GPU Nuclear

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April 29, 1985

Director
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Attention: Document Control Desk

Dear Sir:

Subject: Oyster Creek Nuclear Generating Station
Docket No. 50-219
Annual Financial Report

Enclosed with this letter is one copy of the General Public Utilities Corporation 1984 Annual Report as required by 10 CFR 50.71(b).

Very truly yours,

Peter B. Fiedler
Vice President and Director
Oyster Creek

PBF:DC:dam
(#0576A)
Enclosure

cc: NRC Resident Inspector
Oyster Creek Nuclear Generating Station
Forked River, NJ 08731

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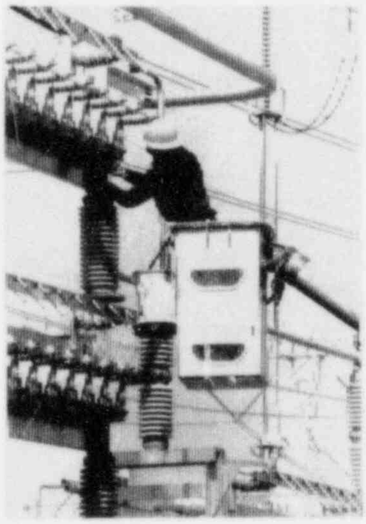


GENERAL PUBLIC UTILITIES CORP.

1984 ANNUAL REPORT

~~8504300434~~ 42pp.

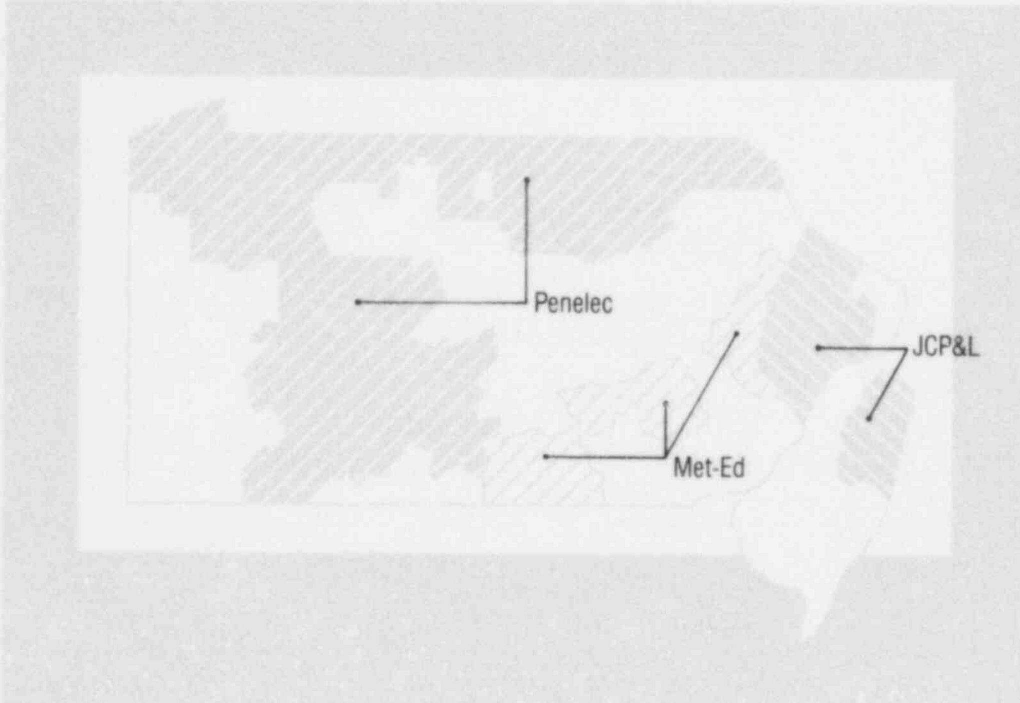
A Profile of the System and the Customers It Serves

The General Public Utilities System Companies provide some 33.5 billion kilowatt-hours of electricity for about 1.7 million customers (and a total population exceeding 4 million) in service territories encompassing about half the land area of Pennsylvania and New Jersey.

The operating companies are Jersey Central Power & Light Company (JCP&L) and, in Pennsylvania, Metropolitan Edison Company (Met-Ed) and Pennsylvania Electric Company (Penelec). Another subsidiary, GPU Service Corporation (GPUSC), provides integrated System plans and policies, along with a broad range of professional services to the operating companies, while a fifth subsidiary, GPU Nuclear Corporation (GPUNC), is responsible for the operation, maintenance and management of the System's nuclear facilities.

About 34 percent of the electricity distributed by the operating companies is used by residential customers, 26 percent by commercial accounts, 35 percent by industry and 5 percent by other customers.

The peak load periods of the operating companies are in balance, with a 1984 winter peak at Penelec and 1984 summer peaks at JCP&L and Met-Ed.



Operating Companies' Statistics—1984

	Revenues ($000)	Total Assets ($000)	Sales Mix: Residential, Commercial, Industrial			Customers—Year-End	Electric Sales (MWH)	Peak Load (MW)*	Number of Employees
JCP&L	$1,351,303	$2,880,721	39%	31%	27%	760,494	13,810,963	3,046	3,738
Met-Ed	$ 644,555	$1,541,743	33%	24%	40%	377,411	8,064,366	1,500	2,715
Penelec	$ 745,822	$1,743,678	28%	23%	41%	527,400	11,615,901	1,855	4,171
GPU	$2,735,286	$6,215,792	34%	26%	35%	1,665,305	33,491,230	6,401	13,216**

* At time of GPU System peak.

** Includes employees of GPU Nuclear and GPU Service Corporations.

1984 FINANCIAL SUMMARY

	1984*	1983*
Net income before extraordinary items (000)	**$ 128,505**	$ 66,907
Net income after extraordinary items (000)	**$ 148,258**	$ 50,889
Per share (before extraordinary items)	**$ 2.05**	$ 1.09
Per share (after extraordinary items)	**$ 2.36**	$ .83
Common shares outstanding, year-end (000)	**62,864**	62,864
Number of stockholders	**97,868**	112,058
Book value per share	**$ 26.05**	$ 23.67
Megawatt-hour sales (000)	**33,491**	31,500
Operating revenues (000)	**$2,735,286**	$2,480,304
Construction expenditures (000)	**$ 311,381**	$ 285,388
Cost of fuel and purchased power (000)	**$1,243,268**	$1,168,449
Total assets (000)	**$6,215,792**	$5,333,870
Generating capacity (megawatts)**	**8,251**	8,251
Peak load (megawatts)	**6,401**	6,140
Customers served at year-end	**1,665,305**	1,635,400
Number of employees at year-end	**13,216**	12,719

* See Notes 1 and 3 to Consolidated Financial Statements and Report of Auditors.
** Includes 1,706 megawatts for both TMI Units 1 and 2.

INSIDE GPU'S 1984 ANNUAL REPORT

To the Stockholders

Company accomplishments in 1984 were significant. All aspects of the cleanup program at TMI-2 made giant steps forward this past year. The opening of the reactor vessel, the knowledge gained from testing core conditions, and the preparations taken for fuel removal were significant milestones. Each of these activities was carried out efficiently and safely. The pioneering learnings from these actions contributed to the advancement of nuclear technology around the world.

The first step of a two-stage major outage and refurbishing program at the Oyster Creek Nuclear Plant was completed at year's end with that unit back on line at full power. The repairs, modifications and improvements completed at the plant to insure its continuing reliable operation were prodigious.

The Company continued during 1984 to carry out its strong commitment to worker and public safety in all of its nuclear operations. The results of this dedication to safety have been recognized in recent favorable evaluations by the Nuclear Regulatory Commission and by the Institute of Nuclear Power Operations.

Just as importantly, the effort to pull together the financial funding program for the TMI-2 cleanup was essentially completed in 1984. Money began flowing in January 1985 under the utility industry's commitment for a total of $150 million over six years. These funds will be combined with the other participating segments under the cleanup cost-sharing plan.

Although considerable progress was again made in 1984 toward the Company's recovery, the one element most necessary to that recovery continued to elude our grasp—the return to service of the undamaged Three Mile Island Unit 1 Nuclear Plant. It seems inconceivable that six years have passed without a regulatory decision on that issue.

Your Company mounted an intensive effort in every aspect of the program to obtain NRC approval to restart TMI-1. That effort included not only the technical modifications to the plant, procedural and organizational changes, and numerous test drills and inspections, but also a broad public relations and political affairs program. Evaluations by the NRC staff, the utility industry's independent INPO inspectors, and a re-inspection by Admiral Rickover, resulted in favorable recommendations and overall high marks.

Yet, opponents of restart and those who, for whatever reason, continue to concentrate on events, procedures and staffing now six years in the past, managed to re-open issues and extend hearings with the result that a final NRC vote date cannot yet be predicted with any certainty. However, the NRC's announced schedule for its consideration of TMI-1 restart promises to make the next few months particularly important to your Company.

It is indeed a tribute to the Corporation's employees that during these lengthy and exhaustive efforts involving the TMI plants, the primary commitment of the Corporation's franchise—reliable service to the customer—has been maintained. No GPU customer lost service as a result of the TMI accident and its manifold post-accident consequences. At the same time, although customers' rates have risen markedly in the past six years, those rates remain very much in line with those of our neighboring Northeastern utilities. And they have not had to deal with a major accident.

The Company's continuing program to purchase power at favorable rates from other utilities with available capacity was another positive accomplishment this past year. A new, long-range power purchase agreement with Pennsylvania Power and Light Company was reached, and is currently under regulatory review in New Jersey.

Your Company continues to evaluate the alternatives for providing the power necessary to meet customers' needs into the late '90s as those needs show signs of steady growth. These alternatives include extension of power purchase contracts, expansion of transmission line capabilities, and as a last resort, construction of new generating capacity.

Bringing GPU back from the edge of bankruptcy in 1979 and 1980 to a position of relative financial stability has required a tremendous effort, with sacrifices on the part of all involved—shareholders, customers and employees.

As all of you are painfully aware, the cash dividend on your GPU common stock was suspended in November 1979. Despite the 48 percent increase in 1984, the GPU stock is still only about 70 percent of its price at the time of the accident. The substantial loss to shareholders in both market value and dividends is recognized by your management.

Evaluation of the Company's future dividend policy has been a matter of continuing consideration. Starting with a recognition of the basic needs and objectives of our stockholders, factors necessarily include many internal and external matters beyond current earnings per share. Our goal is to produce a balanced program in the best long-term interests of the investors and the customers. The investor and the customer are absolutely and mutually interrelated. We cannot serve the customers without satisfied investors, and we cannot serve the investors without the regulatory support that flows from satisfied customers.

Let us review more specifically the matters relevant to the dividend question:

— Despite the increase in earnings, the cash burdens and uncertainties resulting from the TMI-2 accident, together with the needs of the System to maintain adequate service to its customers, continue to force the Company to conserve cash.

— The safe and efficient cleanup of TMI-2 remains an absolute responsibility. We have been successful in putting in place during 1984 the last major piece of the nationally shared cleanup funding program discussed more fully on page 11. This essentially completes the program for funding the cleanup, but at the same time imposes a cash drain as the Company advances funds prior to receipt of monies from the various cleanup funding participants.

— In order to satisfy our obligation to maintain adequate service to our customers, we must continue to spend significant amounts of money on additions to plant and equipment. These expenditures are carefully evaluated and monitored to impose as low a level of cash burden as possible, while meeting our service obligation. At the present time, these funds are made available from internal sources—depreciation, deferred income taxes and retained earnings.

— At least until the return to service of TMI-1, we cannot depend on access to capital markets on reasonable terms. We will continue to rely on internal cash generation supplemented by small, specialized debt security issues and bank credit for working capital.

— We expect to be able to continue to delay construction of additional generating capacity and to meet our customers' electricity needs by purchasing energy from surrounding utilities which currently have excess capacity. We therefore do not anticipate a significantly increased construction program for new generating facilities at least for the next several years. Notwithstanding our ability to defer expenditures for new generation programs, there are sizable construction requirements that must be addressed currently. These needs are centered in three major areas: (1) environmental projects to keep our fossil-fired plants in compliance with on-going regulatory requirements, (2) nuclear plant modifications to meet changing NRC regulatory requirements, and (3) our programs to improve the availability and efficiency of our existing generating stations.

— Since the TMI-2 accident, we have paid off $477 million of maturing long-term securities and have reinvested $256 million of common stock earnings. As a result, our capitalization ratios are in line with industry averages and stand at 48 percent long-term debt, 12 percent preferred stock and 40 percent common equity. Construction obligations identify a priority need, also recognized by others in the industry, to further strengthen those ratios consistent with our long-term objective of 45 percent long-term debt, 10 percent preferred stock and 45 percent common equity.

— Despite the severely reduced return on total System equity resulting from the exclusion from rates of approximately $1.1 billion of investment, we see an ability to earn a fair return on stockholder earnings reinvested in utility plant. Underlying this judgment is a pledge that we will make every effort to avoid undertaking major generation projects unless we have clear prior regulatory

indications both that the project is necessary and appropriate and that the invested capital will earn a cash return and be recovered in rates.

— The equity needs of the System, including the establishment of a stronger equity ratio, can be provided by reinvestment of stockholder earnings. Accordingly, we do not see a present need to raise more equity capital by selling additional shares of GPU common stock during a period when the market price could be significantly below book value. This will protect the stockholders from possible severe dilution of their investment while we work to rebuild the earning power of the System.

Taking these matters into account, we have concluded that:

— Your Company simply cannot pay a *cash* dividend at this time.

— A dividend program which distributes a portion of the common stock earnings in the form of a *stock dividend* may be a possible alternative procedure under the particular circumstances of your Company. It would permit individual stockholders to match their individual needs by either retaining those dividend shares for longer term growth or by selling them for cash. From the standpoint of the stockholder, and again under the particular circumstances of your Company, one could conclude that there is no difference between receiving common stock earnings in the form of a cash dividend on the one hand, or as cash received from the sale of the dividend shares representing the capitalization of those same earnings on the other. Such a program would enable the Company to retain the cash which it requires for the reasons stated above.

— Under such a plan, a mechanism would be provided for the sale of the stock dividend shares for those stockholders who wished to convert them to cash.

It is important to emphasize that this alternative program would be designed primarily for those stockholders who wanted a current cash return of their investment. We believe that it could also be a mechanism to give tangible evidence of the growing value of your investment without incurring a cash drain on the financial recovery of your Company or setting the stage for a dilution in the value of your investment through the sale of additional shares at less than book value.

Admittedly, such a stock dividend program would not be consistent with "conventional wisdom." Electric utilities are "expected" to distribute a significant portion of their annual earnings as cash dividends and then, as more common equity capital is needed, to sell additional shares of common stock to obtain that capital. As we indicated above, the particular circumstances of your Company do not permit that route at this time. Strong arguments can be made that the common stock of electric utilities should sell more on the basis of earnings than dividend policy. At the same time, fashions in investment analysis and investing cannot be ignored.

We are continuing our study of this important subject and will reach a decision later this year. We assure you that the commitment of your management to the full financial recovery of your Company and our efforts to achieve that goal have not diminished—nor will they.

W. G. Kuhns
Chairman and Chief Executive Officer

H. Dieckamp
President and Chief Operating Officer

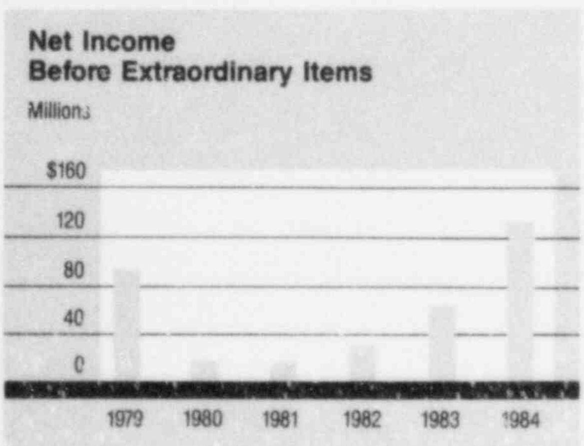
March 1, 1985

A Progress Report

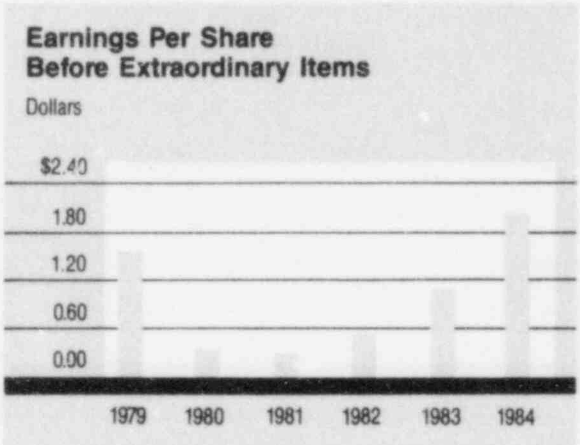
Earnings Increase

GPU's 1984 net income, before an extraordinary item, was $128.5 million, compared with $66.9 million, before an extraordinary item, in 1983 and with $20.6 million in 1980, the first full year following the March 1979 TMI-2 accident. Earnings per share before the extraordinary item were $2.05 compared with $1.09 per share, before an extraordinary item, in 1983 and with 34 cents per share in 1980.

The extraordinary item in December 1984 resulted from a New Jersey commission decision allowing for the recovery of the original cost of JCP&L's investment in TMI Unit 2, beginning in 1989. As a result of this order, previously accrued depreciation of $19.8 million, after taxes, or 31 cents per share, was recorded as extraordinary income. The 1983 extraordinary item resulted from the settlement of a stockholders' suit in which $16 million, or 26 cents per share, was recorded as an extraordinary charge against 1983 income. (See Note 3 to the Financial Statements, page 32, for additional information on both of these items.)



