GPU NUCLEAR

GPU Nuclear, Inc.
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April 21, 1997
6710-97-2159

U. S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, DC 20555

Dear Sir:

Subject: 1996 Annual Financial Reports
Three Mile Island Nuclear Station Unit 1 (TMI-1)
Operating License DPR-50/Docket 50-289
Three Mile Island Nuclear Station Unit 2 (TMI-2)
Possession Only License DPR-73/Docket 50-320
Oyster Creek Nuclear Generating Station (OCNGS)
Operating License DPR-16/Docket 50-219

In accordance with the requirements of 10 CFR 50.71(b) and 10 CFR 140.21, the following financial information is being submitted:

- 1996 GPU Combined 10K Report
- 1996 GPU Actual Source and Application of Funds Statement
- 1997 GPU Forecast Source and Application of Funds Statement

Sincerely,

James W. Langenbach
James W. Langenbach
Vice President and Director, TMI

AWM

Attachments

M004 1/1

cc: H. J. Miller - Region I Administrator
M. G. Evans - TMI Senior Resident Inspector
File 97012

SOURCE & APPLICATION OF FUNDS STATEMENT
1996 ACTUAL
$ MILLIONS

	JCP&L	MET-ED	PENELEC
Application of Funds			
Construction	$214	$77	$109
AFC	6	2	3
Nuclear Fuel	28	15	8
Maturities & Sinking Funds	46	23	90
Total Applications	$294	$117	$210
Sources of Funds			
Internal			
Depreciation & Amortization	$207	$99	$94
Decommissioning	(19)	(16)	(5)
Deferred Energy/NUGs	19	0	1
Deferred Income Taxes/ITC Net	(14)	25	19
Changes in Working Capital and Other	(38)	(36)	(28)
Total Internal Sources	$155	$72	$81
External			
Bonds & Other Long-Term Debt	$80	$0	$40
Preferred Equity	0	0	0
Nuclear Fuel Lease	28	15	8
Short-Term Debt/Temp Investments	31	30	81
Total External Sources	$139	$45	$129
Total Sources	$294	$117	$210
Capitalization			
Long-Term Debt	$1,277	$603	$682
Preferred Equity	287	112	122
Common Equity	1,489	701	755
Short-Term Debt/Temp Investments	31	51	108
Total	$3,084	$1,467	$1,667

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SOURCE & APPLICATION OF FUNDS STATEMENT
1997 FORECAST
$ MILLIONS

	JCP&L	MET-ED	PENELEC
Application of Funds			
Construction	$175	$89	$118
AFC	7	3	1
Nuclear Fuel	27	15	7
Maturities & Sinking Funds	120	40	26
Total Applications	$329	$147	$152
Sources of Funds			
Internal			
Depreciation & Amortization	$232	$100	$103
Decommissioning	(19)	(17)	(4)
Deferred Energy/NUGs	(2)	0	0
Deferred Income Taxes/ITC Net	(21)	3	(1)
Changes in Working Capital and Other	49	35	69
Total Internal Sources	$239	$121	$167
External			
Bonds & Other Long-Term Debt	$50	$0	$0
Preferred Equity	0	0	0
Nuclear Fuel Lease	27	15	7
Short-Term Debt/Temp Investments	13	11	(22)
Total External Sources	$90	$26	($15)
Total Sources	$329	$147	$152
Capitalization			
Long-Term Debt	$1,227	$563	$656
Preferred Equity	267	112	122
Common Equity	1,537	746	811
Short-Term Debt/Temp Investments	44	62	86
Total	$3,075	$1,483	$1,675

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GPU, Inc.

Jersey Central Power & Light Company

Metropolitan Edison Company

Pennsylvania Electric Company

FORM 10-K

Annual Report
To
Securities and Exchange Commission

For the Year 1996

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1996
OR
___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________

Commission File Number	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
1-6047	GPU, Inc. (a Pennsylvania corporation) (formerly General Public Utilities Corporation) 100 Interpace Parkway Parsippany, New Jersey 07054-1149 Telephone (201) 263-6500	13-5516989
1-3141	Jersey Central Power & Light Company (a New Jersey corporation) 2800 Pottsville Pike Reading, Pennsylvania 19605 Telephone (610) 929-3601	21-0485010
1-446	Metropolitan Edison Company (a Pennsylvania corporation) 2800 Pottsville Pike Reading, Pennsylvania 19605 Telephone (610) 929-3601	23-0870160
1-3522	Pennsylvania Electric Company (a Pennsylvania corporation) 2800 Pottsville Pike Reading, Pennsylvania 19605 Telephone (610) 929-3601	25-0718085

