit Penelec to collect $74,000 annually and to invest in Commonwealth of Pennsylvania General Obligation Bonds with an annual yield to maturity of 5.5%, by 2008 it would have accumulated the established $2[illegible]6 million to be used for the decommissioning of the nucle[illegible]omponents of TMI-1.

This $74,000 annuity should be treated in the following manner:

1. The annuity and its accumulated interest shall be placed in an escrow fund, unavailable to Penelec until the dismantling of Three Mile Island No. 1 occurs. One-twelfth of the annuity will be deposited in the fund at the end of each calendar month.

2. Each fund investment by the escrow agent shall be in those bonds issued by the Com[illegible]onwealth of Pennsylvania having the highest yield at the ti[illegible] investment occurs. (The interest on such bonds is free of both state and federal income taxes, and thus serves to reduce the amount of the burden on the ratepayers.)

3. A strict accounting shall be maintained for the fund, so that its balance can be determined at any moment in time. Thus, if at any time there is a change in the estimated life of TMI-1, in the decontamination and dismantling costs, in the proposed method of decommissioning, or in the average yield on the Commonwealth's bonds, the difference between the projected costs and the amount already accumulated in the fund can be readily ascertained, and the annual annuity requirement on the remainder can be readily computed.

4. It is expected that by following the procedure herein, the difference between the total amount of the fund which will have been accumulated and the actual costs incurred at decommission will be de minimis. However, if there is any excess whatever in the fund, Penelec shall return the excess to the ratepayers or use it for their direct benefit in any other manner that the Commission may order; and conversely, if the costs exceed the amount of the fund, Penelec shall amortize the excess as a charge over a reasonable period as ordered by the Commission.

Using these provisions, not only will the interest on the escrowed fund be free of state and federal income taxes, but the annuity itself may be excluded from taxable income.

Decommissioning expenses must be considered in this proceeding, and current ratepayers who are benefitting from the generation of TMI-1 should be the ones who contribute toward the cost of the eventual decommissioning of that facility. An annuity of $74,000 is sufficient to provide $23.6 million, the current estimate for the proper containment (by the in-place entombment method) of the nuclear components of TMI-1. The accumulation of this decommissioning fund shall be used only for the purposes of the eventual decommissioning of that plant, and as such should not be deducted from rate base.

The original claim was for an annual decommissioning expense of $300,000. An annual provision of $74,000 represents a disallowance of $226,000.

Miscellaneous Adjustments

The Consumer Advocate proposed two adjustments which were unopposed by Penelec. The Administrative Law Judges, did not include them in their initial decision. Both adjustments should be made. One would increase operating revenues by $45,000 to reflect the interest on customer deposits paid by the company in the test year. The other would reduce operating expenses by $80,000 to reflect the net gain on reacquired debt which the company is amortizing during the test year.

Conclusion

As a result of our resolution of the disputed issues we determine test year operating expenses (excluding Homer City No. 3) to be $198,609,600.

1177 177

ATTACHMENT F

INDENTURE, dated as of the 26th day of September, 1979, between PENNSYLVANIA ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania, having its registered office at 1001 Broad Street, Johnstown, Cambria County, Pennsylvania (the "Company"), party of the first part, and Pennsylvania Bank and Trust Company, a corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania (the "Trustee"), having its registered office at 127 West Spring Street, Titusville, Pennsylvania 16354, party of the second part.

WHEREAS, the Company owns a 25% undivided interest (as tenant in common with the owners of the other undivided interests) in Unit No. 1 of the Three Mile Island nuclear generation station ("TMI-1") which is located in Londonderry Township, Dauphin County, Pennsylvania; and

WHEREAS, the Company, pursuant to the Orders of the Pennsylvania Public Utility Commission (the "P.U.C.") entered June 28, 1978 at R.I.D. 392 et al. and January 26, 1979 at R-78040599 et al., desires to establish a trust to make assured provision for the payment of all, or as great a portion as possible, of the Company's 25% share of the expense of decommissioning TMI-1 subsequent to the retirement thereof; and

WHEREAS, all conditions and requirements necessary to make this Indenture a valid and binding legal instrument,

the funds in the trust in accordance with the provisions of Article III hereof, the trust hereunder shall thereupon terminate. It is understood, however, that depending upon the adequacy of the level of funding of the within trust and the method or methods of decommissioning of TMI-1 authorized by the cognizant regulatory agency or agencies and utilized by the Company following the retirement of the unit, the trust may extend for an indefinite period thereafter in order to provide for continuing decommissioning costs of TMI-1.

Article II.

Payments Into the Trust; Trust Purposes

Section 2.01. The Company shall make monthly payments into the trust in the amounts specified in the aforesaid P.U.C. orders and in any further orders hereafter entered by the P.U.C. or any other governmental agency having jurisdiction in the premises and in any amendments or revisions of said orders.