The 1984 earnings include an unusual credit of $29.8 million, or 47 cents per share, representing the deferral of above-normal expenses related to the outage at the Oyster Creek Nuclear Generating Station. The deferral resulted from a New Jersey regulatory commission rate order in January 1985. A similar credit related to Oyster Creek outage expenses of $11 million, or 18 cents per share, was included in the 1983 net income. The January 1985 order provided that the aggregate amount deferred will be amortized over a future period without a return on the unamortized balance. Current revenues would recover the amount over approximately 18 years. Earnings for the same periods without the effect of these credits were $1.58 per share in 1984 and 91 cents in 1983.



Separately, the New Jersey commission in December 1984 ordered a comprehensive review of all costs associated with the recently completed Oyster Creek outage.

The significantly higher net income for 1984, before the extraordinary items and the unusual credit, reflected a 6 percent increase in kilowatt-hour sales and increases in rates granted to the GPU subsidiaries in 1984, partially offset by higher operating and maintenance expenses.

Earnings Impairment

The most significant impairment to earnings remains the lack of return on the GPU System's investments in the Three Mile Island (TMI) units and the abandoned Forked River Nuclear Station and lack of recovery through rates of the bulk of the TMI-1 operating costs.

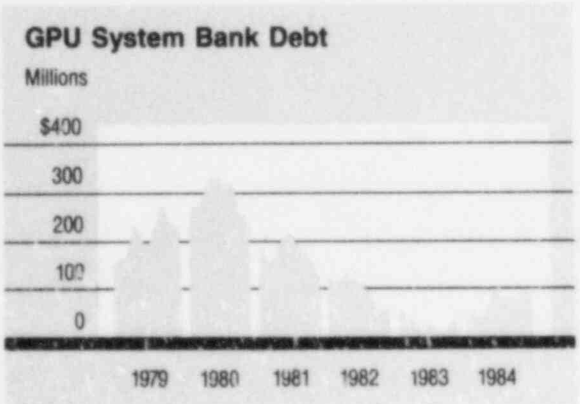
As a result of regulatory action in 1982, GPU's Pennsylvania subsidiaries have been collecting revenues from customers to

amortize their investments in TMI-2 but, as already mentioned, they are not receiving a return on such investments.

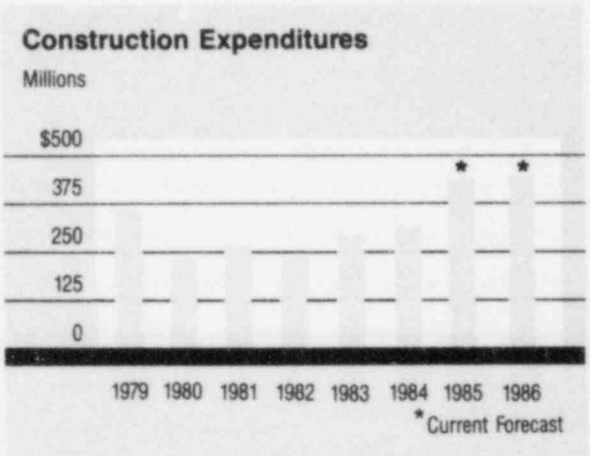
As a result of a recent decision by the New Jersey Board of Public Utilities under a 1983 Fault Law, JCP&L will not begin recovering the capital it invested in TMI-2 until 1989. JCP&L has been amortizing its investment in the cancelled Forked River plant as a result of a 1981 regulatory action. The decision extended the amortization from a 15-year period to a 25-year period. No return is permitted on the Forked River investment.

Electricity Sales
Sales of electricity were 33.5 billion kilowatt-hours in 1984, a 6 percent increase over 1983. Sales for all customer classes increased over 1983, resulting primarily from an improving economy and the impact of weather on usage. For the long term, GPU's forecast of electric energy growth shows an average increase of about 1.1 percent per year. The fastest growing customer class is expected to be commercial as the transition from a manufacturing to a more service-oriented economy continues.

Revenues for 1984, not including those related to energy costs, increased $177.5 million or 12 percent over 1983 due to rate increases granted the GPU Companies and higher kilowatt-hour sales.



Cash Position Improved; Borrowing Needs, Capital Expenditures Stabilized
GPU's cash position has continued to improve significantly since 1980. For example, at year-end 1984, the System had $95 million in short-term debt outstanding, compared with a peak of $326 million in short-term debt outstanding in mid-1980. The 1984 borrowings were primarily for a working capital loan to finance JCP&L's unbilled fuel expense. This sharp decline in short-term debt has greatly reduced the System's interest expense.



Continued close controls have kept operating and maintenance, and construction expenditures in line with internally-generated funds. Other factors contributing to the improved cash position of the System since the TMI-2 accident include sales of nuclear fuel, amortization of TMI-2 and Forked River, and continuing success in securing economical long-term purchases of replacement power, along with timely recovery of these energy costs.

Borrowings in 1985 are expected to be modest, primarily for the retirement of maturing debt. At year-end 1984, Met-Ed had put sufficient funds into an irrevocable trust to be used to retire $45 million of its maturing debt in 1985.

In 1984, the GPU System had $424 million of capital requirements, with the majority of these funds, $311 million, going to plant improvements and modifications to existing generating stations, including substantial refurbishment of the Oyster Creek Nuclear Generating Station. The remaining $113 million was used to retire long-term debt. In

1985, about $525 million has been budgeted for capital requirements, an increase of about $101 million, or 24 percent, over 1984. Of this amount, about $440 million is budgeted for plant improvements and about $85 million is budgeted for retiring long-term debt. The primary source of funds to meet expenditures in 1985 will continue to be internally-generated funds.

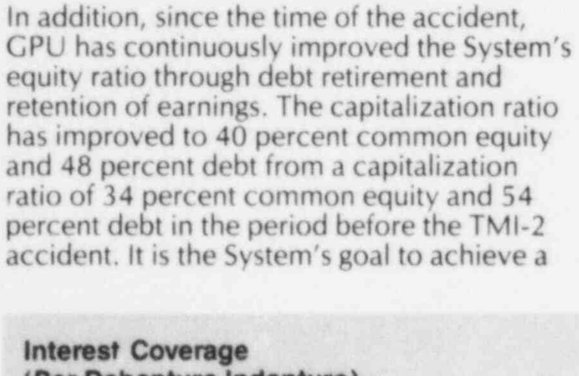
Revised Credit Agreement Negotiated
The GPU System has reached agreement with its banking group to renew its revolving credit agreement (RCA) through March 31, 1987. The current agreement would have expired March 31, 1985.

The proposed RCA maintains the present credit level of $150 million. The agreement also lowers interest rates and provides that GPU no longer will be required to guarantee the borrowings of its operating companies or to pledge their stock.

Coverage and Capitalization Ratios Improve; Security Ratings Are Upgraded
As the GPU System's finances have stabilized and some earning power has returned, interest coverages now exceed the new-issue minimum for all three operating companies.

In addition, since the time of the accident, GPU has continuously improved the System's equity ratio through debt retirement and retention of earnings. The capitalization ratio has improved to 40 percent common equity and 48 percent debt from a capitalization ratio of 34 percent common equity and 54 percent debt in the period before the TMI-2 accident. It is the System's goal to achieve a

Interest Coverage (Per Debenture Indenture)



capitalization ratio of about 45 percent common equity, 45 percent debt and 10 percent preferred stock.

As a result of the System's improved financial condition, three national rating agencies in 1984 upgraded their ratings of the GPU operating companies' fixed income securities for the first time since the TMI-2 accident. In February 1985, Standard & Poors again upgraded its ratings of the GPU companies' securities. In this action, Standard & Poors raised to investment grade the bonds and debentures of JCP&L and Penelec and Met-Ed's bonds. And in March 1985, Duff & Phelps Incorporated also again upgraded all of the System's securities.

In upgrading the securities, the rating agencies cited stringent cost-cutting efforts and improvements in the overall financial profile of the GPU System, despite major uncertainties that remain as a consequence of the TMI-2 accident.

Rate Regulatory Report

As a result of rate regulatory actions in 1984, the Pennsylvania subsidiaries were permitted to implement increases totalling $24.9 million in annual retail base rate revenues.

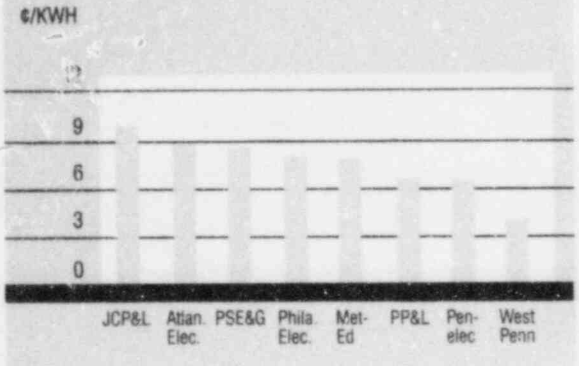
Also in 1984, JCP&L received two increases in its Levelized Energy Adjustment Clause (LEAC). In March 1984, the New Jersey Board of Public Utilities (BPU) approved a $92.6 million increase in JCP&L's LEAC and in November 1984, an additional $61 million increase was granted. Consistent with the November LEAC decision, the BPU in December 1984 issued an order requiring a comprehensive review of all costs, including capital additions, operation and maintenance expense and replacement power costs incurred in conjunction with the refueling, maintenance and refurbishing outage at Oyster Creek.

Penelec and Met-Ed received approval in March 1984 from the Pennsylvania Public Utility Commission (PUC) to increase their Energy Cost Rates (ECR) by $37.5 million and $38.4 million, respectively, effective with

April 1984 sales. In December 1984, Penelec received PUC approval for an interim increase in its ECR of $13.8 million annually, effective with January 1985 sales. The interim increase was necessary to limit the growth of underrecovered energy costs in the high-cost months of January and February.

Even with these increases, GPU customers' bills remained at levels in line with those of neighboring utilities.

Total Average Rate (All Customer Classes) Twelve Months Ended December 1984



Certain adverse decisions by our regulatory agencies in response to the TMI-2 accident still remain. The most serious of these is the continued exclusion from customer rates of most of the costs associated with both TMI units.

In 1984 the BPU made a decision under the New Jersey Public Utility Accident Fault Determination Act (Fault Law). That decision resolved a number of issues for JCP&L, including the ultimate recovery of all the capital invested by JCP&L in TMI-2, with that recovery to begin in 1989.

Also in 1984, settlements of the Pennsylvania companies' rate cases established a provision that TMI-1 energy benefits, incurred during its startup but prior to the unit's restoration to rates, would be used to repay investors for their TMI-1 capital rather than to reduce customer rates.

One unresolved issue is a decision on the Pennsylvania companies' requested accounting changes to reallocate existing revenues to increase customer contributions to the cleanup to the full annual level of $25 million for Met-Ed and $12.5 million for Penelec.

Since 1982, Met-Ed and Penelec have received approximately $16.7 million and $5.0 million annually, respectively, from their customers to fund the TMI-2 cleanup. Earlier that year, the PUC had approved customer participation in the TMI-2 cleanup at the full level only when TMI-1 resumes operations. Today, the companies continue to request the unlinking of the balance of the cleanup funds ($8.3 million for Met-Ed and $7.5 million for Penelec, annually) from the requirement of TMI-1's return to operation.

In early 1985, Met-Ed and Penelec filed retail base rate increase requests of $47.3 million and $55.3 million, respectively.

The bulk of the base rate requests address higher non-TMI costs directly tied to the companies' ability to continue providing safe and reliable service. Met-Ed and Penelec have also requested the PUC to extend the existing provisions, established by prior rate orders, for TMI-1's return to rates. In March 1985, the companies also filed proposed changes to their Energy Cost Rates, which include a $19.8 million decrease for Met-Ed and a $25.2 million increase for Penelec. Final energy cost rates are proposed to become effective with April 1985 sales.

Nuclear Report

Oyster Creek Returns to Service

The Oyster Creek Nuclear Generating Station returned to service October 29, 1984 after one of the most extensive overhauls in the history of commercial nuclear power.

The outage began in February 1983, and was originally planned to last about 11 months. More than three times the amount of work originally planned was actually completed, at a cost of approximately $180 million, extending the outage to 20 months.

The largest outage task was the $70 million refurbishment of the torus, designed to make it maintenance free for 10 years. The torus is a major component of the plant's safety system.

During the outage, the plant's turbine generator received the most extensive overhaul in its 14-year life. The 206-foot long turbine was completely disassembled, cleaned and inspected for a total cost of about $12 million.

Incorporating lessons learned from the TMI-2 accident, GPU Nuclear reorganized many control panel indicators for easy identification and response by control room operators. In addition, new modern instrumentation replaced older technology, enhancing operators' ability to monitor plant conditions.

Oyster Creek's operation at full power means savings of about $12 million a month in replacement power costs for JCP&L customers.

Nuclear Fuel Begins Return Trip to Oyster Creek

In compliance with a federal court order, GPU Nuclear Corporation in January 1985 began the process of returning 224 spent nuclear fuel assemblies to the Oyster Creek Nuclear Generating Station from a former fuel reprocessing facility at West Valley, New York, where they were shipped almost 10 years ago.

TMI-1 Restart Efforts

Returning TMI-1 to service remains the primary goal of GPU because of its vital importance to the Company's shareholders and customers.

Unit 1 received overall high ratings from staff inspectors of the NRC in May 1984 following an extensive evaluation. The NRC's Systematic Assessment of Licensee Performance (SALP) covered the period from October 1982 through January 1984 and evaluated 10 functional areas. Seven of the ratings were in "Category 1," the SALP Board's highest rating, three in "Category 2" and none in "Category 3."

Testing of major systems at TMI-1 was successfully completed in June 1984. While subsequent tests indicated the need for some additional tube plugging, the steam generators are expected to be acceptable for plant operation. In November 1984, an Atomic Safety and Licensing Board approved the kinetic expansion process used to repair almost 30,000 steam generator tubes at TMI-1 in 1982 and recommended that TMI-1 be permitted to operate with the repaired tubes. This decision removed one of the last technical hurdles blocking TMI-1 restart.

In July 1984, the NRC staff identified the conditions under which TMI-1 could be permitted to operate after completion of hearings. The staff's conclusion was similar to its finding reported in December 1983 and included an initial limit of 25 percent of full power.

In August 1984, a panel of outside experts reported that GPU Nuclear's operator training program at TMI "now ranks among the top utility training programs in the United States."

The five-member panel, known as the OARP (Operator Accelerated Requalification Program) Review Committee, was formed in 1979 to review changes in the training program that stemmed from lessons of the 1979 accident at TMI-2. The panel's 1984 report reappraised GPU Nuclear's training program in light of an operator cheating episode at TMI-1 in 1981, and the continuing development of the program since 1980.

On February 28, 1985, the Institute of Nuclear Power Operations awarded accreditation of the following training programs for GPU Nuclear's TMI-1: non-licensed operator training, licensed operator training, licensed operator requalification training, shift technical advisor training and radiological protection technician training.

At the end of 1984, TMI-1, undamaged in the March 1979 accident at TMI-2, remained physically ready for restart, but required authorization from the NRC.

ASLB Reopens Hearings on TMI-1 Restart Issues

Despite initial favorable decisions by an NRC Atomic Safety and Licensing Board and favorable NRC staff reports regarding the ability of GPU to safely and competently operate TMI-1, a Licensing Appeal Board remanded four issues to the Licensing Board for further hearings. These issues included the circumstances surrounding a mailgram sent to a member of Congress following the TMI-2

accident, and the adequacy of the operator training program.

Hearings on the first issue were completed in December 1984, and hearings on the operator training program were completed in mid-January 1985. Board decisions are pending on both issues.

No Further Hearings Required for Restart
On February 25, 1985, by a 3 to 2 vote, the NRC issued an Order holding that no further hearings will be required before it can make a decision on TMI-1 restart.

The NRC Order directed the Atomic Safety and Licensing Board to issue its decisions on the mailgram and operator training issues, but stated that it was expressing no views in that Order on whether the proceedings on these matters must be completed prior to a decision on TMI-1 restart. It also stated that the NRC would be addressing that issue in the immediate future.

In addition, the NRC Order stated that the NRC has decided to institute a new proceeding to consider what action to take concerning those individuals possibly involved in TMI-2 leak rate falsification, except for those individuals (all the officers and directors of GPU Nuclear and all the directors of Metropolitan Edison) who were identified by the United States Attorney as not involved in those matters or those already reviewed and found not to be implicated by the NRC's Office of Investigations in its TMI-1 leak rate investigation. The NRC further stated that an individual whose utilization in nuclear matters had been restricted by a condition in the Appeals Board's order should be given an opportunity to request a hearing with respect to that condition.

Once restart is approved, it will take several weeks to bring the plant to initial power operation. A power ascension program will then bring the plant to full power in about three months.

GPU Nuclear Board Safety Committee Files Report
The Nuclear Safety and Compliance Committee of GPU Nuclear's board of directors in November 1984 filed its first semi-annual report on training, operations and management at TMI and Oyster Creek.

The Committee and its independent staff found safety attitudes and practices were satisfactory, and identified no instances of regulatory noncompliance.

The committee is comprised of three of the four outside members of the GPU Nuclear board of directors. It was created in February 1984 to provide additional review of the safety operations at the GPU nuclear plants.

The committee members are Robert Laney, a consultant in nuclear energy and energy management, who serves as chairman of the committee; Lawrence Humphreys, president and chief executive officer of UNC Nuclear Industries; and Dr. Warren Witzig, department head of Nuclear Engineering at the Pennsylvania State University.

The report has been filed with the NRC.

TMI-2 Reactor Head Removed, Plenum Lifted
In July 1984, another major milestone was reached in the TMI-2 cleanup when the top structure, or head, of the reactor vessel was successfully removed. Removal of the 156-ton head provides the first direct access to the reactor's internal components since the March 1979 accident at TMI-2 and is an important preliminary step to actual removal of the damaged fuel core, which is scheduled to begin later this year.

Another major accomplishment was achieved in December 1984 when technicians at TMI-2 succeeded in lifting the plenum about seven inches from its normal position just above the fuel core. The procedure indicates that the plenum is free from possible interference, and no measurable increases in radiation levels were detected as a result of the operation.