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Name of each exchange on which registered
GPU, Inc.	Common Stock, par value $2.50 per share	New York Stock Exchange
Jersey Central Power & Light Company	Cumulative Preferred Stock, $100 stated value	
	4% Series	New York Stock Exchange
	7.88% Series E	New York Stock Exchange

Registrant	Title of each class	Name of each exchange which registered
Jersey Central Power & Light Company (cont.)	First Mortgage Bonds:	
	7 1/8% Series due 2004	New York Stock Exchange
	6 3/8% Series due 2003	New York Stock Exchange
	7 1/2% Series due 2023	New York Stock Exchange
	6 3/4% Series due 2025	New York Stock Exchange
	Monthly Income Preferred Securities, 8.56% Series A, $25 stated Value (a)	New York Stock Exchange
Metropolitan Edison Company	Monthly Income Preferred Securities, 9% Series A, $25 stated value (b)	New York Stock Exchange
Pennsylvania Electric Company	Cumulative Preferred Stock, $100 stated value:	
	4.40% Series B	Philadelphia Stock Exchange
	3.70% Series C	Philadelphia Stock Exchange
	4.05% Series D	Philadelphia Stock Exchange
	4.70% Series E	Philadelphia Stock Exchange
	4.50% Series F	Philadelphia Stock Exchange
	4.60% Series G	Philadelphia Stock Exchange
	Monthly Income Preferred Securities, 8 3/4% Series A, $25 stated value (c)	New York Stock Exchange

(a) Issued by JCP&L Capital, L.P., and unconditionally guaranteed by Jersey Central Power & Light Company.

(b) Issued by Met-Ed Capital, L.P., and unconditionally guaranteed by Metropolitan Edison Company.

(c) Issued by Penelec Capital, L.P., and unconditionally guaranteed by Pennsylvania Electric Company.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of each registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the registrants' voting stock held by non-affiliates as of February 3, 1997 was:

Registrant	Amount
GPU, Inc.	$4,007,836,032

The number of shares outstanding of each of the registrants' classes of voting stock as of February 3, 1997 was as follows:

Registrant	Title	Shares Outstanding
GPU, Inc.	Common Stock, $2.50 par value	120,615,517
Jersey Central Power & Light Company	Common Stock, $10 par value	15,371,270
Metropolitan Edison Company	Common Stock, no par value	859,500
Pennsylvania Electric Company	Common Stock, $20 par value	5,290,596

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for 1997 Annual Meeting of Stockholders of GPU, Inc. (Part III)

This combined Form 10-K is separately filed by GPU, Inc., Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrants.

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS.

GPU, Inc., a Pennsylvania corporation, organized in 1946, is a holding company registered under the Public Utility Holding Company Act of 1935 (1935 Act). GPU, Inc. does not operate any utility properties directly, but owns all of the outstanding common stock of three domestic electric utilities serving customers in New Jersey - Jersey Central Power & Light Company (JCP&L), incorporated under the laws of New Jersey in 1925, - and in Pennsylvania - Metropolitan Edison Company (Met-Ed), a Pennsylvania corporation incorporated in 1922, and Pennsylvania Electric Company (Penelec), a Pennsylvania corporation incorporated in 1919. In 1996, the customer service, transmission and distribution operations of these electric utilities began doing business under the name GPU Energy. JCP&L, Met-Ed and Penelec considered together are referred to as the "GPU Energy companies." The generation operations of these three electric utilities are conducted by GPU Generation, Inc. (Genco) and GPU Nuclear, Inc. (GPUN). GPU, Inc. also owns all the common stock of GPU International, Inc., GPU Power, Inc. and GPU Electric, Inc., which primarily develop, own and operate electric generation, transmission and distribution facilities and supply businesses in the U.S. and foreign countries. Collectively, these are referred to as the "GPU International Group." Corporate functions are performed by GPU Service, Inc. (GPUS). All of these companies considered together are referred to as "GPU."