Section 2.02. It is the express purpose and intent of the within trust and of the several governmental agency orders relating thereto that the payments made and to be made into the trust and all earnings accumulated and to be accumulated thereon shall be utilized exclusively for the payment of (a) the costs incurred by the Company for the decommissioning of TMI-1 following the retirement thereof and (b) possible customer refunds, in such manner as the PUC

and any other governmental agency having jurisdiction in the premises may direct, of any funds not required to pay, or to make provision for the payment of, either immediate or foreseeable long-term post-retirement decommissioning costs of TMI-1; and that, except as hereinafter provided under Article III hereof, none of such funds shall be subject to any power of the Company, its successors and assigns, to acquire, assign, transfer, pledge, hypothecate or dispose of the said funds in any manner, nor be subject to attachment, garnishment, execution or otherwise for the benefit of creditors of the Company.

Article III.

Payments by the Trustee

Section 3.01. No funds shall be paid out of the trust except upon the presentation by the Company to the Trustee of a certificate of the Company, signed by its President or one of its Vice Presidents and its Treasurer or an Assistant Treasurer, requesting such payment.

Section 3.02. Any certificate with respect to reimbursement of the Company for decommissioning costs theretofore incurred or expended shall include the following:

(a) A statement that TMI-1 has been retired and is in the process of being decommissioned;

(b) A brief identification of the work performed, services rendered and materials and labor expended by

the Company in connection with the decommissioning of such unit which gave rise to the costs for which reimbursement is requested;

(c) A statement that such costs have not theretofore been the subject of reimbursement of the Company out of funds of the trust; and

(d) A statement that all necessary authorizations of the P.U.C. and any other governmental agencies having jurisdiction with respect to the decommissioning of such unit and the requested payment from the trust have been obtained.

Each certificate of the Company requesting payment, as aforesaid, out of the trust for decommissioning costs theretofore incurred or expended by the Company shall be accompanied by a certificate of a registered professional engineer, an appraiser or other expert, who may be an officer or employee of the Company or of an affiliate of the Company, as to the fair value of the work performed, services rendered and materials and labor expended which are the subject of the request for reimbursement out of the trust.

Section 3.03. Any certificate with respect to reimbursement of the Company for refunds theretofore made by it to customers of funds previously collected from customers and paid into the within trust shall include the following:

(a) a statement of the circumstances which gave rise to the payment of such refund;

(b) a statement of the amount of refunds so paid;

(c) a statement that such refunds have not theretofore been the subject of reimbursement of the Company out of the funds of the trust; and

(d) a statement that all necessary authorizations of the P.U.C. and any other governmental agencies having jurisdiction with respect to the requested payment from the trust have been obtained.

Section 3.04. Each certificate of the Company requesting payment, as aforesaid, out of the trust shall be accompanied by an opinion of counsel stating that the request for such payment to the Company has been duly authorized by the Company and that all necessary authorizations, approvals or consents of the P.U.C. and any other governmental agencies having jurisdiction with respect to such requested payment have been obtained.

Article IV.

Concerning the Trustee

Section 4.01. The Trustee hereby accepts the trust created hereunder. The Trustee agrees that it shall use the same degree of care and skill in the execution by it of the rights and powers vested in it by this Indenture as persons of prudence, discretion and intelligence would exercise under the circumstances in the conduct of their own affairs.

Section 4.02. The Trustee shall hold, invest and reinvest the funds delivered to it hereunder and shall accumulate, invest and reinvest the trust income hereunder.

Section 4.03. The Trustee shall invest and reinvest the funds delivered to it hereunder and the income thereon in securities issued by the Commonwealth of Pennsylvania, its political subdivisions, agencies and authorities which are legal investments under Pennsylvania law for savings banks, as the Trustee may, from time to time, determine. The Trustee may also invest in such other securities as may be authorized by the P.U.C. or such other governmental agencies having jurisdiction in the premises which authorization shall be conclusively evidenced by delivery to the Trustee by the Company of a copy of the order or other document setting forth such authorization.

Pending the making of such investments, the Trustee may deposit any amounts held by it hereunder in interest-bearing accounts in any commercial bank or banks having a capital and surplus not less than $25,000,000.

Section 4.04. The Company agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to receive, reasonable compensation for services rendered by it in the execution of the trust hereunder. Under no circumstances, however, shall the assets of the trust be subject to claims of the Trustee for compensation or expenses; the

Trustee shall look solely to the Company, its successors and assigns, for payment thereof.

Section 4.05. The Trustee shall keep true and correct books of account with respect to the trust funds and investments, which books of account shall at all reasonable times be open to the inspection of the Company, or its duly appointed representatives, and the P.U.C. or other governmental agency having jurisdiction in the premises. On or before the first day of February of each year, commencing on February 1, 1980, the Trustee shall furnish to the Company a detailed statement showing, with respect to the preceding calendar year, the balance of assets on hand at the beginning of such year, all receipts and investment transactions which took place during such year, all disbursements, if any, made during such year in accordance with Article III hereof and the balance of assets on hand at the end of such year.