The plenum lifting is a preliminary step to the actual removal of the plenum from the damaged reactor. The plenum must be removed so that spent fuel and debris in the core can be reached in order to defuel the reactor. Present plans call for full removal of the plenum in the spring of this year.

TMI-2 Radiation Levels Reduced
In continuing cleanup operations, technicians at TMI-2 have been working to reduce

radiation doses in the TMI-2 reactor building by removing contaminated paint and concrete from the floors. In this latest dose-reduction activity, GPU Nuclear Corporation decreased general area dose rates on the second floor of the reactor building by about one-third.

Lowering radiation levels on the second floor is important because that is where workers now are spending most of their time as they prepare for defueling.

Completion of the cleanup is scheduled as follows: remove fuel from original reactor core region during the third quarter of 1986; remove fuel from remainder of the reactor vessel and other reactor plant systems during 1987.

TMI-2 Cleanup Funding

Funding to support the estimated $1 billion TMI-2 cleanup costs is basically in place, including the last piece of the cleanup funding—contributions from the U.S. utility industry.

Electric utility industry participation in a voluntary program to aid in the TMI-2 cleanup has been finalized, and payments have begun.

In January 1983, the Edison Electric Institute (EEI) adopted a resolution to create a voluntary program to provide $150 million as its part of the cost-sharing effort for the TMI cleanup. In June 1984, EEI's board of directors approved a two-part program consisting of an industry voluntary program, and supplemental research and development grants from six Pennsylvania and New Jersey utilities, including the GPU subsidiaries. The supplementary grants come from funds that would otherwise have been devoted to other utility industry R&D efforts.

The two-part program will contribute $25 million per year for six years for a total of $150 million. In the industry voluntary program, 41 utilities have thus far pledged approximately $76 million.

TMI-2 Cleanup Milestones

The TMI-2 cleanup remains an essential activity. It is in the best public interest to complete the cleanup safely and expeditiously. Major cleanup milestones achieved include:

— the processing of some 500,000 gallons of contaminated water from the Unit 2 fuel handling building; and the processing of some 600,000 gallons of accident-generated radioactive water from the basement of the Unit 2 containment building;

— decontamination of the Unit 2 fuel handling building;

— decontamination of most of the Unit 2 auxiliary building surfaces affected by the accident;

— an extensive program of manned entries into the Unit 2 containment building to conduct damage assessments, equipment maintenance, radiation surveys and cleanup operations and to explore the most efficient ways of decontaminating affected areas;

— use of remote TV cameras and sensors to map the extent of damage inside the reactor vessel, in preparation for removal; and

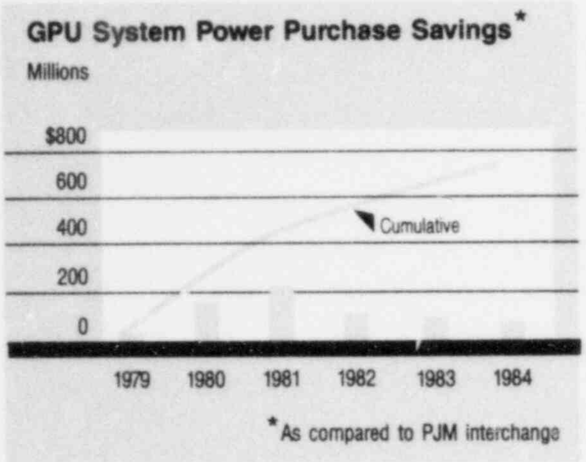
— the shipment off-site of all the solidified waste from the processing of the water in the containment building.

The job ahead can be viewed in three stages: continued processing of radioactive water from the reactor cooling system; removing the damaged fuel core from the Unit 2 reactor vessel and eventually from the TMI site; and decontaminating the remainder of the reactor building interior. As throughout the entire cleanup operation, these activities will be conducted with the greatest regard for worker and public safety.

Meeting Customer Needs

JCP&L Signs Long-Term Power Purchase Agreement

GPU's New Jersey subsidiary has signed a long-term power purchase agreement with Pennsylvania Power & Light Company (PP&L).



Under the agreement, JCP&L would buy 945 megawatts of power through 1995, in the form of a pro rata share of each of PP&L's generating units, with the amount then declining uniformly through 1999. The fuel mix of the purchase would result in approximately 25 percent generation from nuclear fuel, 65 percent from coal and the remainder from oil and other sources.

The purchase would supply about 30 percent of JCP&L's energy requirements at a cost in the near term that would be comparable to the cost of purchases from the PJM power pool, but less costly than new generating capacity. However, over the life of the contract, the cost of the purchase is expected to be well below that of alternative sources, including new capacity.

Purchases under the contract are scheduled to begin upon approval by the New Jersey Board of Public Utilities.

Power Purchase Benefits
Efforts by GPU to negotiate power-purchase contracts with other utilities since the 1979 TMI-2 accident continue to produce savings for its customers.

The savings in 1984 totaled $88 million over what it would have cost to purchase power from the regional power pool. However, while the kilowatt-hour cost differential will continue, the dollar savings are constrained by limitations on the transmission system.

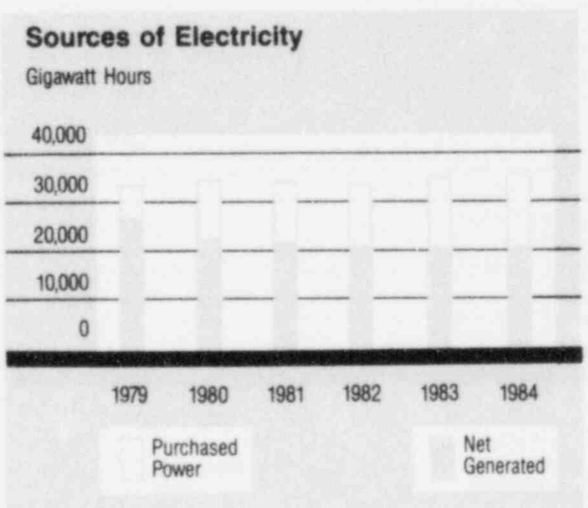
Negotiating these long-term purchases has become a key element of GPU's power-supply planning for the period through the mid-1990s. In 1984, for example, about 45 percent of the GPU System's requirements were met with purchased power and interchange.

Meeting Environmental Concerns
The System is vitally concerned with protecting the environment in a responsible and cost-effective manner. Between 1979 and 1984, the System companies spent approximately one-half billion dollars to protect the environment. The companies have entered into a number of consent orders and decrees with regulatory agencies to provide time to develop and implement control strategies.

Conservation and Load Management Programs Result in Savings
GPU's conservation and load management programs have saved the System's 1.7 million customers the equivalent of $700 million in new generating capacity costs since the System began introducing the programs in the early 1970s.

Full attainment of GPU's conservation and load management plan would help defer more than 1,000 megawatts of new capacity by the end of the century and would cut the System's projected load growth in half. With new generating stations costing billions of dollars, these results become significant in reducing financing needs and managing the cost of serving customers.

RECAP Progress
About 4,000 residences in the GPU service territory have been outfitted with energy-



conservation improvements through the Company's Residential Energy Conservation Action Program (RECAP).

Under RECAP, which was instituted in 1983, electrically-heated residences are retrofitted with energy-saving measures by private contractors at no cost to the homeowner. The contractors then are paid by the GPU operating company based on the measured energy savings achieved over a period of years.

The goal of RECAP is to produce long-term energy savings, thus enhancing GPU's strategy of delaying the construction of costly new generating capacity as long as possible.

There is evidence that RECAP has resulted in a significant shifting of electricity use to off-peak hours. However, it is too soon to determine conclusively the energy cost savings resulting from the program.

GPU Implements New Conservation and Load Management Programs

GPU has also implemented a conservation program geared to home building. Called "Good Cents," the program establishes an energy-use performance standard for new residential construction and provides the builder with a variety of techniques to meet the standard.

GPU's two Pennsylvania operating companies have joined the state Governor's Energy Council in sponsoring a study by the Alliance to Save Energy of investments in conservation programs by electric utilities.

Met-Ed and Penelec, which are the first utilities in the nation to participate in such a project, are being used as a case study by the Alliance because of their active involvement in conservation activities since the early 1970s.

Cogeneration Projects Grow

The GPU companies have also become involved in a number of cogeneration projects during 1984. Among these is a large greenhouse at Penelec's Homer City Station. The five-acre greenhouse is heated by waste heat in water piped from the coal-fired station. Eventually the greenhouse is expected to cover at least 20 acres, making this one of the largest of its kind in the nation.

In addition, JCP&L will engage in a wide variety of energy conservation programs beyond those the company has already implemented, including additional cogeneration projects. In October 1984, JCP&L filed with the New Jersey Office of the Secretary of State a certificate of incorporation for the formation of a new subsidiary (Energy Initiatives, Inc.) to engage in the development of cogeneration projects.

Customer Survey Shows Energy Savings

In 1984, GPU conducted its sixth residential customer energy survey. The results show the overwhelming majority of customers are responding to GPU's energy conservation efforts. They are conserving energy by turning down the thermostat, using supplemental heating, and shifting electricity use to off-peak hours. The survey results also indicated the success of GPU's Time-of-Day (TOD) rate program. GPU's approximately 60,000 TOD customers who have controlled water heaters have shifted about one-third of on-peak electricity use to the lower cost off-peak hours.

The survey results will be used to identify customer energy-saving practices and will also assist GPU in developing additional programs to promote energy conservation.

Customer Service

As part of its ongoing efforts to maintain and improve customer service, each of the GPU operating companies has installed a new computerized Customer Information System (CIS) effective in 1984. The new system provides customer service representatives with rapid access to customer account and billing records, thus enabling a more efficient response to customer billing and payment inquiries as well as service-related trouble calls. The CIS also increases the efficiency of operating personnel in the diagnosis and restoration of service during a storm emergency.

Meeting Future Needs

Future Financial Planning
The most critical factor in the improvement of GPU's financial position continues to be the restart of TMI-1. Restart will return the capital and the bulk of the operating costs of the Unit to the rates of each of the three System operating companies, improving both income and interest coverage. TMI-1's restart is crucial to any major progress in GPU's ability to return to the capital markets. Additionally, TMI-1's output will reduce the need for purchased power.

Prior to Unit 1's restart, near-term emphasis remains on maintaining Systemwide cash equilibrium through tight controls on expenses, limiting construction projects and aggressively pursuing rate increases.

GPU is currently laying the financial groundwork for generating capacity expansion in the 1990s should economical purchased power contracts and other alternatives become less feasible.

Operations Planning
At year-end 1984, GPU had expended almost half of the total $1 billion estimated to be required for the TMI-2 cleanup. Decontamination work is scheduled to be completed by 1988.

As part of its energy-supply planning for the next two decades, GPU is evaluating its older generating stations to keep them operating efficiently well beyond their traditional retirement ages. In the past, GPU's fossil-fueled power plants normally were retired when they had been in service about 40 years, but only after a case-by-case review of the economics of continued operation.

The economics now favor investing in rehabilitation of the existing stations to keep them running longer, when compared to the option of building new generating stations to replace them.

GPU's three operating companies are working with consultants on detailed reviews of the material condition of their older stations and on estimates of the cost to extend their operating lives.

Preliminary studies suggest that the GPU System may be able to defer the planned retirement of about 1,700 megawatts of capacity over the next 15 years.

Administration

Changes in Employment Levels
At year-end 1984, the number of GPU System employees totaled 13,216.

In the six years since the accident at TMI, the number of GPU System employees engaged in non-nuclear activities has increased by 595. The number of employees engaged in nuclear activities has increased by 1,475 due to the increased need for meeting nuclear safety and compliance requirements.

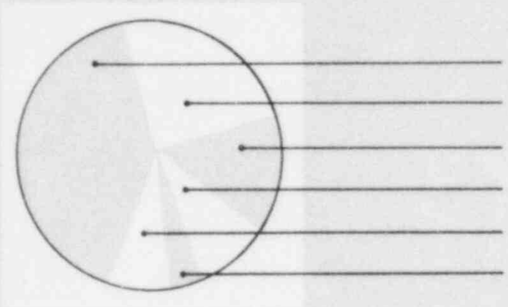
Ongoing attention to the administration of Affirmative Action programs continued within the GPU System companies during 1984, increasing employment levels of women and minorities.

Statement of Management

The management of General Public Utilities Corporation is responsible for the information and representations contained in the financial statements and other sections of this annual report. The financial statements have been prepared in conformity with generally accepted accounting principles consistently applied. In preparing the financial statements, management makes informed judgments and estimates of the expected effects of events and transactions that are currently being reported.

To fulfill its responsibilities for the reliability of the financial statements, management has developed and maintains a system of internal accounting control. This system is intended to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization

Where the 1984 Revenue Dollar Went



and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

The Board of Directors, through its Audit Committee, consisting solely of outside directors of the Company, is responsible for reviewing and monitoring the Company's financial reporting and accounting practices. The Audit Committee meets with management and internal auditors periodically to review the work of each and to monitor the discharge by each of its responsibilities. The Audit Committee also meets periodically with the independent auditors who have free access to the Audit Committee, without management present, to discuss internal accounting control, auditing, and financial reporting matters.

Coopers & Lybrand, independent public accountants, are engaged to examine and express an opinion on the financial statements. Their opinion, which appears on page 20, refers to the contingencies and uncertainties resulting from the nuclear accident at Three Mile Island.

Reference is made to Notes 1 and 3 to the accompanying financial statements and to the following Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion of the effects and impact of the accident.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

Since 1980, the GPU System's cash position has improved dramatically. To evidence such improvement, short-term debt outstanding has been reduced from a peak of $326 million in mid-1980 to $95 million at year-end 1984.

Rate increases granted by the state commissions have contributed greatly to the solidification of the GPU System cash position. Such increases have enabled the System to recover from customers the large cash expenditures for power purchases required to meet customer demand. The System has also realized improved cash flow as a result of the rate relief granted to amortize the investments in TMI-2 and Forked River. Although amortization is being permitted, or will be permitted in the case of JCP&L's investment in TMI-2, the state commissions are not permitting a return on the unamortized balances of such investments, the impact of which is discussed below.

The GPU System intends to continue in the near term making only those construction expenditures which can be financed with internally-generated funds. Such expenditures, which were $311 million in 1984 and expected to be about $440 million in 1985, are being kept to the minimum necessary to

meet customer needs reliably and safely. These levels are established to meet nuclear safety and to provide reliable service at the customer level through improvements to existing generating stations and to the transmission and distribution system.

In 1984, Met-Ed placed Treasury notes in an irrevocable trust account in order to satisfy $45 million of first mortgage bonds which are due in October 1985.

The funding required to clean up TMI-2 is essentially in place at this time. During 1984, the EEI program for industry participation in the cleanup effort was finalized and $150 million ($25 million per year for 6 years) will be received. The BPU, in a decision in May 1984, reaffirmed allowance of JCP&L's 25 percent share of the TMI-2 cleanup costs. The Pennsylvania subsidiaries are receiving revenues for cleanup costs at a level lower than amounts prescribed by the Pennsylvania Governor's plan, but the commission's order provides that such levels of revenue will be increased when TMI-1 returns to service.

For the first time since the TMI-2 accident, the national rating agencies have upgraded the fixed income securities of the GPU subsidiaries. In February 1985, Standard & Poors again upgraded its ratings of the GPU companies' securities. In this action, Standard & Poors raised to investment grade the bonds and debentures of JCP&L and Penelec and Met-Ed's bonds. And in March 1985, Duff & Phelps Incorporated also again upgraded all of the System's securities. The rating agencies cited improvements in the GPU System's financial posture, which included stringent cost-cutting measures and responsive regulatory treatment, as the reason for the upgradings. The GPU System is investigating some longer-term financing in 1985.

As a result of the TMI-2 accident, the GPU System's return on common equity has ranged from a low of 1.5 percent in 1980 to 8.3 percent in 1984. If we postulate a representative utility industry allowed return on average common equity to be about 15.5 percent or about $3.80 per share, the following reductions from the representative level would bring us approximately to the current ongoing level of about 6.5 percent or $1.50 per share:

	Return	Per Share
Earnings at a representative rate of return on common equity	15.5%	$3.80
Earnings reductions		
Normal regulatory attrition	(1.5%)	(.35)
Impact of TMI-1	(3.5%)	(.95)
Impact of TMI-2 and Forked River	(4.0%)	(1.00)
Net earnings	6.5%	$1.50

As can be seen from the preceding table, the restart of TMI-1 would result in an increase in return of 3.5 percent or 95 cents per share and raise the System return to 10 percent or about $2.45 per share. The remaining loss of earning power results from the normal regulatory lag between rate cases and the lack of return on the unamortized balances of both TMI-2 and Forked River. As the investments in TMI-2 and Forked River are amortized and the earning asset base is restored, the GPU System's return on equity should rise to approximately that level representative of other electric utility companies.

Interest coverage for the GPU System has improved dramatically since 1980 and such coverage ratios now exceed the two times minimum new-issue requirements of the subsidiaries' debenture indentures. Such coverages by subsidiary follow:

	Interest Coverage	
	1984	1980
Jersey Central Power & Light	3.23X	1.86X
Metropolitan Edison	3.03	1.02
Pennsylvania Electric	4.00	2.06

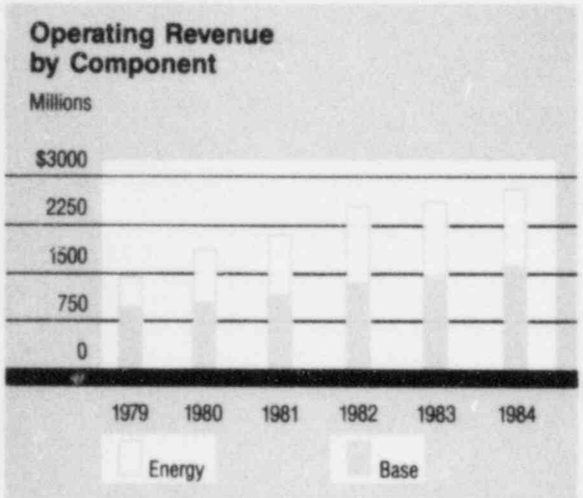
With the restart of TMI-1, annualized interest coverage ratios for 1984 would approximate 3.7, 4.4, and 4.5 for JCP&L, Met-Ed and Penelec, respectively.