The GPU registered holding company system is subject to regulation by the Securities and Exchange Commission (SEC) under the 1935 Act. Retail rates, conditions of service, issuance of securities and other matters relating to the GPU Energy companies are subject to regulation in the state in which each utility operates - in New Jersey by the New Jersey Board of Public Utilities (NJBPU) and in Pennsylvania by the Pennsylvania Public Utility Commission (PaPUC). The Nuclear Regulatory Commission (NRC) regulates the construction, ownership and operation of nuclear generating stations. The GPU Energy companies are also subject to wholesale rate and other regulation by the Federal Energy Regulatory Commission (FERC) under the Federal Power Act. In addition, certain GPU International Group foreign subsidiaries are subject to limited rate and other regulation (see Regulation section).

This Form 10-K contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements made that are not historical facts are forward-looking and, accordingly, involve risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Although such forward-looking statements have been based on reasonable assumptions, there is no assurance that the expected results will be achieved. Some of the factors that could cause actual results to differ materially include, but are not limited to: the effects of regulatory decisions; changes in law and other governmental actions and initiatives; the impact of deregulation and increased competition in the industry; industry restructuring; expected outcomes of legal proceedings; generating plant performance; fuel prices and availability; and uncertainties involved with foreign operations including political risks and foreign currency fluctuations.

RECENT DEVELOPMENTS

During the past year, there were a number of major developments which are expected to significantly affect GPU. They are as follows:

- In 1996, GPU and Cinergy Corp. (Cinergy) formed Avon Energy Partners Holdings (Holdings), a 50/50 joint venture, to acquire Midlands Electricity plc (Midlands), an English regional electric company. A wholly-owned subsidiary of Holdings purchased the outstanding shares of Midlands through a cash tender offer of £1.7 billion, or approximately U.S. $2.6 billion. GPU's 50% interest in Holdings is held by EI UK Holdings, Inc. (EI UK), a wholly-owned subsidiary of GPU Electric, Inc.

  At December 31, 1996, EI UK had borrowed approximately £342 million, or approximately U.S. $586 million, through a GPU, Inc. guaranteed five-year bank term loan facility, to fund its investment in Holdings. At December 31, 1996, Holdings had borrowed approximately £1.1 billion, or approximately U.S. $1.8 billion, through a term loan and revolving credit facility to provide for the balance of the acquisition price.

  Midlands supplies and distributes electricity to 2.2 million customers in England in an area with a population of five million. Midlands also owns a generation business that produces electricity domestically and internationally and a gas supply company that provides natural gas to 8,000 customers in England. In addition, Midlands owns international generation projects and is pursuing additional international generation and transmission projects.

- Pennsylvania adopted comprehensive legislation which provides for the restructuring of the electric utility industry. The legislation, among other things, permits one-third of Pennsylvania retail consumers to choose their electric supplier beginning January 1, 1999, and all retail consumers by January 1, 2001. The legislation requires the unbundling of rates for transmission, distribution and generation services. Utilities would have the opportunity to recover their prudently incurred stranded costs that result from customers choosing another supplier through a PaPUC approved competitive transition charge, subject to certain conditions, including that they attempt to mitigate these costs.

  The legislation provides utilities the opportunity to reduce their stranded costs through the sale of transition bonds by a separate trust or other similar entity, with maturities of up to 10 years. Principal and interest payments on the bonds would be paid by all distribution service customers through a nonbypassable intangible transition charge. Among other things, the sale proceeds could be used to buy out or buy down uneconomic nonutility generation (NUG) contracts, to reduce capitalization, or both. Reduced financing costs associated with the sale of transition bonds would be used to provide rate reductions for all customers.

  Pennsylvania electric utilities are required to submit restructuring plans to the PaPUC between April 1, 1997 and September 30, 1997. Met-Ed and Penelec are scheduled to file their respective plans with the PaPUC on June 1, 1997. The PaPUC is required to conduct public hearings prior to approval of these plans.

Effective January 1, 1997, transmission and distribution rates charged to Pennsylvania retail customers are generally capped for 4 1/2 years, and generation rates are generally capped for up to nine years. Transmission and distribution of electricity will continue as a regulated monopoly and the PaPUC will ensure that adequate electrical reserves exist to maintain reliable service. An independent system operator (ISO) will be responsible for coordinating the generation and transmission of electricity in an efficient and nondiscriminatory manner.

- The NJBPU released Phase II of the New Jersey Energy Master Plan (NJEMP) which recommends, among other things, that certain electric retail customers be permitted to choose their supplier beginning October 1998, expanding to include all retail customers by April 2001. The NJBPU also recommends a near-term electric rate reduction of 5% to 10% with the phase-in of retail competition, and combined with the effects of separate proposed modifications to the state's energy tax policy, an aggregate rate reduction of at least 10% to 15% over time.