Section 4.06. The Trustee, upon receipt of documents furnished to it by the Company pursuant to the provisions of the Indenture, shall examine the same to determine whether they conform to the requirements hereof. The Trustee acting in good faith may conclusively rely, as to the truth of statements and the correctness of opinions expressed therein, upon certificates or opinions conforming to the requirements of this Indenture. In the event that the Trustee in the administration of the trust hereunder,

shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless evidence in respect thereof is otherwise specifically prescribed hereunder) may be deemed by the Trustee to be conclusively proved or established by a certificate signed by the President or a Vice President and the Treasurer or an Assistant Treasurer or the Comptroller or an Assistant Comptroller of the Company and delivered to the Trustee.

Section 4.07. The Trustee may resign at any time upon thirty (30) days' prior written notification to the Company. The Company may remove the Trustee at any time upon thirty (30) days' prior written notification to the Trustee. In the event that the Trustee shall be adjudged bankrupt or insolvent, a vacancy shall thereupon be deemed to exist in the office of Trustee and a successor shall thereupon be appointed by the Company. Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company an appropriate written instrument accepting such appointment hereunder, subject to all the terms and conditions hereof, and thereupon such successor Trustee shall become fully vested with all the rights, powers, trusts, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named as Trustee hereunder. The predecessor Trustee shall upon written request of the Company deliver to the successor Trustee all

such instruments and perform such other acts as may be required or be desirable to vest and confirm in said successor Trustee all right, title and interest in the res of the trust to which it succeeds.

Section 4.08 Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation to which the corporate trust functions of the Trustee may be transferred, shall be the successor Trustee under this Indenture, without the necessity of executing or filing any additional acceptance of this trust or the performance of any further act on the part of any other parties hereto; provided, however, that the Trustee hereunder shall at all times be a bank or trust company having its registered office and principal place of business in the Commonwealth of Pennsylvania and which is authorized under the laws of said Commonwealth to exercise corporate trust powers subject to supervision or examination by Federal or Commonwealth authorities.

Article V.

Amendments

This Indenture may be amended from time to time by the Company in such manner as shall not be inconsistent with any orders or regulations of the P.U.C. or other governmental agencies having jurisdiction in the premises; provided,

however, that no amendment shall be made which would allow any portion of the trust assets to be turned over to the Company, its successors or assigns, except to reimburse the Company, as aforesaid, for funds theretofore expended by it either for decommissioning purposes or as refunds of unneeded funds to its customers, in each case in accordance with all applicable statutory and regulatory requirements.

Article VI.

Miscellaneous

Section 6.01. All covenants and agreements in this Indenture shall be binding upon and inure to the benefit of the respective parties hereto, their successors and assigns. In the event that the Company shall transfer any or all of its interest in TMI-1, such transferee or transferees of such interest shall succeed to the Company's rights and obligations hereunder with respect to the interest transferred upon their execution of an instrument satisfactory in form and substance to the Trustee making them a party to this agreement.

Section 6.02. Written notices hereunder shall be deemed to have been given to a party hereto if delivered or mailed to such party at the registered office of such party.

Section 6.03. This Indenture has been concluded within, and shall be construed in accordance with the laws of, the Commonwealth of Pennsylvania.

Section 6.04. This Indenture shall be simultaneously executed in several counterparts, and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Pennsylvania Electric Company, the party of the first part, has caused this Indenture to be signed in its corporate name by its President or one of its Vice Presidents, and its corporate seal to be affixed hereunto, and the same to be attested by its Secretary or an Assistant Secretary; and Pennsylvania Bank and Trust Company, party of the second part, has caused this Indenture to be signed in its corporate name by its President or one of its Vice Presidents, and its corporate seal to be affixed hereunto, and the same to be attested by its Secretary or one of its Assistant Secretaries.

Executed and delivered in the City of Johnstown, Cambria County, Pennsylvania, as of the day and year first above written.

PENNSYLVANIA ELECTRIC COMPANY

By _____
President

Attest:

_____
Secretary

PENNSYLVANIA BANK AND TRUST COMPANY

By _____
Vice President

Attest:

_____
Asst. Secretary

In determining allowable operating expenses, provision is made for annual amortization of such deferred energy costs in the amount of $2,500,000 before related income and revenue taxes (or $1,300,000 after such taxes). In recognition of the fact that the accumulated balance of deferred energy costs at the effective date of the tariffs authorized by the accompanying order may be greater or less than that at June 30, 1977, the expense charged for such amortization shall be increased or decreased, as the case may be, for the return requirement and associated taxes on such difference.