The GPU System's equity ratios have improved since 1980 as a result of debt retirements and retention of earnings. Such ratios are as follows:

	1984	1980
Debt (long and short-term)	48%	55%
Preferred stock	12	12
Common equity	40	33
	100%	100%

It is management's goal to improve the capitalization ratios in order to obtain ratios of approximately 45 percent debt and 45 percent common equity.

GPU's management feels at this time that the greatest opportunity to increase the stockholders' total return is by continuing to retain cash earnings. This process allows GPU to meet service obligations, maintain TMI-1 in readiness status for restart and assure the TMI-2 cleanup.



Results of Operations
Net income, before an extraordinary item, for 1984 was $128.5 million or $2.05 per share, for 1983 was $66.9 million or $1.09 per share and for 1980 was $20.6 million or 34 cents per share.

The 1984 and 1983 earnings include unusual credits of $29.8 million and $11 million, respectively, related to the deferral of above-normal expenses related to the outage at the Oyster Creek Nuclear Generating Station. Such deferrals were permitted in rate decisions by the New Jersey regulatory commission. (For further information, see Note 1, page 30.)

The year 1980 is being used for comparative purposes because it reflects the first full year impact of the TMI-2 accident.

1984 vs. 1983
The increase in 1984 net income, before extraordinary items and unusual credits, resulted primarily from a 6 percent increase in kilowatt-hour sales and rate increases granted to the subsidiaries by the state regulatory commissions in 1984, partially offset by increased operating and maintenance expenses.

1984 vs. 1980
The increase in 1984 net income, before an extraordinary item and unusual credit, over 1980 resulted primarily from rate increases granted to the subsidiaries by the state regulatory commissions, increased kilowatt-hour sales, lower interest expense resulting from retirements of long-term debt, reduced levels of short-term debt and lower interest rates. Partially offsetting such increases to income were increases in operating and maintenance expenses.

Although 1984 net income has increased over 1983 and 1980, such earning levels continue to be severely impacted by the regulatory treatment accorded the investments in the TMI units and Forked River. For additional information see the first section of this management report and Note 1 to financial statements, page 27. For a discussion of extraordinary items in 1984 and 1983, see Note 3 to financial statements, page 32.

QUARTERLY FINANCIAL DATA (UNAUDITED)

In Thousands Except Per Share Data	First Quarter 1984	First Quarter 1983	Second Quarter 1984	Second Quarter 1983
Operating revenues	$693,113	$648,965	$658,710	$580,279
Operating income	$ 79,985	$ 60,999	$ 65,337	$ 53,802
Income before extraordinary items	$ 33,272	$ 11,996	$ 19,049	$ 7,172
Extraordinary items (Note 3)		$(14,647)		
Net income (loss)	$ 33,272	$ (2,651)	$ 19,049	$ 7,172
Earnings per share before extraordinary items	$ .53	$ .20	$ .30	$ .12
Extraordinary items (per share)		$ (.24)		
Earnings (loss) per share	$ .53	$ (.04)	$ .30	$ .12
Average shares	62,864	61,264	62,864	61,264

In Thousands Except Per Share Data	Third Quarter 1984	Third Quarter 1983	Fourth Quarter 1984	Fourth Quarter 1983
Operating revenues	$705,035	$645,491	$678,428	$605,569
Operating income	$ 81,591	$ 71,833	$ 88,335	$ 68,438
Income before extraordinary items	$ 34,945	$ 25,858	$ 41,239	$ 21,881
Extraordinary items (Note 3)			$ 19,753	$ (1,371)
Net income	$ 34,945	$ 25,858	$ 60,992	$ 20,510
Earnings per share before extraordinary items	$ .56	$ .42	$ .66	$ .35
Extraordinary items (per share)			$ .31	$ (.02)
Earnings per share	$ .56	$ .42	$ .97	$ .33
Average shares	62,864	61,264	62,864	62,313

Income before extraordinary items for the fourth quarters of 1983 and 1984 include unusual credits of $10.9 million and $29.8 million, respectively, representing the deferral of above-normal expenses, recognized in the prior three quarters, related to the outage at the Oyster Creek Nuclear Generating Station. For additional information see Note 1, page 30.
See Note 1, page 27, which contains information with respect to rate orders and their effect on quarterly earnings.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

Index

REPORT OF AUDITORS

To the Board of Directors and Stockholders
General Public Utilities Corporation
Parsippany, New Jersey

We have examined the consolidated balance sheets of General Public Utilities Corporation and Subsidiary Companies as of December 31, 1984 and 1983, and the related consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully discussed in Note 1 to Consolidated Financial Statements, the Corporation is unable to determine the ultimate consequences of the accident at Unit No. 2 of the Three Mile Island Nuclear Generating Station (TMI-2) and of the response of rate-making and other regulatory agencies to that accident. Among the contingencies and uncertainties which have resulted as a direct or indirect consequence of this accident are questions concerning:

a. The recovery from various funding sources, including customers, of the costs yet to be incurred in connection with the cleanup of TMI-2;

b. The recovery of the approximately $485 million investment in the Three Mile Island Unit No. 1 Nuclear Generating Station;

c. The recovery of the excess, if any, of amounts which might be paid in connection with claims for damages resulting from the accident over available insurance proceeds; and

d. Any action of the Pennsylvania Public Utility Commission with respect to any portion of the replacement power costs for which recovery by the Pennsylvania subsidiaries is now permitted.

As more fully discussed in Note 1 to Consolidated Financial Statements, the Corporation's New Jersey subsidiary is engaged in litigation with a nuclear fuel supplier involving the pricing of nuclear fuel. At this time, the outcome of the litigation and the rate-making treatment of any increased fuel costs which might result from an adverse legal determination are uncertain.

In our opinion, subject to the effect, if any, on the consolidated financial statements of such adjustments as might have been required had the outcome of the uncertainties discussed in the second and third paragraphs been known, the aforementioned statements (pages 21 through 36) present fairly the consolidated financial position of General Public Utilities Corporation and Subsidiary Companies at December 31, 1984 and 1983 and the consolidated results of their operations and the consolidated changes in their financial position for each of the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

COOPERS & LYBRAND

March 1, 1985
1251 Avenue of the Americas
New York, New York 10020

CONSOLIDATED STATEMENTS OF INCOME
(Note 1)

General Public Utilities Corporation and Subsidiary Companies

For the Years Ended December 31,	1984	1983	1982
		In Thousands	
Operating Revenues	**$2,735,286**	$2,480,304	$2,405,527
Operating Expenses:			
Fuel	**445,012**	427,747	429,067
Power purchased and interchanged, net	**798,256**	740,702	591,614
Deferral of energy costs, net (Note 2)	**(137,152)**	(115,800)	106,495
Other operation and maintenance (Note 9)	**715,289**	620,915	522,539
Deferral of Oyster Creek operation and maintenance (Note 1)	**(55,306)**	(20,470)	
Depreciation and amortization (Notes 2 and 3)	**219,491**	219,593	202,725
Amortization of property losses (Note 2)	**17,494**	27,023	26,547
Taxes, other than income taxes (Note 9)	**246,669**	221,900	218,507
Total	**2,249,753**	2,121,610	2,097,494
Operating income before income taxes	**485,533**	358,694	308,033
Income taxes (Notes 2 and 7)	**170,285**	103,622	71,511
Operating Income	**315,248**	255,072	236,522
Other Income and Deductions:			
Allowance for other funds used during construction (Note 2)	**5,117**	7,979	6,663
Other income, net	**7,225**	12,464	15,838
Income taxes on other income, net (Notes 2 and 7)	**(4,099)**	(6,773)	(7,726)
Total other income and deductions	**8,243**	13,670	14,775
Income Before Interest Charges and Preferred Dividends	**323,491**	268,742	251,297
Interest Charges and Preferred Dividends:			
Interest on long-term debt	**150,824**	157,058	171,770
Other interest	**11,296**	8,413	13,594
Allowance for borrowed funds used during construction-credit (net of tax) (Note 2)	**(6,680)**	(3,643)	(7,960)
Income taxes attributable to the allowance for borrowed funds (Notes 2 and 7)	**(961)**	(1,046)	(1,583)
Preferred stock dividends of subsidiaries	**40,507**	41,053	41,742
Total interest charges and preferred dividends	**194,986**	201,835	217,563
Income Before Extraordinary Items	**128,505**	66,907	33,734
Extraordinary Items, Net of Taxes (Note 3)	**19,753**	(16,018)	3,773
Net Income	**$ 148,258**	$ 50,889	$ 37,507
Earnings Per Average Share Before Extraordinary Items	**$ 2.05**	$ 1.09	$ .55
Extraordinary Items Per Share	**.31**	(.26)	.06
Earnings Per Share	**$ 2.36**	$ .83	$ .61
Average Common Shares Outstanding	**62,864**	61,526	61,264

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(Note 1)

General Public Utilities Corporation and Subsidiary Companies

For the Years Ended December 31,	1984	1983	1982
		In Thousands	
Balance, beginning of year	**$ 578,654**	$ 527,765	$ 490,258
Add, net income	**148,258**	50,889	37,507
Balance, end of year (Note 6)	**$ 726,912**	$ 578,654	$ 527,765

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(Note 1)

General Public Utilities Corporation and Subsidiary Companies

December 31,	1984	1983*
	In Thousands	
Assets		
Utility Plant (at original cost):		
In service	**$4,304,029**	$4,078,403
Less, accumulated depreciation (Note 2)	**1,375,247**	1,268,626
Net	**2,928,782**	2,809,777
Investment in Three Mile Island:		
Unit 1	**570,758**	550,507
Less, accumulated depreciation and amortization (Notes 2 and 3)	**85,441**	84,975
Unit 2	**788,891**	787,586
Less, accumulated depreciation and amortization (Notes 2 and 3)	**222,116**	177,775
Net	**1,052,092**	1,075,343
Construction work in progress	**179,885**	148,493
Property under capital leases, net (Note 12)	**38,663**	
Held for future use	**28,607**	29,462
Nuclear fuel, net of amortization (Note 2)	**124,550**	123,485
Net utility plant	**4,352,579**	4,186,560
Investments:		
Other physical property, net	**2,810**	3,598
Loans to non-affiliated mining companies (Note 8)	**13,875**	14,125
Other, at cost	**759**	763
Total	**17,444**	18,486
Current Assets:		
Cash	**3,402**	7,169
Temporary cash investments	**18,536**	42,266
Funds held by subsidiaries for retirement of bonds due within one year		27,000
Funds held in special deposits for TMI cleanup	**31,702**	22,300
Special deposits	**37,386**	17,223
Accounts receivable:		
Customers, net (Note 4)	**198,170**	181,212
Other	**22,641**	16,732
Inventories, at average cost or less:		
Materials and supplies for construction and operation	**95,708**	85,599
Fuel (Note 4)	**89,895**	54,910
Deferred energy costs (Note 2)	**190,393**	71,794
Deferred income taxes (Notes 2 and 7)	**38,339**	34,228
Prepayments	**15,003**	14,375
Total	**741,175**	574,808
Deferred Debits:		
Unamortized property losses (Note 2)	**305,865**	327,190
Deferred costs—TMI-2 cleanup, net of recoveries	**491,848**	(17,302)
—Nuclear fuel disposal fee (Note 2)	**62,321**	64,212
—Oyster Creek outage, net	**71,324**	20,112
Deferred income taxes (Notes 2 and 7)	**95,616**	86,541
Other	**77,620**	73,263
Total	**1,104,594**	554,016
Total Assets	**$6,215,792**	$5,333,870

The accompanying notes are an integral part of the consolidated financial statements.

* Reclassified to conform to 1984's presentation.

December 31,	1984	*In Thousands* 1983*
Liabilities and Capital		
Long-Term Debt, Capital Stock and Consolidated Surplus:		
Long-term debt (Notes 4 and 5)	**$1,797,154**	$1,894,965
Cumulative preferred stock (Note 6):		
With mandatory redemption, net of expenses	**63,650**	67,194
Without mandatory redemption, including premium	**424,739**	424,739
Common stock and consolidated surplus (Notes 4 and 6):		
Common stock	**154,054**	153,229
Consolidated capital surplus	**774,508**	774,196
Less, capital stock expense	**18,056**	18,056
Consolidated retained earnings	**726,912**	578,654
Total	**1,637,418**	1,488,023
Less, reacquired common stock	**70**	70
Total	**1,637,348**	1,487,953
Total	**3,922,891**	3,874,851
Current Liabilities:		
Securities due within one year (Notes 4, 5 and 6)	**75,746**	58,440
Notes payable to banks (Note 4)	**95,000**	14,000
Obligations under capital leases (Note 12)	**11,398**	
Accounts payable	**228,842**	234,954
Taxes accrued (Note 7)	**97,057**	89,627
Deferred income taxes-energy (Notes 2 and 7)	**88,297**	32,048
Interest accrued	**39,387**	37,990
Other	**63,144**	58,274
Total	**698,871**	525,333
Deferred Credits and Other Liabilities:		
Deferred income taxes (Notes 2 and 7)	**656,644**	579,444
Unamortized investment tax credits (Notes 2 and 7)	**152,362**	116,896
TMI-2 cleanup costs	**506,725**	
Deferred credits-nuclear accident:		
Insurance funds held by trustee	**6,892**	3,840
Cleanup revenues and state funds held in escrow	**15,426**	20,549
Industry funds held in escrow	**10,877**	
Obligations under capital leases (Note 12)	**27,265**	
Nuclear fuel disposal fee	**84,029**	76,060
Reserve capacity (Note 2)	**65,491**	72,302
Other	**68,319**	64,595
Total	**1,594,030**	933,686
Commitments and Contingencies (Note 1)		
Total Liabilities and Capital	**$6,215,792**	$5,333,870

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(Note 1)

General Public Utilities Corporation and Subsidiary Companies

For the Years Ended December 31,	1984	*In Thousands* 1983	1982
Source of Funds:			
Operations:			
Income before extraordinary items	**$128,505**	$ 66,907	$ 33,734
Principal non-cash charges (credits) to income:			
Depreciation and amortization (Notes 2 and 3)	**251,494**	251,214	239,579
Investment tax credits, net (Notes 2 and 7)	**40,043**	(15,273)	76,444
Deferred income taxes, net (Notes 2 and 7)	**112,455**	115,244	(32,211)
AFUDC on other funds (Note 2)	**(5,117)**	(7,979)	(6,663)
Total from operations	**527,380**	410,113	310,883
Extraordinary items, net of taxes (Note 3)	**19,753**	(16,018)	3,773
Extraordinary items (non-cash portion)	**(19,753)**	10,510	(3,773)
Long-term debt (Note 5)	**25,500**		
Increase in obligations under capital leases (Note 12)	**38,663**		
Increase in bank borrowings (Note 4)	**81,000**		
Decrease in funds held for retirement of bonds	**27,000**	52,800	
Deferred energy costs, net (Note 2)			106,495
Reserve capacity (Note 2)	**(6,811)**	20,470	28,672
Sale of nuclear fuel		36,096	34,193
Decrease in other working capital items (a)		72,338	
Other, net	**22,872**	10,866	
Total source of funds	**$715,604**	$597,175	$480,243
Application of Funds:			
Construction expenditures (excluding AFUDC on other funds)	**$306,264**	$277,409	$241,952
Decrease in bank borrowings (Note 4)		5,000	41,300
Increase in funds held for retirement of bonds			79,800
Additions to leased assets (Note 12)	**38,663**		
Retirement or redemption of long-term debt and preferred stock	**112,722**	178,096	71,828
Deferred energy costs, net (Note 2)	**137,152**	115,800	
Deferred costs—nuclear accident, net	**2,425**	400	18,866
Deferred costs—Oyster Creek outage	**55,306**	20,470	
Increase in other working capital items (a)	**63,072**		24,487
Other, net			2,010
Total application of funds	**$715,604**	$597,175	$480,243
(a) Changes in components of other working capital:			
Temporary cash investments	**$(23,730)**	$(60,781)	$ 60,753
Accounts receivable	**22,867**	11,702	30,784
Special deposits	**20,163**	10,372	3,076
Inventories	**45,094**	1,239	1,675
Accounts payable	**6,112**	(53,303)	(38,231)
Other, net	**(7,434)**	18,433	(33,570)
Total	**$ 63,072**	$(72,338)	$ 24,487

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

1. Commitments and Contingencies

Three Mile Island Nuclear Accident

On March 28, 1979, an accident occurred at Unit No. 2 of the Three Mile Island nuclear generating station (TMI-2) resulting in significant damage to TMI-2 systems and components, contamination of major portions of the plant, and a release of radioactivity which published reports of governmental agencies indicated did not constitute a significant public health or safety hazard. TMI-2 is jointly owned by the Corporation's subsidiaries as follows: Jersey Central Power & Light Company (JCP&L), 25%; Metropolitan Edison Company (Met-Ed), 50%; and Pennsylvania Electric Company (Penelec), 25%.

Three Mile Island nuclear generating station Unit No. 1 (TMI-1), which is adjacent to TMI-2, was out of service for a scheduled refueling and was not directly involved in the accident. TMI-1 is jointly owned by the Corporation's subsidiaries in the same percentages as TMI-2.

TMI-1 Restart: Following the accident at TMI-2, management decided to keep TMI-1 shut down pending evaluation of the TMI-2 accident. The Nuclear Regulatory Commission (NRC) then directed that TMI-1 remain shut down until it authorized the unit's resumption of operation. During 1981 and 1982, the NRC's Atomic Safety and Licensing Board (ASLB) issued three partial initial decisions regarding plant design, emergency planning and management issues, and recommended that, subject to various conditions, TMI-1 be allowed to resume operation.