(G) Accumulated Provision for Depreciation and Other Deductions. In the aggregate, these items amount to $304,590,000, determined in the following manner:

(i) Accumulated Provision for Depreciation. The Company's accumulated provision for depreciation which has been accrued in accordance with our prior orders was $260,359,000 at March 31, 1977. By a separate petition (assigned to Docket No. 7610-1022) as well as its claims in Docket No. 7610-1021, the Company sought authority to change its depreciation accrual rates, employing the equal life groupings method and remaining service lives. By the accompanying order we are authorizing changes, in two steps, in the Company's depreciation accrual rates, the first to be made effective on the effective date of the tariffs authorized by the accompanying order and the second change to be made effective with the effective date of the new service rates to customers authorized by our next subsequent rate order. Such depreciation accrual rates are based upon direct weighted remaining service lives. The effect of the first change in depreciation accrual rates is to increase the Company's annual operating expenses by $2,275,000 and its depreciation reserve by $2,375,000. Moreover, as a consequence of the inclusion of Gilbert Station Unit No. 8 in rate base (discussed above) and the recognition of the depreciation expense, amounting to $2,064,000 the depreciation reserve is increased by $2,064,000. As a result of these two adjustments, the depreciation reserve utilized in determining rate base is $264,798,000. The Company has agreed that it will not propose, in any proceedings filed by it prior to January 1, 1985, depreciation rates based upon the equal life groupings method.

(ii) Provision for Decommissioning Expense. By a separate petition (assigned Docket No. 769-988) as well as in its claims in Docket No. 7610-1021, the Company requested authorization to provide for decommissioning expense of its two nuclear units now in operation, with the resulting funds to be set aside in a separate independent trust fund and not deducted from rate base, and with the earnings on such trust fund being utilized to provide for anticipated inflation in costs over the period before decommissioning

becomes necessary. Rate Counsel agreed that it is appropriat to make provision for decommissioning costs but proposed that the resulting funds not be set aside in a separate trust and that the accumulated amounts be deducted from rate base and the associated deferred income taxes be added to rate base. The Company agreed to accept Rate Counsel's treatment of the accumulated amounts without prejudice to the Company's renewal of its proposal for a separate trust fund at a later date.

This is the one item of the stipulations between the Company and Rate Counsel about which our Staff has reservations. Our Staff is of the view tha there may be some merit in the establishment of a separate trust fund which would not be deducted from rate base but, nevertheless, does not object to our approval of the stipulations in the light of our continuing jurisdiction and the Company's reserved right to renew its request at a later date. In this connection, our attention has been called to a report issued by the General Accounting Office entitled "Cleaning Up The Remains of Nuclear Facilities - A Multibillion Dollar Problem" (June 16, 1977) and to a petition, dated July 5, 1977, filed with the Nuclear Regulatory Commission by the Public Interest Research Group and others. This report and such petition may result in proceedings that will provide further insights in respect of this matter.

Under these circumstances, our determination of allowable operating expenses makes annual provision of $1,275,000 for nuclear station decommissioning costs, with a corresponding deduction from rate base of $1,275,000 and addition to rate base (as noted above under "Deferred Debits") of the associated deferred income taxes of $612,000.

(iii) Accumulated Provision for Amortization of Nuclear Fuel Assemblies. In determining rate base, such accumulated provision amounting to $24,998,000 at March 31, 1977 has been deducted.

(v) Unamortized Investment Tax Credit. This item (amounting to $1,511,000 at March 31, 1977) represents the unamortized balance of the original (3%) investment tax credit which is being amortized as a credit to income over a period of 10 years and, in accordance with our prior decisions, such unamortized balance is deducted in determining rate base.

(vi) Unamortized Gain on Reacquired Debt. This item, amounting to $4,149,000 at March 31, 1977, has been deducted in determining rate base in accordance with our established policy.

(vii) Unamortized Litigation Recovery. We previously authorized the Company to amortize over a five year period its net recovery applicable to plant items in a litigation related to its Oyster Creek station and, in determining rate base, to deduct the

(C) Revenue Taxes The New Jersey revenue tax liability is measured by revenues received during the prior calendar year. Our practice is to make provision for the revenue taxes based upon the current year's normalized revenues. This results in a normalizing adjustment to increase the test year's revenue tax accrual by $11,588,000. This is consistent with the reduction in working capital allowance of $11,588,000 referred to in paragraph (D) of Section III above.

(D) Installed Capacity and EHV Rentals. During the tes year or shortly thereafter a number of changes occurred that had an impact on these costs. These changes included the mothballing of Werner Units Nos. 1 and 3, changes in the GPU System power pooling contract so that it would parallel the basis employed in the PJM power pooling agreement for allocating installed capacity responsibility, changes in the rate per kilowatt for installed capacity deficiencies and increases in charges for utilization of extra high voltage ("EHV") transmission facilities owned by other utilities. As a consequence of these factors, the allowance for operating and maintenance expenses, installed capacity expenses and EHV rentals was increased by an aggregate of $5,321,000.

(E) Increases in Wages, FICA Taxes and Pension Costs. During the test year, a wage rate increase became effective and the Company experienced increases in FICA taxes and pension costs. Test year expenses have been normalized to make provision for the annualization of the portion of such increased costs chargeable to operation and maintenance expenses, namely, $1,739,000 on account of increased wages, $99,000 on account of increased FICA taxes and $254,000 on account of pension costs.

(F) Rate Case Expenses. Allowance of $450,000 has been made for amortization of the cost of this proceeding over a two year period. Since the Company's book amortization during the test year of rate case expense from prior proceedings was $881,000, the effect of this adjustment was to decrease operating expenses by $431,000.

(G) Depreciation and Decommissioning Expense. As discussed in paragraph (G) of Section III, an increase in depreciation expense of $2,275,000 and provision for decommissioning expense of $1,275,000 have been allowed.

(H) Interperiod Tax Allocation. In Docket No. 759-899, we authorized provision for deferred income tax expense for the differences between tax depreciation and book depreciation for property added subsequent to March 31, 1975. The effect of the increased book depreciation rates which we have authorized in this proceeding is to reduce the book test year normalization in respect of this item by $58,000. The parties have agreed that the Company should be

Person Responsible for Preparation:
F. D. Hafer, Vice President-
Rate Case Management
GPU Service Corp.
Telephone: (201) 263-4900 X 601
Date: October 19, 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

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

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

Response:

The requested information concerning the recent rate proceedings of Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec") and Jersey Central Power & Light Company ("Jersey Central"), prepared in accordance with the NRC format attached to the request, is provided herewith.

The "Summary of Retail Base Rate Cases," page 2 attached, provides the requested information with respect to the operating companies' most recent rate increase proceedings prior to the TMI-2 accident and the impact thereon of the base rate actions taken by the state regulatory commissions subsequent to the TMI 2 accident. Page 3 attached, "Summary of Resale Base Rate Cases," provides the requested information with respect to the operating companies' rate increase requests currently pending before the Federal Energy Regulatory Commission. The "Summary of Energy Clauses," pages 4 to 8, adapts the NRC format for responding to this request with respect to base rates, to provide the information regarding the operating companies' energy clauses.

GENERAL PUBLIC UTILITIES CORPORATION

Metropolitan Edison Company, Pennsylvania Electric Company and Jersey Central Power & Light Company

Summary of Retail Base Rate Cases

(Pursuant to NRC Format for Response to NRC Financial Information Request 10C)

	Metropolitan Edison Company PaPUC Docket #		Pennsylvania Electric Company PaPUC Docket #		Jersey Central Power & Light Company NJ BPU Docket #		
					7610-1021(3)		795-427(4)
	R.I.D. 626(1)	I-79040308(1)	R.I.D. 599	I-79040308(2)	Phase I	Phase II	-
Test year utilized (year ended)	3/31/79	3/31/79	12/31/78	12/31/78	3/31/77	8/31/78	8/31/78
Annual amount of revenue increase requested - Test year basis ($ Millions)	$ 79.2	-	$ 75.4	-	(3)	$ 62.8	-
Date petition filed	6/30/78	-	4/28/78	-	10/15/76	10/15/76	-
Annual amount of revenue increase allowed - Test year basis ($ Millions)	$ 49.2	$ (49.2)	$ 56.2	$ (25.0)	$ 20.2	$ 33.8	$ (29.0)
Percent increase in base rate revenues allowed	18.4%	(18.4)%	15.6%	(7.0)%	(3)	6.5%	(5.6)%
Date of final order (date entered)	3/29/79	6/19/79	1/26/79	6/19/79	9/01/77	1/31/79	6/18/79
Effective date	-	7/01/79	1/27/79	7/01/79	9/06/77	2/06/79	7/06/79
Rate base finding ($ Millions)	$1024.4	$ 690.7	$1206.1	$1035.2	$1253.8	$1377.5	$1212.3
Construction Work in Progress included in rate base ($ Millions)	-	-	-	-	$ 157.8	$ 54.6	$ 54.6
Rate of return on rate base authorized	9.7%	9.5%	9.6%	9.6%	9.7%	9.6%	9.7%(5)
Rate of return on common equity authorized	13.4%	12.8	13.1%	13.1%	13.3%	13.3%	13.3%

(1) The Pennsylvania Public Utility Commission (the "PaPUC"), in response to the March 28, 1979 accident at TMI-2, effective April 19, 1979 set temporary rates for a maximum period of six months which were the rates in effect prior to the increase authorized in Docket R.I.D. 626. In April 1979, the PaPUC also instituted an omnibus investigation of the rates of Met-Ed and Penelec in Docket #I-79040308. By its order of June 19, 1979 in this docket, the PaPUC denied increased rates associated with the capital and non-fuel operating costs of TMI-2, with the results as shown, and allocated $3.0 million of revenues to the accelerated recovery of prior-period deferred energy costs.

(2) The PaPUC, in response to the March 28, 1979 accident at TMI-2, effective April 25, 1979 set temporary rates for a maximum period of six months which rates reflected a $25.0 million reduction of the $56.2 million increase authorized in R.I.D. 599 for revenues associated with the capital and non-fuel operating costs of TMI-2. In April 1979, the PaPUC instituted an omnibus investigation of the rates of Met-Ed and Penelec in Docket #I-79040308. By the order of June 19, 1979 in this docket, the PaPUC fixed the temporary rates set April 25, 1979 as permanent, with the results as shown, and allocated $1.6 million of revenues to the accelerated recovery of prior-period deferred energy costs.