In 1983, an Atomic Safety and Licensing Appeals Board (ASLAB), heard appeals from the ASLB's partial initial decisions.

The ASLAB affirmed the ASLB's partial initial decision on plant design. On July 26, 1984, the NRC upheld that decision on all but one issue which it referred to the NRC staff for review.

The NRC also determined that the emergency planning for TMI-1 was adequate. However, the Federal Emergency Management Agency and the NRC staff are reviewing the results of recent emergency drills to determine whether certain deficiencies in the response by counties around the TMI facility have been resolved. Failure to resolve these deficiencies could result in the NRC requiring corrective action prior to restart.

With respect to the management phase of the TMI-1 restart proceedings, the NRC and its staff have taken the following actions:

In April 1983, the NRC staff conducted a review of its previous position that the ASLB's partial initial decision on management competence and integrity provided a basis for the NRC to authorize the unit's restart. The NRC staff report of May 17, 1983 concluded that while management's policies and practices do support the restart of TMI-1, the staff could draw no conclusion regarding management integrity and identified several unresolved issues they considered to require further review and investigation.

Pursuant to plans submitted to the NRC to assist in the TMI-1 restart decision, GPU Nuclear Corporation (GPUNC) has augmented its Board with four outside directors, including a Chairman, of which three also constitute a Nuclear Safety and Compliance Committee to monitor the operation and maintenance of the System's nuclear facilities. In January 1984, the NRC staff advised the NRC that in view of these and other actions taken by the Corporation, and following a review of alleged leak rate test irregularities at TMI-1, the NRC could, in advance of completing the ongoing inquiries by the NRC's Office of Investigation (OI) into other unresolved issues of management competence and integrity, authorize operation of TMI-1 at 25% of maximum power without posing an undue risk to the public health and safety.

On February 25, 1985, by a 3 to 2 vote, the NRC issued an Order holding that no further hearings will be required before it can make a decision on TMI-1 restart. In that Order, the NRC directed the ASLB to issue its decisions on two issues which had been remanded to the ASLB and for which the hearings had been completed, but stated that the NRC was expressing no views in that Order on whether the proceedings on these matters must be completed prior to a decision on TMI-1 restart. It also stated that the NRC would be addressing that issue in the immediate future.

In addition, the NRC Order stated that the NRC has decided to institute a new proceeding to consider what action to take concerning those individuals possibly involved in TMI-2 leak rate falsification, except for those individuals (all the officers and directors of GPU Nuclear and all the directors of Metropolitan Edison) who were identified by the United States Attorney as not involved in those matters or those already reviewed and found not to be implicated by the NRC's Office of Investigations in its TMI-1 leak rate investigation. The NRC further stated that an individual whose utilization in nuclear matters had been restricted by a condition in the Appeals Board's order should be given an opportunity to request a hearing with respect to that condition.

In late 1981, it was discovered that some tubes in the TMI-1 steam generators had experienced cracking. A program to test all tubes and to repair cracked tubes by plugging or by kinetic expansion was undertaken and a related application to amend the TMI-1 operating license was submitted. Hearings on such application to amend the TMI-1 operating license to allow such repairs were completed in July 1984 and on November 1, 1984 the ASLB issued an initial decision authorizing the license amendment subject to specific conditions. A group of intervenors has appealed this decision to the ASLAB. Some of the plugged tubes were found to be defective during subsequent testing, and have been repaired and retested. Additional nondestructive testing of steam generator tubes has revealed some defects requiring some additional tube plugging. Based on these and other developments, the same intervenors have filed a motion urging that the hearings be reopened.

On January 20, 1984, an intervenor in the TMI-1 restart proceeding filed a petition with the NRC requesting continuation of the suspension of the TMI-1 operating license because of alleged deficiencies in the plant's emergency feedwater system. The NRC staff denied the request, and on November 2, 1984 the intervenor requested the NRC to provide it with the opportunity to comment on the NRC staff's denial. The NRC has declined to review the staff's denial of the petition.

On September 13, 1983, the OI issued a report concluding that certain allegations of violations connected with the TMI-2 cleanup were true. The OI report recommended a detailed review of the cleanup project. An NRC Performance Appraisal Team has reviewed TMI-2 management and given a favorable report. The NRC also asked its staff for a plan to assure compliance with required safety rules and indicated that enforcement action may be taken against GPUNC. A February 1984 report of the Office of Inspection and Enforcement found procedural violations in the repair of the polar crane to be of minor safety significance but reflective of management failures which were "more the result of confusion than deliberateness." On October 29, 1984, the staff reversed its earlier position that there was no evidence of deliberate circumvention of procedural requirements and stated that the circumvention of procedural requirements was at least to some degree deliberate. The staff is currently in the process of determining whether further enforcement action is now warranted.

On August 13, 1984, a group of individuals and organizations collectively filed with the NRC a petition seeking the revocation of GPUNC's licenses to operate TMI-1, TMI-2 and Oyster Creek. This petition, which was denied by the NRC's Director of Nuclear Reactor Regulation, may be the subject of further proceedings within the NRC or the courts.

The Corporation is unable to predict the impact of these developments upon the TMI-1 restart.

TMI-2 Cleanup: The latest projections made in December 1982 provide for the cleanup of TMI-2 to be completed in 1988, at a cost of approximately $1 billion (including post 1983 escalation) of which $493 million had been expended at December 31, 1984. The cleanup estimate is subject to major uncertainties, including (a) regulatory requirements, (b) the full scope of the challenges in decontaminating the reactor, (c) the effect of government regulations on the issue of waste disposal and (d) the availability of funds.

The Governor of Pennsylvania has proposed a plan to provide for the estimated remaining cost of the cleanup as of January 1, 1982 ($760 million) to be shared as follows: the subsidiaries, $245 million; the Federal government, $190 million; the nuclear industry, $190 million; insurance, $90 million; the State of New Jersey, $15 million; and the Commonwealth of Pennsylvania, $30 million.

Rate settlement agreements and orders approved by the Pennsylvania Public Utility Commission (PaPUC) in 1982, 1983 and 1984 together with rate orders issued by the New Jersey Board of Public Utilities (NJBPU) in 1982 and 1983, allow for collection of cleanup revenues at the level called for by the Governor's plan described above, namely $49 million per year. However, in the case of the Pennsylvania subsidiaries, collection of a part of such cleanup revenues is not to begin until restart of TMI-1, so that the aggregate annual amount currently being collected from customers in Pennsylvania and New Jersey is $33 million. The Pennsylvania subsidiaries have renewed requests (which the PaPUC denied in 1983) to transfer about $16 million annually to customer funding of the TMI-2 cleanup from amortization of TMI-2. Such petitions are pending before the PaPUC.

The Edison Electric Institute (EEI), the national trade association of investor owned electric utilities, in January 1983, recommended that its members make voluntary contributions to cleanup funding in connection with the Governor's plan. At present, 41 utilities, including the Corporation's subsidiaries, have pledged about $76 million or $12.7 million per year for 6 years under the program. Pennsylvania and New Jersey electric utilities (including JCP&L, Met-Ed and Penelec) have agreed to provide a portion of normal research and development funding each year to supplement the EEI voluntary program in an amount necessary to maintain an annual funding level by the investor-owned electric utility industry of $25 million per year for six years starting in January 1985; such supplemental amount will be about $14 million for 1985.

The Federal government is providing research and development funds (a portion of which directly offsets cleanup expenses) for certain activities engaged in during the course of the cleanup. The total amount of such assistance is currently estimated at $80 million of which approximately $50 million has been committed. Funding beyond fiscal 1985 has to be authorized by the U.S. Congress. The U.S. Department of Energy (DOE) has agreed to take responsibility for the disposal of certain wastes and the damaged fuel core for which the TMI-2 owners will make certain payments. In addition, a consortium of Japanese power companies is funding $18 million of research and development cleanup at TMI-2 through the DOE.

As part of the Governor's plan, the Commonwealth of Pennsylvania provided $5 million per year for certain cleanup expenditures in 1983 and 1984, and the State of New Jersey has funded TMI-2 cleanup expenditures in the amount of about $1.8 million per year for fiscal 1984 and 1985. It is anticipated that such funds will be approved and available in subsequent years.

On January 24, 1983, the subsidiaries entered into a settlement agreement with B&W, the supplier of the TMI-2 nuclear steam supply system. Under the agreement, B&W is to pay the subsidiaries rebates of up to $37 million on anticipated future purchases from B&W of up to $270 million of services and equipment to be made over a period of ten to fifteen years. The subsidiaries are applying such rebates to cleanup costs and through December 31, 1984, rebates totaling approximately $2.7 million have been received.

As mentioned above, the subsidiaries have spent $493 million on costs associated with the cleanup of TMI-2. Of such costs, $39 million has been charged to capital additions to the plant, $46 million has been charged to maintenance expense and the balance of $408 million has been deferred pending recovery of such costs. As of December 31, 1984, the subsidiaries have credited against such deferrals $299 million of insurance proceeds (including interest of $6 million), $12 million of contributions from the Commonwealth of Pennsylvania, $72 million of cleanup revenues from customers, $32 million of DOE funding of certain tasks and $8 million from other sources.

In accordance with the criteria set forth in a statement issued by the Financial Accounting Standards Board (FAS 71), the subsidiaries recorded on the 1984 financial statements a deferred asset and a corresponding liability for the estimated remaining costs of the TMI-2 cleanup. These balances are reduced as funds are collected from outside sources and as additional expenditures are made resulting in a liability balance at December 31, 1984 of $507 million. The subsidiaries are receiving cleanup funds from customers, the Federal government, the utility industry and others. Management believes that any costs incurred by the subsidiaries for which they do not

receive financial assistance, or reimbursement from suppliers or others, should be recoverable through the ratemaking process, but recognizes this is not assured. It is management's intent to seek to recover such costs in rate and/or judicial proceedings.

Repair and Restoration of TMI-2: A final decision concerning the future of TMI-2 depends upon an assessment of the usability of the major components, and/or an evaluation of the economic appropriateness and licensing feasibility of restoration.

Accounting for the Investment in TMI:

Investment in TMI-2: In January 1982 rate settlement agreements, the PaPUC authorized amortization of Met-Ed's and Penelec's investments in TMI-2. See Note 2 for additional information.

A 1984 NJBPU order permits JCP&L to amortize its investment in TMI-2 over an 18 year period beginning in 1989. JCP&L also reversed previously accrued depreciation on TMI-2 as a result of such order. For additional information see Notes 2 and 3.

In April 1981 rate orders, the PaPUC directed Met-Ed and Penelec to cease the accrual of depreciation on TMI-2 effective approximately when the operating and capital costs of TMI-2 were eliminated from base rates (January 1979 for Met-Ed and April 1979 for Penelec).

Investment in TMI-1: In April 1981 rate orders, the PaPUC directed Met-Ed and Penelec to cease the accrual of depreciation on TMI-1 effective June 1, 1980, the date when the operating and capital costs of TMI-1 were eliminated from base rates. Rate settlement agreements approved by the PaPUC in June 1984 allow for the future recognition in Met-Ed's and Penelec's base revenues of the operating and capital costs associated with TMI-1 at essentially current levels and reductions in energy cost rates, contingent upon the restart of TMI-1 and the unit's satisfaction of certain operating criteria. The PaPUC must reaffirm these TMI-1 restart related rate provisions in Met-Ed's and Penelec's next base rate cases for them to continue in effect.

The July 1982 rate orders of the NJBPU directed JCP&L to cease the accrual of depreciation effective April 1, 1980 (the date TMI-1's operating and capital costs were removed from JCP&L's base rates) on that portion of its investment subject to the NJBPU's jurisdiction. A November 1983 rate order of the NJBPU also makes provision, upon TMI-1's return to service, for an increase in base rates to cover TMI-1 operating and capital costs at 1983 levels after further review by the NJBPU and the satisfaction by TMI-1 of certain operating criteria.

Rate Proceedings:

New Jersey: In June 1979 and April 1980, the NJBPU issued orders removing from base rates the capital and operating costs associated with JCP&L's investments in TMI-2 and TMI-1, respectively.

Following hearings conducted in response to the New Jersey Public Utility Fault Determination Act of 1983, the NJBPU found that JCP&L was partially at fault in either causing or failing to mitigate the severity of the TMI-2 accident. By an order issued in June 1984, the NJBPU approved a Stipulation of Settlement which set forth the range of potential TMI-2 accident-related costs within the provision of that Act.

Pursuant to such order, JCP&L will (1) implement certain energy conservation programs and other measures for its customers' benefit, (2) amortize its total investment in TMI-2 over an 18 year period beginning in 1989, and (3) establish a separate entity for the purpose of exploring, encouraging and developing cogeneration projects. The order also extends the period of recovery of the Forked River investment from 15 to 25 years, resulting in reductions in retail rates of $15 million annually with the initial year's reduction having been refunded to customers in 1984. No return has been allowed by the NJBPU on the unamortized investments in TMI-2 and Forked River.

In 1984, JCP&L filed with the NJBPU a petition for a $60 million annual retail base rate increase which was subsequently reduced as a result of the settlement of the fault proceedings discussed above and actual operating results. On February 11, 1985, the NJBPU issued an order denying any increase in rates. The NJBPU has approved an increase in JCP&L's levelized energy adjustment clause charges of $61 million annually, effective November 1, 1984.

Pennsylvania: In 1979, the PaPUC removed from base rates the capital and operating costs associated with the investments made by the Pennsylvania subsidiaries in TMI-2 and prescribed lower rates. In May 1980, the PaPUC took similar action to remove TMI-1 costs from customer rates and to prescribe lower temporary rates. Also in the May 1980 order, the PaPUC allowed for full energy cost recovery from June 1 to December 31, 1980 and permitted recovery of the then outstanding post-accident deferred energy costs in the form of a surcharge. The PaPUC stated that the amounts of such costs are subject to review and to a later determination whether specific amounts of energy costs were imprudently or unreasonably incurred. The PaPUC also stated that it would take notice of a judicial or administrative determination that Met-Ed had been negligent in the operation of the TMI facility.

In 1980, the Pennsylvania subsidiaries filed complaints with the PaPUC against the temporary rates prescribed by the May 1980 orders and filed proposed increases in base rates. In April 1981, the PaPUC granted part of the requested rate increases and in May 1981 denied the complaints against the temporary rates. The Pennsylvania subsidiaries appealed those orders and on November 18, 1983 the Pennsylvania Commonwealth Court affirmed the PaPUC's actions. The Pennsylvania Supreme Court has agreed to review the PaPUC actions with respect to the proposed base rate increases.

On January 24, 1985, Met-Ed and Penelec filed with the PaPUC petitions for annual retail base rate increases of $47.3 million and $55.3 million, respectively. On March 1, 1985, Met-Ed and Penelec filed proposed Energy Cost Rates (ECR) with the PaPUC. Met-Ed is requesting a $19.8 million decrease in such charges and Penelec is requesting a $25.2 million increase.

The base rate increase request filed by Penelec on January 25, 1984 was the subject of a settlement agreement approved by the PaPUC which has become final as to all but one ratepayer's complaint. That complaint was the subject of a hearing held on January 24, 1985 and the Company is awaiting a recommended decision by an Administrative Law Judge.

On December 7, 1984, the PaPUC proposed a form of mandatory ECR which contemplates use of purported incentives to

encourage the efficient operation of electric generating units. The Corporation is unable to predict the impact of the proposed ECR, if eventually adopted, upon its Pennsylvania subsidiaries' ability to fully recover their future energy costs.

Investigations: In 1980 and 1983, the NRC imposed civil penalties with respect to the TMI-2 accident and its aftermath. The NRC has also stated that, depending upon the findings of continuing investigations, it may take additional enforcement action.

On November 7, 1983, a Federal grand jury returned an 11 count indictment charging Met-Ed with criminal misconduct in connection with the performance of water inventory testing at TMI-2 beginning sometime before October 18, 1978 and continuing through March 28, 1979. On February 29, 1984, Met-Ed pleaded guilty to one count, charging that over a six-month period it operated TMI-2 with an inaccurate and unreliable water inventory testing procedure, and no contest to six other regulatory counts. The remaining four counts were dismissed. Met-Ed paid fines totaling $45,000 and provided $1 million to establish a fund for emergency planning to directly benefit the area around TMI. Met-Ed has agreed that it will not claim such amounts for either tax or ratemaking purposes.

In March 1980, the NJBPU requested an independent analysis of strategic options for JCP&L in response to the extreme financial pressures experienced by JCP&L following the TMI-2 accident, for the purpose of identifying options that would minimize additional costs to JCP&L's customers and continue to provide an adequate supply of power. The report, which was submitted to the NJBPU in April 1981, stated, in part, that (i) a Regional Power Authority owning and operating TMI would best provide the financing capability to fund the TMI-2 cleanup and reduce its cost to the ratepayer and (ii) some form of public ownership of JCP&L has the greatest likelihood of significantly moderating the growth in electric rates. Commenting on other options, the report stated "merger, divestiture, bankruptcy and a state-owned generating company would provide limited long-term benefits to the ratepayer and involve substantial legal, economic and political risks". During 1982 and 1983, the NJBPU held fourteen public hearings to receive comments on the report's recommendations. JCP&L does not know what further action, if any, the NJBPU may take in this proceeding.

Other investigations and inquiries into the nature, causes and consequences of the TMI-2 accident commenced by various federal and state bodies have been generally completed but continue to provide a potential for further uncertainties. The Corporation and its subsidiaries are unable to determine the final outcome or consequences of these investigations. The Corporation and its subsidiaries are also unable to determine the impact, if any, the results of such investigations may have on (i) the proceedings to return TMI-1 to operation, (ii) the efforts to clean up TMI-2, and (iii) the Pennsylvania regulatory agency decisions with respect to the ultimate recoverability from ratepayers of the replacement power costs necessitated by the unavailability of TMI-1 and TMI-2.