(3) On October 15, 1976, Jersey Central filed a petition with the New Jersey Board of Public Utilities (the "NJBPU") seeking a $110 million annual increase in retail base rates. During the course of the proceedings, Jersey Central and the NJBPU agreed to address the petition in two phases, Phase I dealing with non-TMI-2 matters and Phase II dealing with TMI-2 and an updated test year. Phase I was stipulated by the parties except for the rate of return on common equity which the NJBPU determined. The results of Phases I and II are as shown.

(4) On May 20, 1979, Jersey Central filed a petition seeking an increase in its energy adjustment charge for TMI-2 accident related replacement energy costs. The NJBPU in its June 1 , 1979 order with respect to this petition eliminated from base rates the capital and non-fuel operating costs of TMI-2, with the results as shown. There are various matters relating to the TMI-2 accident pending in this docket.

(5) Reflects impact of elimination of TMI-2 related cost free capital per order.

(6) Effectively, the GPU System operating companies have no retail base rate increases pending. Although Jersey Central in NJBPU Docket #795-427 has testimony and exhibits filed which would support a base rate increase, the Company is not now actively pursuing such an increase.

GENERAL PUBLIC UTILITIES CORPORATION

Metropolitan Edison Company, Pennsylvania Electric Company and Jersey Central Power & Light Company

Summary of Resale Base Rate Cases (1)

(Pursuant to NRC Format for Response to NRC Financial Information Request 10C)

	Metropolitan Edison Company FERC Docket #ER-79-58	Pennsylvania Electric Company FERC Docket #ER-78-494	Jersey Central Power & Light Company FERC Docket #ER-79-112
Test Year Utilized (Year Ended)	12/31/79	6/30/79	12/31/79
Amount (Per Original Request) ($ Millions)	$ 4.8	$ 7.6	$ 2.1
Percent Increase (In Total Revenue)	38.3%	27.1%	26.7%
Date Petition Filed	11/13/79	7/18/79	12/18/79
Date by Which Decision Must be Issued	-	-	-
Rate of Return on Rate Base Requested	9.9%	10.0%	10.3%
Rate of Return on Common Equity Requested	14.0%	14.5%	14.0%
Amount of Rate Base Requested ($ Millions)	$46.3	$81.2	$19.6
Amount of Construction Work in Progress Requested for Inclusion in Rate Base	-	-	-

(1) The three GPU System operating companies have requests for base rate increases applicable to resale customers pending before the Federal Energy Regulatory Commission ("FERC"). Pending final orders from FERC, the requested rates went into effect, subject to refund, in June 1979 for Met-Ed, in December 1978 for Penelec and in July 1979 for Jersey Central.

GENERAL PUBLIC UTILITIES CORPORATION
Metropolitan Edison Company, Pennsylvania Electric Company and Jersey Central Power & Light Company
Summary of Energy Clauses[1]
(Pursuant to NRC Format for Response to NRC Financial Information Request 10C, As Adapted)

	Metropolitan Edison Company PaPUC Docket # I-79040308[2]	Pennsylvania Electric Company PaPUC Docket # I-79040308[3]	Jersey Central Power & Light Company NJBPU Docket # 795-427[4]	Jersey Central Power & Light Company NJBPU Docket # 797-643[5]
Period of estimated energy costs	20 Mos. ended 12/31/80	20 Mos. ended 12/31/80	12 Mos. ended 5/31/80	12 Mos. ended 8/31/80
Date petition filed	-	-	5/04/79	7/20/79
Requested increase in revenues for recoverable retail energy costs:				
- First 12 months of clause operation ($ Millions)	$ 58.4	$ 38.3	$ 98.9	$ 86.7
- Authorized period of clause operation, i.e., 18 months ended 12/31/80 ($ Millions)	$ 87.6	$ 57.1	-	-
Allowed increase in revenues for recoverable retail energy costs:				
- First 12 months of clause operation ($ Millions)	$ 42.6	$ 34.4	$ 65.5	$ 61.4
- Authorized period of clause operation, i.e., 18 months ended 12/31/80 ($ Millions)	$ 63.9	$ 51.2	$ 96.2	-
Percent increase in energy cost rates (base and clause) allowed	49.7%	24.9%	33.0%	25.0%
Date of final order (date entered)	6/19/79	6/19/79	6/18/79	9/05/79
Effective date	7/01/79	7/01/79	7/06/79	9/06/79

(1) See Notes 1 and 6 on following pages.
(2) See Note 2 on following pages.
(3) See Note 3 on following pages.
(4) See Note 4 of following pages.
(5) See Note 5 on following pages.

Notes to Summary of Energy Clauses

(1) The three GPU System operating companies each have an energy clause applicable to retail sales, subject to the jurisdiction of the respective state utility commission, and an energy clause applicable to resale sales, subject to the jurisdiction of the Federal Energy Regulatory Commission. The energy costs recoverable under the operating companies' retail energy clauses include all fuel costs and all purchased power costs applicable to retail sales except for demand charges and installed capacity payments. The PaPUC in its order entered June 19, 1979 in Docket #I-79040308 changed the two Pennsylvania operating companies' retail energy clauses to provide for a levelized charge through December 31, 1980, see Notes 2 and 3 below. The PaPUC retail energy clauses in effect prior to the PaPUC's June 19, 1979 order, which may be reinstituted, provided for charges for recoverable retail energy costs based upon six-month average historical costs, and included error correction factors to adjust for over and under-recoveries of costs. The Jersey Central retail energy adjustment clause provides for a charge for recoverable retail energy costs based upon prospective energy costs for a twelve month period, with various provisions for earlier revision, and adjustment for recovery of prior period over and under-recoveries of costs. See Note 6 for a description of the resale energy clauses.

(2) During the course of the proceedings initiated by the PaPUC in response to the March 28, 1979 accident at TMI-2, in Docket #I-79040308, Met-Ed proposed to bill a levelized charge for recoverable retail energy costs of 10.418 mills, exclusive of revenue taxes, (or an increase of 7.463 mills reflecting a level charge previously billed for energy costs of 2.955 mills) based upon its prospective energy costs and total sales for the 20 month period from May 1, 1979 through December 31, 1980 ($248.9 million and 13,514 Gwh, respectively), to retail customers for the 18 month period from July 1, 1979 through December 31, 1980 (11,735 Gwh). In its order of June 19, 1979 in this docket, the PaPUC authorized Met-Ed to bill a levelized charge for recoverable retail energy costs of 8.4 mills, exclusive of revenue taxes, (or an increase of 5.445 mills reflecting a level charge previously billed for energy costs of 2.955 mills) based upon prospective energy costs and total sales assumed by the PaPUC for the 18 month period from July 1, 1979 through December 31, 1980 ($201.1 million and 12,257 Gwh, respectively), to retail customers for the 18 month period from July 1, 1979 through December 31, 1980. This level charge of 8.4 mills authorized by the PaPUC in its order, effective for bills rendered in July 1979, provided for Met-Ed to recoup 85% of its then estimated recoverable retail energy costs from April 1, 1979 (i.e., following the TMI-2 accident) through December 31, 1980. This 85% recovery reflects the 8 mills allowed for energy costs in Met-Ed's base rates and Met-Ed's energy charge billed in April, May and June 1979, prior to the effectiveness of the 8.4 mill levelized charge, as well as the levelized charge billed subsequent thereto.

It should be noted that among the assumptions employed by Met-Ed in determining its prospective energy costs, and accepted by the PaPUC, was an assumption that TMI-1 would be returned to commercial service by

January 1, 1980. If TMI-1 is unavailable for commercial service by this date, and other energy costs, particularly oil related energy costs, increase in excess of the forecast, absent a corresponding increase in Met-Ed's energy adjustment charge, Met-Ed's prospective energy costs for 1980 will be higher than estimated in this docket, and consequently the 85% recoupment estimate will drop. All collectible energy costs not recovered are deferred for future recovery.

In its order in this docket the PaPUC allowed Met-Ed to include capacity payments associated with TMI-2 accident related short-term power purchase agreements in its recoverable retail energy costs for the period from July 1, 1979 through December 31, 1979.

(3) During the course of the proceedings initiated by the PaPUC in response to the March 28, 1979 accident at TMI-2, in Docket #I-79040308, Penelec proposed to bill a levelized charge for recoverable retail energy costs of 8.572 mills, exclusive of revenue taxes, (or an increase of 3.597 mills reflecting a charge previously billed for energy costs of 2.975 mills) based upon its prospective energy costs and total sales for the 20 month period from May 1, 1979 through December 31, 1980 ($315.4 million and 19,032 Gwh, respectively), to retail customers for the 18 month period from July 1, 1979 through December 31, 1980 (15,861 Gwh). In its order of June 19, 1979 in this docket, the PaPUC authorized Penelec to bill a levelized charge for recoverable retail energy costs of 6.2 mills, exclusive of revenue taxes, (or an increase of 3.225 mills reflecting a level charge previously billed for energy costs of 2.975 mills) based upon prospective energy costs and total sales assumed by the PaPUC for the 18 month period from July 1, 1979 through December 31, 1980 ($279.3 million and 17,256 Gwh, respectively), to retail customers for the 18 month period from July 1, 1979 through December 31, 1980. This level charge of 6.2 mills authorized by the PaPUC in its order, effective for bills rendered in July 1979, provided for Penelec to recoup 96% of its prospective recoverable retail energy costs from April 1, 1979 (i.e., following the TMI-2 accident) through December 31, 1980. This 96% recovery reflects the 10 mills allowed for energy costs in Penelec's base rates and Penelec's energy charge billed in April, May and June 1979, prior to the effectiveness of the 6.2 mill levelized charge, as well as the levelized charge billed subsequent thereto.