Litigation: As a result of the accident and its aftermath, claims have been asserted against the Corporation, and/or its subsidiaries and certain of their officers and directors. The claims include (i) individual claims as well as purported and actual class actions for alleged personal and property damages (including claims for punitive damages) resulting from the accident and (ii) suits to enjoin the future operation of TMI-2.

Questions have not yet been resolved as to whether certain of these claims, that are material in amount and arise out of both the accident itself and the cleanup and decontamination efforts, are (a) subject to limitation of liability set by the Price-Anderson Act and (b) outside the insurance coverage provided pursuant to the Price-Anderson Act.

In September 1981, the U.S. District Court for the Middle District of Pennsylvania approved a settlement agreement between the insurance companies and representatives of the class in certain class actions seeking recovery for economic losses and the costs of medical detection services for persons, businesses and entities within a 25 mile radius of TMI-2. Pursuant to the settlement, the insurance companies established a fund of $20 million for economic loss claims and a separate fund of $5 million for public health purposes. Earlier, the court had held that personal injury claims (other than for medical detection services) could not be pursued in class action proceedings and the settlement agreement does not deal with such claims.

In 1985, the insurance companies entered into settlement agreements with the individual plaintiffs in 256 of the approximately 300 personal injury claims (including some claims for punitive damages) commenced as a result of the TMI-2 accident. Settlement agreements provide for payment of an aggregate of $14.3 million in settlement of all claims brought by these plaintiffs. Approximately 40 individual personal injury claims (including some claims for punitive damages) are still pending.

On February 12, 1985, the U.S. District Court for the Middle District of Pennsylvania held that punitive damage claims would be covered by the Price-Anderson Act.

A group of 21 tourist-related businesses have filed suit seeking to recover loss of business and profits allegedly caused by the TMI-2 accident. A motion for summary judgment against such claims has been filed.

In March 1981, a group of customers of the GPU operating companies brought a class action suit against those companies and others in the U.S. District Court claiming damages in the form of higher electric rates resulting from the TMI-2 accident. The District Court granted summary judgment dismissing that claim and the plaintiffs appealed to the U.S. Court of Appeals for the Third Circuit. The Court of Appeals, acting on its own motion, affirmed the District Court decision, but on the ground that Federal courts have no jurisdiction over the subject matter of the complaint. On February 19, 1985, the U.S. Supreme Court declined to review the Third Circuit's decision.

The suits referred to in the two previous paragraphs and some of the still pending individual personal injury cases have been or will be transferred to Pennsylvania state courts.

Class action suits for alleged damages on behalf of purchasers of the Corporation's common stock were instituted in 1979 against the Corporation and certain of its directors as a result of the accident at TMI-2. Pursuant to a 1983 settlement agreement, approved by the court, $10.8 million in cash was deposited in an escrow account for the plaintiff class which included contributions by the corporation and by its directors (through an insurance carrier). Of the $10.8 million in escrow, $1.8 million, pursuant to court order, has been

paid to plaintiffs' counsel. Also as a result of the settlement, the Corporation will issue 1,270,000 shares of common stock to eligible purchasers and has issued 330,000 shares to the plaintiffs' counsel in payment of fees. The distribution of the escrow account and common shares to the plaintiff class will be made after individual claims have been determined.

On November 30, 1982, the U.S. District Court denied a motion of the U.S. Government to dismiss the suit brought by the Corporation and its subsidiaries in December 1981 against the Government under the Federal Tort Claims Act for damages and losses (estimated at approximately $4 billion) suffered by the Corporation and its subsidiaries and its customers as a result of the accident. The complaint alleges that the NRC violated its statutory and common law duties to warn of defects and hazardous conditions in equipment, analysis, procedures and training at TMI-2 of which the NRC was aware as a result of an incident at another nuclear plant. On September 28, 1984 the U.S. Court of Appeals, without considering the merits of the claims, reversed the District Court's decision and held that the suit was barred by an exception to the Federal Tort Claims Act. On February 19, 1985, the U.S. Supreme Court denied a petition for review of the Court of Appeals' decision.

Insurance: At the time of the TMI-2 accident, the subsidiaries maintained property damage and decontamination insurance of $300 million applicable to both TMI-1 and TMI-2. All of such amount has been paid to the subsidiaries for claims arising from the TMI-2 accident. The insurance carriers have reinstated the coverage for the TMI site, but with regard to property insurance for TMI-2, such coverage has been reinstated only for possible damage which might result from a nonnuclear accident during the unit's cleanup and restoration period. Effective January 10, 1983, on a prospective basis, the primary property damage insurance coverage was raised to $500 million on the site.

Effective April 1, 1981, JCP&L became a member of Nuclear Mutual Limited (NML), a mutual insurance company all of whose members and policyholders are electric utilities. Such membership provides JCP&L with $500 million of primary property damage insurance for its Oyster Creek station. As a member of NML, JCP&L is subject to annual assessments of up to 10 times its annual premium, or approximately $17.6 million, in the event that losses as a result of an accident at a nuclear plant of any member company exceed the accumulated funds available to NML.

Effective January 15, 1982, the subsidiaries increased their property damage insurance for damages in excess of $500 million at each of their nuclear generating sites. The policies currently limit coverage to $535 million for losses in excess of $500 million. This excess insurance is provided by Nuclear Electric Insurance Limited (NEIL), a mutual insurance company all of whose members and policyholders are electric utilities, and American Nuclear Insurers/Mutual Atomic Energy Liability Underwriters and provides that expenses for decontamination and debris removal shall be paid before any payments in respect of claims for property damage. Under the NEIL portion of this coverage, the subsidiaries are subject to a retrospective premium of up to $15.8 million annually in the event of an accident at a nuclear plant of any member company.

The Price-Anderson Amendments to the Atomic Energy Act presently limit liability to third parties to $620 million for each nuclear incident. Coverage of the first $160 million of such liability is provided by private insurance. The next $460 million is provided by assessments of up to $5 million per nuclear reactor per incident, but not more than $10 million per reactor in any calendar year. Based on the ownership of three nuclear reactors, the subsidiaries' maximum potential assessment under these provisions would be $15 million per incident but not more than $30 million per calendar year for claims covered by this insurance. The current Price-Anderson legislation expires in 1987. The NRC has recommended to Congress that such legislation be extended but amended to replace the limitation on liability with an annual assessment limitation of $10 million per reactor per incident.

Effective September 15, 1980, JCP&L, with respect to incremental replacement power costs resulting from an extended accidental outage at its Oyster Creek nuclear generating station, became a member of NEIL. Such coverage under NEIL provides for a weekly indemnity of $2.8 million, beginning 26 weeks after an outage caused by an accident, for the incremental cost of replacement power. The policy limits covered outages to 52 weeks at 100% of the weekly indemnity and 52 additional weeks at 50% of the weekly indemnity. As a member of NEIL, JCP&L is subject to a retrospective premium of up to $7.3 million annually, in the event that losses exceed the accumulated funds available to NEIL. The subsidiaries expect to obtain similar coverage with respect to TMI-1 upon that unit's return to operation.

Some potential losses or liabilities to which the Corporation and its subsidiaries may be subject are not insurable or the amount of insurance carried may not be sufficient to meet potential losses and liabilities. Under those circumstances, such losses or liabilities could have a material adverse effect on their financial condition.

Nuclear Fuel Litigation

In 1971, JCP&L entered into a contract to purchase three nuclear fuel reloads for the Oyster Creek station, with an option for five additional reloads beginning in 1976. JCP&L believes that it exercised the option the supplier offered to extend the contract to cover five additional reloads beginning in 1981. The supplier disputed this position and, in November 1978, submitted bills for material and services in the aggregate amount of approximately $33 million, covering reloads supplied in 1977, 1978 and 1979. Of this amount, JCP&L has paid the supplier $3.8 million. On January 26, 1979, the supplier filed suits in the U.S. District Court for the District of Washington against JCP&L, the Corporation and GPU Service Corporation (GPUSC). In response, JCP&L sought a declaratory judgment confirming its view of the supplier's contractual commitments and damages. In 1982 the court upheld JCP&L's position of the existence of a binding contract for the sale of the reload batches. On January 10, 1985, the District Court issued a Memorandum Decision essentially upholding JCP&L's damage claims with respect to one reload batch. In accordance with that decision, JCP&L has filed proposed judgements against the supplier for approximately $18.4 million before deduction of the supplier's counterclaims of about $3.9 million. The supplier has moved for reconsideration of the January 10, 1985 decision. JCP&L's damage claims for the remaining reload batch are pending. JCP&L does not know whether the supplier will appeal any or all of the decisions of the District Court, but believes that any additional amount that it might be required to pay if the supplier is successful in any appeal would be valid costs and should be recognized for ratemaking purposes. However, there can be no assurance that this will be the case. If the supplier were to appeal successfully and the suits were

ultimately resolved in the supplier's favor, JCP&L would incur $18.7 million in additional fuel expense, based on the amount of fuel consumed through December 31, 1984.

Since 1975, JCP&L has been storing 224 spent nuclear fuel assemblies discharged from the Oyster Creek station at West Valley, New York Nuclear Fuel Receiving Facility (Facility) under agreements with Nuclear Fuel Services, Inc. (NFS), and JCP&L has paid NFS storage charges in accordance with those agreements. In April 1982 the New York State Energy Research and Development Authority (Authority), the owner of the Facility, submitted invoices for increased storage charges for the period January 1981 through March 1982 of $1.3 million and additional invoices for the period April 1982 through June 1983 of $1.7 million have since been received. GPUSC and JCP&L refused to pay such increased charges (other than payments of an additional $392,000).

In May 1982, the Authority commenced an action in the U.S. District Court for the Western District of New York against the Corporation, GPUSC, JCP&L, NFS and its parent and two non-affiliated electric public utilities which also have spent nuclear fuel stored at the Facility, alleging, among other things, that the defendants have unlawfully failed and refused to remove spent nuclear fuel from the Facility. In April 1983, the court ruled that the utilities are liable to the Authority for storage charges after February 25, 1982 at a rate to be determined by the court and that the Authority's claims for trespass and unjust enrichment for periods prior to February 25, 1982 were subject to review. The GPU defendants and the Authority have entered into a court approved settlement agreement, which provides, among other things, that subject to the receipt and maintenance of all necessary regulatory and other approvals and the satisfaction of other specified contingencies, JCP&L shall complete the removal of its spent nuclear fuel not later than May 31, 1985. The Authority has agreed that in the event JCP&L removes its spent nuclear fuel as provided in the settlement agreement, it will no longer assert any claims against JCP&L or GPUSC except those claims for additional storage charges and possible other monetary damages which are still pending before the District Court.

The U.S. District Court for the District of New Jersey has declared invalid as conflicting with controlling federal law, an ordinance enacted by Lacey Township, New Jersey, in which the Oyster Creek station is located, which would prohibit the return to Oyster Creek of the 224 spent fuel assemblies. The township has appealed the District Court's decision to the U.S. Court of Appeals. The State of New Jersey has enacted legislation which, among other things, prohibits the transportation of spent nuclear fuel through the State along certain routes, including those necessary to return JCP&L's spent nuclear fuel to the Oyster Creek station, without a necessary permit which the State has refused to issue to JCP&L. The U.S. District Court for the District of New Jersey has granted JCP&L's request for an injunction against interference by the State with the shipments and requires any necessary permits to be issued. The State has appealed to the U.S. Court of Appeals. The New Jersey Turnpike Authority has also commenced an action against JCP&L and GPUNC seeking to prohibit transportation of the spent fuel on the New Jersey Turnpike without compliance with certain weight limitation regulations. The District Court has granted an injunction requiring the Authority to assist in orderly movement of these shipments. The Authority has stated it intends to appeal the District Court's decision. Shipments of the spent fuel have begun and are continuing.

Other

The subsidiaries' construction programs, which extend over several years, contemplate expenditures of approximately $440 million during 1985. In connection with these construction programs, the subsidiaries have incurred substantial commitments.

The subsidiaries have entered into long-term contracts with non-affiliated mining companies for the purchase of coal for certain generating stations in which they have ownership interests. These contracts, which expire between 1997 and the end of the remaining life of the generating station concerned, require the purchase of minimum amounts of the station's coal requirements. The price of the coal is determined by formulas providing for the recovery by the mining companies of their costs of production. Beginning in 1985, the price of coal will be based on escalation of indexed cost components under one of these contracts. The subsidiaries' share of the cost of coal purchased under these agreements amounted to $104 million, $96 million and $101 million, for the years 1984, 1983 and 1982, respectively.

The subsidiaries have entered into agreements with other utilities for the delivery of an aggregate of approximately 1,100 megawatts (MW) of capacity and energy for various periods through 1990. Payments pursuant to these agreements are estimated to aggregate about $227 million for 1985. JCP&L has entered into an additional agreement, subject to the approval of the NJBPU, for 945 MW of capacity and energy through 1995, with the amount then declining uniformly through 1999. The price of the energy purchased under the agreements is determined by formulas providing for recovery by the sellers of their costs. Other possible long-term purchases are the subject of pending negotiations.

The Oyster Creek nuclear generating station, owned by JCP&L, was taken out of service for scheduled repairs, maintenance and refueling in February 1983 and returned to service in November 1984. In 1983, the NJBPU authorized $4.2 million of annual revenues providing for a five year amortization of deferred incremental outage-related expenses of $21 million over normal levels of such expenses. In January 1985, the NJBPU permitted JCP&L to increase the deferral of outage-related expense by about $55 million but did not increase revenues above the level authorized in the 1983 proceeding. As a result of the additional deferral, the amortization period will be extended from 5 to about 18 years. At December 31, 1984, the aggregate amount deferred was $71 million. No revenues have been provided for a return on the unamortized balance. Another outage of up to a year in length is now scheduled to begin as early as late 1985 and JCP&L expects that the capital, operating and maintenance costs of this outage will be substantial.

The NJBPU issued an order on December 11, 1984 initiating a comprehensive review of all costs, including capital additions, operating and maintenance expenses and replacement power costs incurred in conjunction with the Oyster Creek outage discussed above. The NJBPU has indicated that to the extent any such costs are determined to have been unreasonably incurred, they may not be recoverable through rates.

As a result of existing and proposed legislation and regulations dealing with environmental matters, the subsidiaries may be required

to incur substantial additional costs to modify or replace existing and proposed equipment and to improve environmental sites currently or formerly used by them. The subsidiaries are unable to estimate the extent of such possible costs or the impact thereof on future operations.

2. Summary of Significant Accounting Policies

General

The consolidated financial statements include the accounts of all subsidiaries.

It is the general policy of the subsidiaries to record additions to utility plant at cost, which includes material, labor, overhead and an allowance for funds used during construction (AFUDC). The cost of current repairs (except for certain costs described in Note 1) and minor replacements is charged to appropriate operating expense and clearing accounts and the cost of renewals and betterments is capitalized. The original cost of utility plant retired, or otherwise disposed of, is charged to accumulated depreciation.

Operating Revenues

Revenues are generally recorded on the basis of billings rendered.

Accounting Under Financial Accounting Standards Board Statement (FAS) 71

The subsidiaries follow the standards of accounting criteria set forth under FAS 71. Such standards contain a provision that an enterprise shall capitalize all or part of an incurred cost that would otherwise be charged to expense if (i) it is probable that future revenue in an amount equal to the capitalized cost will be recovered through rates and (ii) future revenue will be provided to recover previously incurred costs rather than to provide for expected levels of similar future costs.

The FASB is currently considering certain revisions to FAS 71. Certain of the proposed revisions would have the effect of limiting or restricting the deferral of certain historical costs in anticipation of recovery in future rates. These revisions, if enacted in their current form, could have a material adverse effect on the reporting of subsidiaries' earnings and capital structures. Hearings are being held by the FASB and at this time the subsidiaries are unable to assess the outcome of such hearings.

Deferred Energy Costs

Energy costs are recognized in the period in which the related energy clause revenues are billed.

Reserve Capacity Credit

Since April 1981, the Pennsylvania subsidiaries have been recognizing a charge to current expense equivalent to the revenues provided by the PaPUC for possible future reserve capacity payments to other members of the Pennsylvania-New Jersey-Maryland Interconnection. Pursuant to rate orders received in October 1983, the annual provision for such payments was reduced and a substantial portion of the accumulated reserve is being returned to customers over three years.

Depreciation

The subsidiaries provide for depreciation at annual rates determined and revised periodically, on the basis of studies, to be sufficient to amortize the original cost of depreciable property over estimated remaining service lives, which are generally longer than those employed for tax purposes. The subsidiaries use depreciation rates which, on an aggregate composite basis, resulted in an approximate annual rate of 3.28%, 3.27% and 3.24% for the years 1984, 1983 and 1982, respectively. Reference is made to Notes 1 and 3 regarding the accrual of depreciation on TMI-1 and TMI-2.

Amortization Policies

Property Losses: Such losses are amortized and recovered through rates as prescribed by the NJBPU and the PaPUC. The total amount of unamortized property losses at December 31, 1984 was about $306 million, before taxes, of which $286 million related to the abandoned Forked River project. No revenues were provided for a return on the unamortized balances.

TMI-2 Investment: Such investment for the Pennsylvania subsidiaries is being amortized in accordance with 1982 PaPUC settlement agreements providing revenues for recovery of the original investment, nuclear fuel in the reactor at the time of the TMI-2 accident and certain capital additions subsequent thereto. Rate orders by the PaPUC in 1984 have resulted in a reduction in the annual amortization of TMI-2. Pursuant to a June 1984 order, JCP&L will be allowed to recover its original investment, nuclear fuel in the reactor at the time of the TMI-2 accident and capital additions subsequent thereto, in TMI-2 commencing on or about April 1989 and extending over a period of 18 years.

No revenues have been provided for a return on the unamortized balances.

Nuclear Fuel: Such fuel is amortized on a unit of production basis. Rates are determined and periodically revised to amortize the cost over the useful life.