It should be noted that among the assumptions employed by Penelec in determining its prospective energy costs, and accepted by the PaPUC, was an assumption that TMI-1 would be returned to commercial service by January 1, 1980. If TMI-1 is unavailable for commercial service by this date, and other energy costs, particularly oil related energy costs, increase in excess of the forecast, absent a corresponding increase in Penelec's energy adjustment charge, Penelec's prospective energy costs for 1980 will be higher than estimated in this docket, and consequently the 96% recoupment estimate will drop. All collectible energy costs not recovered are deferred for future recovery.

In its order in this docket the PaPUC allowed Penelec to include capacity payments associated with TMI-2 accident related short-term power purchase agreements in its recoverable retail energy costs for the period from July 1, 1979 through December 31, 1979.

(4) On May 4, 1979 Jersey Central filed a petition with the NJBPU in which it proposed to bill a levelized charge for recoverable retail energy costs of 8.223 mills, exclusive of revenue taxes, (or an increase of 7.561 mills reflecting a level charge for energy costs in effect at the time of .662 mills) to retail customers for the 12 month period from June 1, 1979 through May 31, 1980. This 7.561 mill increase in the levelized factor, excluding revenue taxes, reflected Jersey Central's proposal to fully recover its estimated TMI accident related replacement energy costs from April 1979 through May 1980 and an offset to such increased costs for the revenues per Kwh of sales associated with one-half the common equity return previously allowed on TMI-2 by the NJBPU. The NJBPU in its Order of June 18, 1979 in this docket authorized Jersey Central to bill a levelized charge for recoverable retail energy costs of 5.504 mills, exclusive of revenue taxes, (or an increase of 4.842 mills for energy costs) based upon prospective TMI replacement energy costs allowed by the NJBPU for the 21 month period from April 1, 1979 through December 31, 1980 ($98.3 million reflecting a $7.3 million offset for TMI-2 base rate revenues received in April, May and June, 1979) and estimated total sales for the 18 month period from July 1, 1979 through December 31, 1980 (20,300 Gwh), to retail customers for the same 18 month period. This 5.504 mill level charge authorized by the NJBPU, effective for bills rendered in July 1979, provided for Jersey Central to recoup 78% of its then estimated recoverable retail energy costs from April 1, 1979 (i.e., following the TMI-2 accident) through December 31, 1980.

This 78% recovery reflects the 14 mills allowed for energy costs in Jersey Central's base rates and Jersey Central's levelized charge billed in April, May and June 1979, prior to the effectiveness of the 5.504 mill levelized charge, as well as the levelized charge billed subsequent thereto.

It should be noted that among the assumptions employed by Jersey Central in determining its prospective energy costs, and accepted by the NJBPU, was an assumption that TMI-1 would be returned to commercial service by January 1, 1980. (See Note 5 for subsequent Jersey Central clause filing.)

In its order in this docket the NJBPU allowed Jersey Central to include capacity payments associated with TMI-2 accident related short-term power purchase agreements in its recoverable retail energy costs.

(5) On July 20, 1979 Jersey Central filed a petition with the NJBPU in which it proposed to increase its levelized charge billed to retail customers for the 12 month period from September 1, 1979 through August 31, 1980 (12,859 Gwh) by 6.742 mills, exclusive of revenue taxes, (for a total levelized clause charge for energy costs of 12.246 mills, exclusive of revenue taxes) for estimated increases in recoverable retail energy costs unrelated to the TMI-2 accident ($86.7 million). On August 27, 1979, Jersey Central and the other parties to the proceeding reached an agreement to modify the petitioned request, and the Administrative Law Judge reflected such agreement in the Initial Decision passed up to the NJBPU. On September 5, 1979, the NJBPU adopted the initial decision and authorized Jersey Central to increase its levelized charge by 4.874 mills. exclusive of revenue taxes,

(for a total levelized charge for retail energy costs of 10.378 mills, exclusive of revenue taxes) based upon the stipulated prospective increased retail energy costs ($61.4 million) and retail sales of for the 12 month period ended August 31, 1980 (12,589 Gwh), to retail customers for such 12 month period. This total levelized charge for retail energy costs of 10.378, reflecting the 4.874 mill increase authorized for bills rendered in September 1979, when added to the 14 mills for energy costs allowed in base rates, provided for Jersey Central to recoup 91% of its estimated retail energy costs utilized in the proceeding for the period from September 1, 1979 through August 31, 1980.

It should be noted that to the extent energy costs exceed the forecast upon which these clause charges are based, and if TMI-1 is unavailable by January 1, 1980 as assumed, absent a corresponding increase in Jersey Central's energy adjustment charge, this 91% recovery estimate will not be attained. All recoverable energy costs not recovered are deferred for future recovery.

(6) The three GPU System operating companies have resale energy clauses based upon three months historical costs which, essentially, provide for recovery of all fuel costs and energy related purchased power costs.