Allowance for Funds Used During Construction (AFUDC)

The applicable regulatory Uniform System of Accounts provides for AFUDC which is defined as including the net cost during the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used. While AFUDC results in a current increase in utility plant to be recognized for ratemaking purposes and represents current earnings, it is not an item of current cash income until after the related plant is placed in service and depreciated.

To the extent permitted in the ratemaking proceedings of the subsidiaries, the income tax reductions associated with the interest component of AFUDC have been allocated to reduce interest charges and, correspondingly, have not reduced income taxes charged to operating expenses. Pursuant to rate orders, the Pennsylvania subsidiaries employ a net of tax accrual rate for AFUDC while JCP&L is essentially employing a gross rate. On an aggregate composite basis the annual rates utilized to capitalize AFUDC were 9.98%, 10.86% and 11.03% for 1984, 1983 and 1982, respectively.

Nuclear Plant Decommissioning Costs

JCP&L, in accordance with rate determinations, is charging to expense and crediting to a reserve amounts intended to provide over their service lives for the cost of decommissioning nuclear plants at the end of their useful lives. Current estimates for ratemaking determinations are $15 million for JCP&L's share of TMI-1 and $54 million for Oyster Creek assuming in-place entombment. Although not recognized in rates, JCP&L is continuing to charge expense for its

share of TMI-2 decommissioning based on an estimate of $9 million. During 1982, similar charges to expense for TMI-1 were discontinued as a result of an NJBPU order directing the cessation of depreciation accruals discussed in Note 3.

Met-Ed and Penelec, prior to the cessation of depreciation accruals pursuant to 1981 and 1982 rate orders, were charging to expense amounts intended to provide over their service lives for the decommissioning of their shares of the radioactive components of their nuclear units (approximately $24 million per unit in then current dollars). During 1981, such charges to expense were discontinued retroactive to the dates that the TMI units were removed from base rates in Pennsylvania. The estimate for TMI-2 decommissioning costs has not been revised since such costs were removed from base rates.

The subsidiaries believe that any additional cash requirements with regard to nuclear plant decommissioning should be recoverable through the ratemaking process.

Waste Disposal

JCP&L is providing for estimated future handling costs for the spent Oyster Creek nuclear fuel and similar treatment will be provided for future handling costs for the spent TMI-1 nuclear fuel when TMI-1 returns to service. Previously accumulated estimated residual credits, net of previously accumulated estimated costs of reprocessing, for the Oyster Creek station nuclear fuel are being amortized to fuel expense on a unit of production basis. In accordance with the Nuclear Waste Policy Act of 1982, the subsidiaries entered into contracts in June 1983 with the DOE for the disposal of spent nuclear fuel. The total liability at December 31, 1984 and 1983, including interest from April 7, 1983, amounts to $84 million and $76 million, respectively. As the actual liability under these contracts is substantially in excess of the amount recovered from ratepayers, the subsidiaries have reflected such excess, which totals $62 [illegible]lion and $64 million at December 31, 1984 and 1983, respectively, as deferred costs. The rates presently authorized for the subsidiaries recognize these levels of excess costs and provide for collection over eight years for Met-Ed and Penelec and fourteen years for JCP&L.

Income Taxes

The Corporation and its subsidiaries file consolidated Federal income tax returns and all participants are severally liable for the full amount of any tax, including penalties and interest, which may be assessed against the group.

Deferred income taxes, which result primarily from liberalized depreciation methods and deferral of energy costs, are provided for differences between book and taxable income to the extent permitted for ratemaking purposes. Investment tax credits (ITC) are being amortized over the estimated service lives of the related facilities.

The cumulative net amount of income tax timing differences for which deferred income taxes have not been provided amounts to about $761 million at December 31, 1984. It is expected that future revenues will be provided to cover such taxes as they become payable.

3. Extraordinary Items

As a direct or indirect consequence of the nuclear accident at TMI-2, consolidated net income for 1984, 1983 and 1982 reflects the following extraordinary items, net of related income tax effects.

1984

As described in Note 1, the NJBPU issued an order in 1984 permitting JCP&L to recover the investment in TMI-2 and as a result, JCP&L ceased the accrual of depreciation on TMI-2 retroactively to April 1979. The adjustment to reflect the reversal of the previously accrued depreciation of $19.8 million (which is net of $13.3 million of related income tax charges) for TMI-2 for the period April 1979 to November 1984 has been accounted for as an extraordinary credit.

1983

As described in Note 1, a settlement was reached in class action suits for alleged damages as a result of the accident at TMI-2 to purchasers of GPU common stock. An adjustment in the amount of $16 million (which is net of $3.6 million of related income tax benefits) to reflect the effect on the Corporation of the settlement, has been recorded as an extraordinary charge.

1982

In 1982, the NJBPU approved JCP&L's request to cancel a project entered into in 1981 with a Canadian power supplier due to uncertainties of cost, scheduling and financing and the availability of economic alternatives. The NJBPU directed that JCP&L may not recover from customers the costs associated with the project and as a result, JCP&L wrote off $3.9 million (which is net of $2.9 million for related income taxes) as an extraordinary charge.

As described in Note 1, the NJBPU issued rate orders in July 1982 directing JCP&L to cease the accrual of depreciation on TMI-1 retroactively to April 1, 1980. For the five months ended May 31, 1982, depreciation expense for TMI-1 in the amount of $1.6 million was charged to current operations. The adjustment to reflect the reversal of the previously accrued depreciation of $3.0 million (which is net of related income tax charges of $4.7 million) for TMI-1 for the period April 1, 1980 to May 31, 1982, has been accounted for as an extraordinary credit.

The July 1982 NJBPU rate orders directed JCP&L to defer certain operating and maintenance expenses incurred for TMI-1 relating to restart, public health and safety protection due to the extraordinary levels of expense and to the nature of the items and permitted recovery from customers of such expenses over eight years commencing with the restart of TMI-1. The adjustment in the amount of $4.6 million (which is net of $4 million of related income tax charges) to reflect the reversal of expenses incurred for the period April 1, 1980 to December 31, 1981, has been accounted for as an extraordinary credit.

The effective tax rate for 1984 applicable to the reversal of depreciation on TMI-2 is less than the statutory rate due to the effects of reversing the portion of depreciation related to capitalized AFUDC and the amortization of investment tax credits previously flowed through to net income.

4. Short-Term Borrowing Arrangements

On October 3, 1983, the Corporation and its subsidiaries entered into a Second Restated Revolving Credit Agreement (Restated Credit Agreement) with a consortium of banks. The

Restated Credit Agreement, as amended, which expires on March 31, 1985, provides for an aggregate borrowing limit of $150 million. Individual borrowing sublimits applicable to each company are as follows: the Corporation —$5 million; JCP&L—$125 million; Met-Ed—$25 million; Penelec—$50 million. At December 31, 1984, JCP&L had $70 million outstanding under the Restated Credit Agreement.

The notes issued under the Restated Credit Agreement bear interest at 1/4% above Citibank's alternate base rate as in effect from time to time in the case of Penelec and 1/2% above that rate in the cases of the Corporation, JCP&L and Met-Ed. The Restated Credit Agreement provides for payment of an annual agent's fee of $150,000 and an annual commitment fee of 1/2 of 1% on the unused portion of the banks' total commitment.

The Corporation has guaranteed all borrowings by its subsidiaries outstanding under the Restated Credit Agreement and as collateral has pledged the common stock of JCP&L, Met-Ed, Penelec, GPUSC and GPUNC. Met-Ed has pledged as collateral for its indebtedness under the Restated Credit Agreement (i) $40 million of first mortgage bonds, (ii) its customer accounts receivable ($42 million at December 31, 1984) and (iii) its coal inventory ($14 million at December 31, 1984).

The Restated Credit Agreement and the purchase agreements for certain bonds sold by JCP&L ($102.5 million), Penelec ($55 million) and Met-Ed ($10 million) subsequent to the accident at TMI-2 contain provisions for the immediate payment of the indebtedness involved, under certain conditions including, among other things, upon the occurrence of an event deemed by specified majorities of the lenders or holders of an issue of bonds to have a materially adverse effect on the borrower.

The Corporation and its subsidiaries have additional informal bank lines of credit, under which aggregate borrowings outstanding at any one time are restricted by the Restated Credit Agreement (as amended) to a maximum of $60 million, with individual sublimits as follows: the Corporation—$10 million; JCP&L—$35 million; Met-Ed—$25 million; Penelec—$50 million. Borrowings under these lines of credit bear interest at or below the prime rate and provide for various compensation requirements. At December 31, 1984, JCP&L had $25 million outstanding under these additional lines of credit.

The Corporation and its subsidiaries have reached agreement in principle with the agent banks to renew the credit agreement for two years, until March 31, 1987. The new credit agreement would permit total borrowings to aggregate $150 million, with a $50 million sublimit applicable to Met-Ed and a $10 million sublimit applicable to the Corporation. Borrowings, however, would not be guaranteed by the Corporation, nor would they be secured by the common stock of the subsidiaries. Notes issued under the new credit agreement will be subject to various covenants and acceleration under certain conditions, including the occurrence of a material adverse change in the financial condition or prospects of the borrower or failure to satisfy earnings coverage or common equity ratio requirements. The new credit agreement is subject to approval by each of the banks as well as necessary regulatory approvals.

5. Long-Term Debt

At December 31, 1984, the Corporation's subsidiaries had long-term debt outstanding, excluding amounts due within one year, as follows:

In Thousands	Interest Rates			
Maturities	**1% to 6⅞%**	**7% to 8⅞%**	**9% to 13¼%**	**Total**
First Mortgage Bonds:				
1986-1991	$152,786	$ —	$ 20,000	$ 172,786
1992-2000	268,952	134,869	181,162	584,983
2001-2009	25,120	392,742	399,698	817,560
Total	$446,858	$527,611	$600,860	1,575,329
Bond Sinking Funds				(10,491)
Total				1,564,838
Debentures:				
1986-1990	$ 41,660	$ —	$ —	41,660
1991-1998	22,400	119,620	18,000	160,020
Total	$ 64,060	$119,620	$ 18,000	201,680
Other long-term debt				33,344
Unamortized net discount				(2,708)
Total				$1,797,154

For the years 1985, 1986, 1987, 1988 and 1989, the subsidiaries have long-term debt maturities of $85 million (including $9 million due to the DOE reflected as accounts payable on the balance sheet), $61 million, $57 million, $64 million and $48 million, respectively, including cash sinking fund requirements. As reflected in the balance sheet at December 31, 1983, the subsidiaries had $27 million held for retirement of bonds due within one year and such bonds were redeemed during 1984.

In December 1984, Met-Ed placed in an irrevocable trust $44.5 million of 10⅞% treasury notes due September 30, 1985. Such notes will satisfy the 9⅝% $45 million series of first mortgage bonds due October 1, 1985, including interest payments to be made on such bonds. Such notes and bonds are not reflected on the December 31, 1984 balance sheet.

GPUSC and the DOE have entered into an agreement for the repayment in monthly installments ending in 1986 of amounts owed DOE since 1979 by the subsidiaries under certain uranium enrichment contracts. Interest on these amounts is accrued using the Current Value of Funds Rate, as determined quarterly by the U.S. Treasury Department (9% at December 31, 1984). At December 31, 1984 and 1983, the aggregate amounts payable to DOE with interest under this agreement were $20.0 million and $28.9 million, respectively of which $11.1 million and $20.0 million, respectively were recorded as long-term debt.

Substantially all of the subsidiaries' properties are subject to the lien of their respective mortgages.

6. Capital Stock and Surplus

Common Stock

Of the 75 million authorized shares of $2.50 par value common stock of the Corporation at December 31, 1984 and 1983, 62,864,000 were considered issued and outstanding and 28,000 shares were recorded as reacquired at par value. The 62,864,000

shares includes 1,600,000 shares resulting from a stockholder litigation settlement in 1983, which is described under "Litigation" in Note 1.

Preferred Stock

At December 31, 1984 and 1983, the subsidiaries had outstanding the following issues of cumulative preferred stock:

	Shares Outstanding		Stated Value *In Thousands*	
Series	**1984**	**1983**	**1984**	**1983**
Subject to Mandatory Redemption (a):				
10.88% - 13.5%	677,500	731,000	$ 67,750	$ 73,100
Due within one year	(41,000)	(41,000)	(4,100)	(4,100)
Total	636,500	690,000	$ 63,650	$ 69,000
No Mandatory Redemption:				
3.70% - 4.60%	723,912	723,912	$ 72,391	$ 72,391
7.68% - 8.36%	2,410,000	2,410,000	241,000	241,000
8.75% - 9.36%	3,650,000	3,650,000	110,000	110,000
Total	6,783,912	6,783,912	$423,391	$423,391

(a) The annual redemption requirement is 53,500 shares of preferred stock. Based on shares outstanding at December 31, 1984, the aggregate mandatory redemption requirement is $5.4 million per year through 1989. All redemptions are at the stated values of the shares, plus accrued dividends. No redemptions of preferred stock may be made unless dividends on all of that subsidiary's preferred stock for all past quarterly dividend periods have been paid or declared and set aside for payment. If dividends on the preferred stock of any subsidiary are in arrears in an amount equal to the annual dividend, the holders of preferred stock, voting as a class, are entitled to elect a majority of the board of directors of that subsidiary until all dividends in arrears have been paid.

At December 31, 1984 and 1983, the subsidiaries were authorized to issue 37,035,000 shares of cumulative preferred stock, no par value.

No shares of cumulative preferred stock have been sold during the three years ended December 31, 1984.

Retained Earnings

Under the Restated Credit Agreement described in Note 4, the Corporation and its subsidiaries have agreed to maintain consolidated retained earnings of at least $500,000,000. The agreement reached with the agent banks to extend the Restated Revolving Credit Agreement (see Note 4) requires the Corporation and its subsidiaries to maintain retained earnings of at least $600,000,000 and requires JCP&L, Met-Ed and Penelec to maintain retained earnings of at least $75,000,000, $1 and $40,000,000, respectively.

In accordance with JCP&L's supplemental indenture dated June 1, 1979, common dividends payable by JCP&L are limited, to the extent they are not matched by cash capital contributions from the Corporation, to an amount equal to 25% of earnings for the years 1979 and 1980 and 100% of earnings thereafter. As of December 31, 1984, pursuant to that provision, $133 million of retained earnings of $196 million was available for declaration and payment of dividends on JCP&L's common stock. The NJBPU has requested that JCP&L notify it before declaring dividends on its common stock.

In accordance with Met-Ed's supplemental indenture dated September 1, 1984, common dividends payable by Met-Ed are, under certain circumstances, restricted to 50% of Met-Ed's accumulated earnings for the period commencing January 1, 1984 and terminating at the end of the last fiscal quarter preceding the dividend payment, provided that Met-Ed's retained earnings do not fall below $12.9 million. In accordance with Met-Ed's supplemental indenture dated March 1, 1952, $3.4 million of the balance of Met-Ed's retained earnings is restricted as to the payment of dividends on its common stock. As of December 31, 1984, pursuant to these provisions, $13.9 million of retained earnings of $26.8 million was available for declaration and payment of dividends on Met-Ed's common stock.

In accordance with Penelec's supplemental indenture dated June 1, 1979, the aggregate amount of any declaration or payment of dividends on common stock after December 31, 1978 cannot exceed Penelec's earnings available for common stock for the period commencing January 1, 1979 and terminating at the end of the last fiscal quarter preceding the date of such restricted payment. As of December 31, 1984, pursuant to that provision, $72 million of retained earnings of $109 million was available for declaration and payment of dividends on Penelec's common stock.

7. Income Taxes

Examinations of Federal income tax returns through 1978 have been completed and the years 1979 through 1982 are currently under audit by the Internal Revenue Service. At this time, the Corporation does not know whether the Internal Revenue Service will assess any additional income tax liability against the Corporation as a result of such audit.

Income tax expense for the years 1982 through 1984 was different from the amount computed by applying the statutory rate to book income subject to tax as follows:

In Millions	1984	1983	1982
Operating income before income taxes	$ 486	$ 359	$ 308
Other income, net	7	12	16
Total	493	371	324
Interest expense	(162)	(165)	(185)
Book income subject to tax	$ 331	$ 206	$ 139
Income tax at statutory rate	$ 152	$ 95	$ 64
Effect of difference between tax and book depreciation for which deferred taxes were not provided (Note 2)	13	9	7
Amortization of TMI-2	12	13	11
Amortization of ITC	(9)	(8)	(5)
Other adjustments	5	—	1
Income tax expense	$ 173	$ 109	$ 78
Effective income tax rate	52%	53%	56%

Income tax expense is comprised of the following:

In Millions	1984	1983	1982
Federal income tax	$ 2	$ (3)	$ 10
State income tax	16	6	18
Income taxes on other income, net	5	8	7
Income taxes attributable to the allowance for borrowed funds	(1)	(1)	(2)
Provisions for taxes currently payable	22	10	33
Deferred income taxes:			
Liberalized depreciation	41	35	33
Deferral of energy costs	56	51	(52)
Forked River abandonment loss	(9)	(11)	20
NJ revenue taxes	(4)	(6)	(8)
Reserve capacity credit	4	(11)	(15)
Nuclear fuel disposal fee	(5)	30	
Deferral of O&M expense—Oyster Creek	24	9	
Other	4	18	(9)
Deferred income taxes, net	111	115	(31)
Current ITC (a)	49	(8)	81
Amortization of ITC	(9)	(8)	(5)
Income tax expense	$173(d)	$109(c)	$ 78(b)

(a) Unused ITC available for carryforward to future years as of December 31, 1984 aggregate $72 million (which includes $7 million of credits related to the Corporation's Employee Stock Ownership Plan), of which $18 million, $25 million and $29 million expire in 1997, 1998 and 1999, respectively.
(b) Does not include $6 million (deferred income tax expense related to liberalized depreciation—$9 million and currently payable tax benefit relating to an abandonment loss—$3 million) related to extraordinary items. (See Note 3.)
(c) Does not include a $3.6 million tax benefit resulting from a litigation settlement. (See Note 3.)
(d) Does not include $13.3 million (deferred income tax expense related to liberalized depreciation—$11.6 million and reversal of investment tax credit amortization—$1.7 million) related to extraordinary item. (See Note 3.)

8. Loans to Non-affiliated Mining Companies

Penelec has been providing financing to non-affiliated mining companies supplying coal to the Homer City generating station under long-term contracts. These loans were bearing interest at a rate which was 1½% per annum above the prime interest rate. In October 1984, Penelec sold its option to buy the stock of one of the mining companies to a third party. As a result of that third party exercising the option, Penelec received $6.1 million in January 1985 from the mining company representing payment in full of its loans outstanding.

9. Supplementary Income Statement Information

Maintenance and other taxes charged to operating expenses consisted of the following:

In Millions	1984	1983	1982
Maintenance*	$243	$207	$175
Other taxes:			
State and local gross receipts	$149	$135	$134
Gross revenue and franchise	40	38	35
State surtax	17	16	15
Real estate and personal property	20	14	15
Other	21	19	20
Total	$247	$222	$219

* Excludes reversal of Oyster Creek outage-related expenses (see Note 1).

10. Pension Plans and Postretirement Benefits

The subsidiaries have several pension plans applicable to all employees, the accrued costs of which are being funded. Prior service costs applicable to all plans are being amortized and funded over 25-year periods. Total pension cost for the years 1984, 1983 and 1982 amounted to approximately $33.4 million, $33.1 million and $30.6 million, respectively.

Based on the latest available actuarial reports, the subsidiaries' plans had accumulated benefits (assuming an 8 percent rate of return) and net assets as follows:

In Millions	January 1, 1984	January 1, 1983
Actuarial present value of accumulated benefits:		
Vested	$340	$305
Nonvested	47	45
	$387	$350
Net assets available for benefits	$480	$404

In addition to providing pension benefits, the company and its subsidiaries provide certain health care and life insurance benefits for retired employees. Substantially all of the company's employees become eligible for those benefits if they reach retirement age while working for the company. The cost of retiree health care and life insurance benefits is recognized as expense as premiums are paid. For 1984, those costs totaled approximately $2.8 million.

11. Jointly Owned Generating Stations

The subsidiaries participated with non-affiliated utilities in the following jointly owned generating stations at December 31, 1984:

In Millions		Balance	
Station	% Ownership	In Service	Accumulated Depreciation
Homer City	50	$331.1	$72.0
Keystone	16.67	46.4	13.2
Conemaugh	16.45	50.7	14.7
Yards Creek	50	17.3	3.1
Seneca	20	13.4	2.5

Each participant in a jointly owned generating unit finances its own portion and charges the appropriate operating expenses with its share of direct expenses. The dollar amounts shown above represent only those portions of the units owned by the subsidiaries.

12. Leases

As a result of the criteria set forth in FAS 71 and Federal Energy Regulatory Commission Order 390, both of which were effective in 1984, the subsidiaries have reflected capital leases on the December 31, 1984 balance sheet. Approximately $39 million (which is net of $25 million of amortization) has been recorded in Utility Plant and as a liability. Such recording of capital leases has no impact on net income because all leases, for ratemaking purposes, are considered operating leases.

SYSTEM STATISTICS

General Public Utilities Corporation and Subsidiary Companies

	1984	1983	1982	1981	1980
Generating Capacities and Peaks (MW):					
Installed capacity (at year end) (a)	**8,251**	8,251	8,251	8,251	8,254
Annual hourly peak load	**6,401 (b)**	6,140 (b)	6,442 (c)	6,215 (c)	6,161 (b)
Reserve (%) (a)	**28.9**	34.4	28.1	32.8	34.0
Net system requirements (in thousands of MWH):					
Net generation	**20,075**	20,635	20,841	22,266	22,659
Power purchased and interchanged, net	**16,681**	14,333	13,336	12,659	12,346
Total Net System Requirements	**36,756**	34,968	34,177	34,925	35,005
Load Factor (%)	**65.3**	65.0	60.5	64.1	64.9
Production Data:					
Cost of fuel (in mills per KWH of generation):					
Coal	**15.92**	14.90	16.35	16.11	13.76
Oil	**49.06**	52.31	58.16	62.29	62.49
Nuclear	**6.25**	5.85	4.08	3.83	3.80
Other	**59.74**	55.55	64.06	56.82	42.29
Average	**21.53**	19.94	19.80	19.06	17.17
Generation by fuel type (%):					
Coal	**85**	87	81	78	81
Oil	**3**	3	2	3	5
Nuclear	**1**		9	11	8
Other (gas & hydro)	**11**	10	8	8	6
Total	**100**	100	100	100	100
Electric Energy Sales (in thousands of MWH):					
Residential	**11,273**	10,901	10,604	10,707	10,810
Commercial	**8,826**	8,322	8,173	7,949	7,687
Industrial	**11,770**	10,608	10,752	11,535	11,520
Other	**1,622**	1,669	1,824	1,821	1,821
Total	**33,491**	31,500	31,353	32,012	31,838
Electric Operating Revenues (in thousands):					
Residential	**$1,049,257**	$ 978,743	$ 919,532	$ 793,056	$ 719,166
Commercial	**765,394**	687,773	661,910	548,367	470,123
Industrial	**772,923**	673,101	694,291	609,177	531,369
Other	**107,474**	105,113	101,712	91,591	87,535
Total from KWH Sales	**2,695,048**	2,444,730	2,377,445	2,042,191	1,808,193
Other Revenues	**36,141**	32,140	24,391	20,097	21,102
Total	**$2,731,189**	$2,476,870	$2,401,836	$2,062,288	$1,829,295
Customers—Year-End (in thousands):					
Residential	**1,482**	1,456	1,434	1,422	1,405
Commercial	**170**	166	164	163	161
Industrial	**10**	10	10	10	9
Other	**3**	3	3	3	3
Total	**1,665**	1,635	1,611	1,598	1,578
Price per KWH—all customers (cents)	**8.05**	7.76	7.58	6.38	5.68

(a) Includes the installed capacity of the Three Mile Island nuclear generating station Unit No. 1 of 800 MW and 906 MW for Unit No. 2 for all periods. The reserve (%), excluding TMI for 1984, 1983, 1982, 1981 and 1980 would be 2.2%, 6.6%, 1.6%, 5.3% and 6.3%, respectively.

(b) Summer peak.

(c) Winter peak.

SUPPLEMENTARY INFORMATION CONCERNING INFLATION EFFECTS (UNAUDITED)

The following supplementary information is provided in accord with FAS No. 33, "Financial Reporting and Changing Prices" (as amended), which requires disclosure of certain inflation effects upon company operations. The inflation estimating method prescribed by FAS No. 33 involves restating significant monetary and non-monetary items from conventional historical dollars to current cost dollars. The differences between these amounts are the estimates of inflation effects which occur in the current period. The Corporation utilizes company equipment cost indexes, the Handy Whitman Indexes of Public Utility Construction Costs, and the Consumer Price Index, as appropriate, to estimate equivalent current cost figures for these purposes.

The current cost estimating method employs a number of judgements and experimental procedures to approximate inflation effects. Consequently, the Corporation cautions readers that this data should not be viewed as any precise measurement of the effects of inflation.

The primary items affected by inflation are those financial commitments which extend over many years of operation. These items fall into two classes termed "monetary" and "non-monetary."

Monetary items are those assets or liabilities which are convertible into a predesignated fixed number of dollars by their contractual terms and conditions, such as receivables, payables, and long-term debt. Holding monetary assets during inflationary periods results in a purchasing power loss, since the fixed dollars received in the future will purchase less. Conversely, holding monetary liabilities results in purchasing power gains, since future fixed payments will be made with dollars of diminished purchasing power.

Since GPU's subsidiaries owed net monetary liabilities (obligations to pay a fixed sum), primarily long-term debt, during a period in which the purchasing power of the dollar declined, inflation adjusted figures reflect a net gain in purchasing power. This gain is strictly an economic concept, is not realized in cash, and does not represent funds available for actual use or for distribution to shareholders.

Non-monetary items are those without any contractual conversion provisions to a fixed number of dollars as, for example, investments in plant and equipment and related depreciation. Utility plant and related accumulated depreciation were estimated in current cost dollars by applying appropriate cost indexes to vintaged historical cost dollars by equipment classes. The current year's depreciation provision in current cost terms was derived by applying methods and rates as used in the historical financial statements to current cost restated plant investments.

Other items, including revenues, taxes, and expenses other than depreciation, are considered to reflect the average price level for the year, and consequently, remain the same as reported in the primary financial statements.

Present regulatory ratemaking implicitly assumes that compensation for inflation effects is incorporated as a component in debt interest rates, preferred dividends, and the common equity return rate used in the ratemaking process. Consequently, ratemaking deals with recovery of plant investment and other expenses only in historical cost amounts. The estimated quantification of inflation effects on monetary and non-monetary items, including adjustment to historical costs recoverable via ratemaking, provides a tentative measure of inflation erosion of common equity which is not explicitly recognized in the ratemaking process.

EFFECTS OF CHANGING PRICES

In Thousands of Average 1984 Dollars		**Current Cost**
Net income, before extraordinary items, as reported*		$128,505
Erosion of common stockholder's equity due to changing prices:		
Excess of current cost over historical cost depreciation	$ (249,746)	
Current cost increases, net of general inflation**	(80,674)	
Current year adjustment to recoverable costs	172,603	
Net non-monetary items purchasing power gain (loss)	$ (157,817)	
Net monetary items purchasing power gain (loss)	81,344	
Net erosion of common stockholder's equity		(76,473)
Net income, before extraordinary items, as adjusted		$ 52,032

* Adversely affected by regulatory disallowances of operating expenses and return requirements associated with TMI-1 and TMI-2 (see Note 1).

** Current cost increase was $237,910 for plant facilities. General inflation increase was $318,584.

FIVE YEAR COMPARISON OF SELECTED FINANCIAL DATA*

In Millions Except Per Share Data

Year Ended December 31,	**1984**	**1983**	**1982**	**1981**	**1980**
Operating revenues:					
As reported	$2,735.3	$2,480.3	$2,405.5	$2,065.5	$1,831.7
In 1984 average purchasing power	2,735.3	2,585.9	2,588.6	2,358.9	2,309.0
Income (Loss) before extraordinary items:					
As reported	$ 128.5	$ 66.9	$ 33.7	$ 20.5	$ 20.6
In current cost dollars**	52.0	(3.5)	(40.5)	(163.6)	(241.7)
Earnings (Loss) per share before extraordinary items:					
As reported	$ 2.05	$ 1.09	$ 0.55	$ 0.33	$ 0.34
In current cost dollars**	0.83	(0.06)	(0.66)	(2.67)	(3.94)
Market price per common share at year-end:					
As reported	$ 11.50	$ 7.75	$ 6.75	$ 6.75	$ 5.00
In 1984 average purchasing power	11.34	7.94	7.18	7.46	6.02
Net plant assets (in 1984 year-end dollars):***					
In historical cost dollars	$4,135.3	$4,006.5	$3,958.4	$3,871.2	$3,729.5
In current cost dollars**	8,246.1	8,348.6	8,655.0	8,770.8	8,857.5
Net assets at recoverable cost:					
In historical cost dollars	$2,062.1	$1,912.7	$1,861.6	$1,823.2	$1,807.3
In current cost dollars**	2,033.4	1,960.7	1,980.6	2,015.0	2,176.0
Current cost gain (loss), net of general inflation, after current year adjustment to recoverable cost**	$ 91.9	$ 89.8	$ 81.1	$ (166.6)	$ (379.7)
Gain in purchasing power of net amounts owed	$ 81.3	$ 81.5	$ 85.0	$ 194.5	$ 321.8
Selected balance sheet data at year-end (historical costs):					
Total Assets	$6,215.8	$5,333.9	$5,196.8	$5,063.3	$5,076.5
Long-term debt	1,797.2	1,895.0	1,998.7	2,109.3	2,105.4
Cumulative preferred stock—mandatory redemption	63.7	67.2	72.3	77.3	82.4
Average common shares outstanding	62.9	61.5	61.3	61.3	61.3
Average consumer price index	311.1	298.4	289.1	272.4	246.8
December consumer price index	315.5	303.5	292.4	281.5	258.4

* All current cost amounts expressed in 1984 average dollars, except as noted.

** Prior years' current cost amounts adjusted to 1984 by applying the CPI-U indexes, as required.

*** Includes $2.8 million for Other Physical Property and excludes $181.4 million (including $56.9 million related to TMI) of Nuclear Fuel and $38.7 million for Capital Leases.
The excluded amounts are treated as monetary items for FAS No. 33 disclosure purposes.

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Syosset, N.Y. 11791
(Engineering, Architectural and Surveying Services)

John F. Burditt [1,2]
Former Chairman and Chief Executive Officer
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(Equipment Manufacturing)

Herman Dieckamp
President and Chief Operating Officer
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Chairman and Chief Executive Officer
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Abington, Pennsylvania 19001

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Carpenter Technology Corporation
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(Specialty Metals)

Dr. Patricia K. Woolf [1,3]
Visiting Research Sociologist
Princeton University
Princeton, New Jersey 08544

[1]Member of Audit Committee
[2]Member of Compensation Committee
[3]Member of Nominating Committee

OFFICERS

General Public Utilities Corporation

William G. Kuhns
Chairman and Chief Executive Officer

Herman Dieckamp
President and Chief Operating Officer

Verner H. Condon
Vice President
and Chief Financial Officer

Edward J. Holcombe
Comptroller

John G. Graham
Treasurer

William B. Murray
Secretary

Grace Wade
Assistant Secretary

Subsidiary Company Presidents

Philip R. Clark
GPU Nuclear Corporation

Herman Dieckamp
GPU Service Corporation

James R. Leva
Pennsylvania Electric Company

Floyd J. Smith
Metropolitan Edison Company

William A. Verrochi
Jersey Central Power & Light Company

James B. Liberman
General Counsel

Shareholder Notes

1985 Annual Meeting
The Annual Meeting of Stockholders of General Public Utilities Corporation will be held at 10 a.m. EDT, May 7, 1985 at the Cambria County War Memorial Arena, Johnstown, Pennsylvania.

Transfer Agent
Manufacturers Hanover Trust Company
P.O. Box 24935
Church Street Station
New York, NY 10249

Transfers can also be hand-delivered to:
Manufacturers Hanover Trust Company
Securities Window, Street Level
130 John Street
New York, NY

Too Many Reports?
You may be receiving multiple copies of the GPU Annual Report because of multiple accounts within your household. To stop the extra copies, please write to Manufacturers Hanover Trust Company, P. O. Box 24935, Church Street Station, New York, NY 10249 and enclose the mailing labels from the extra copies.

GPU Stockholders Class Action Suit Settlement
GPU stockholders who purchased shares between February 8, 1974 and April 1, 1979, and who did not sell such shares prior to March 28, 1979, were entitled to participate in the class action settlement. Claim forms were mailed to eligible stockholders in June 1983. The deadline for filing the claim form with Heffler & Co., the accountants retained by the Settlement Committee to process claims, was August 12, 1983.

Heffler & Co. and Manufacturers Hanover have advised GPU that, if no unforeseen delays occur, distribution of settlement proceeds to qualified shareholders will take place in late April 1985.

The GPU System Companies

General Public Utilities Corporation
100 Interpace Parkway
Parsippany, New Jersey 07054-1149
(201) 263-6500

GPU Service Corporation
GPU Nuclear Corporation
(Same address and telephone number as GPU Corporation)

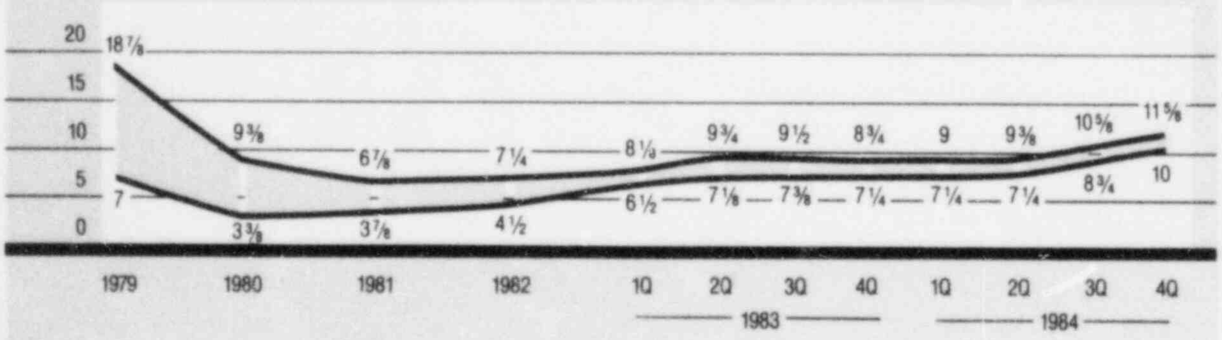
Jersey Central Power & Light Company
Madison Avenue at Punch Bowl Road
Morristown, NJ 07960
(201) 455-8200

Metropolitan Edison Company
2800 Pottsville Pike
Reading, PA 19640-0001
(215) 929-3601

Pennsylvania Electric Company
1001 Broad Street
Johnstown, PA 15907
(814) 533-8111

For Further Information
Copies of GPU's System Statistics and the Corporation's 1984 10-K Annual Report to the Securities and Exchange Commission will be available after March 31, 1985. Write to Mr. William B. Murray, Secretary, General Public Utilities Corporation, 100 Interpace Parkway, Parsippany, NJ 07054-1149.

Stock Price 1979 - 1984



General Public Utilities Corporation is listed as GPU on the New York Stock Exchange. At December 31, 1984 there were 97,868 registered holders of GPU Common Stock. With respect to restriction on the payment of common stock dividends by GPU, see Note 6 to the Financial Statements.

GENERAL
PUBLIC
UTILITIES
CORPORATION

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