  The NJBPU proposes in this report that utilities have an opportunity to recover their stranded costs associated with generating capacity commitments provided that they attempt to mitigate these costs. Also, NUG contracts which cannot be mitigated would be eligible for stranded cost recovery. The determination of stranded cost recovery by the NJBPU would be undertaken on a case-by-case basis, with no guarantee for full recovery of these costs. A separate market transition charge (MTC) would be established for each utility to allow utilities to recover stranded costs over four to eight years. The MTC would be capped to ensure that customers experience the NJBPU's recommended overall rate reduction of 5% to 10%. New Jersey is also considering authorizing the sale of securitized transition bonds as a mechanism to help mitigate stranded costs.

  In addition, the NJBPU is proposing that, beginning October 1998, utilities unbundle their rates to allow customers to choose their electric generation supplier. Transmission and distribution of electricity would continue as a regulated monopoly and utilities would be responsible for connecting customers to the system and for providing distribution service. Transmission service would be provided by an ISO, who would be responsible for maintaining the reliability of the regional power grid.

  The NJBPU intends to issue its final findings and recommendations to the Governor and the Legislature for their consideration in March 1997. The NJBPU proposes requiring electric utilities in New Jersey to file for review, by no later than July 15, 1997, complete restructuring plans, stranded cost filings and unbundled rate filings, and intends to complete its review of these filings by October 1998.

- The FERC issued Order 888, which requires utilities to provide open access to their transmission network, thereby encouraging a fully competitive wholesale electric power market. It also requires electric utilities to, among other things: (1) file nondiscriminatory open access transmission tariffs which would be available to all wholesale sellers and buyers of electricity; (2) accept service under these new tariffs for their own wholesale transactions; and (3) be permitted to recover their legitimate and verifiable stranded costs incurred when a wholesale

customer purchases power from another supplier using the utility's transmission system. While it does not require corporate unbundling (i.e. the disposing of ancillary services or creating separate affiliates to manage transmission services), Order 888 does call for functional unbundling of transmission and ancillary services.

The GPU Energy companies filed pro forma tariffs in accordance with Order 888. These tariffs became effective on July 9, 1996.

The GPU Energy companies, along with six other electric utility members of the Pennsylvania-New Jersey-Maryland (PJM) Power Pool (together, the supporting PJM companies), filed with the FERC a transmission tariff and agreements (including, among other things, establishing an ISO to operate the energy market and transmission system), that would create a new wholesale energy market to meet the requirements of Order 888, and to increase competition in the Mid-Atlantic region.

In response to a FERC order, noting deficiencies and objections to their initial submission, the PJM companies submitted to the FERC a revised proposal which represents an interim solution and contains several unresolved issues for which alternate proposals were presented to the FERC for resolution. On February 28, 1997, the FERC issued an order directing PJM to adopt all recommendations proposed by the supporting PJM companies except with regard to congestion pricing, which the FERC ordere plementation of PECO Energy's proposal on an interim basis. The FERC has stated that it expects it will order PJM to adopt the supporting PJM companies' proposal on congestion pricing after certain issues are resolved concerning implementation of this proposal. PJM has begun implementation of the FERC's order and plans to have the restructured PJM Power Pool and pool-wide open access transmission tariff operational on April 1, 1997. For additional information, see Competitive Environment, Management's Discussion and Analysis.

- The GPU Energy companies have successfully bought out and/or entered into restructured power purchase agreements with all major unbuilt NUG projects with which they had executed power purchase agreements. Since early 1995, nine NUG contracts representing 950 MW (JCP&L 300 MW; Met-Ed 490 MW; Penelec 160 MW) have been bought out and/or restructured at more competitive prices. The GPU Energy companies expect these actions will save their customers approximately $5.4 billion (JCP&L $1.8 billion; Met-Ed $2.3 billion; Penelec $1.3 billion) over 25 years.

INDUSTRY DEVELOPMENTS

Electric utility customers have traditionally been served by vertically integrated regulated monopolies. The electric utility industry is moving away from a traditional rate regulated environment based on cost recovery to some combination of a competitive marketplace and modified regulation. The enactment of the Public Utility Regulatory Policies Act of 1978 (PURPA) facilitated the entry of competitors into the electric generation business. The Energy Policy Act of 1992 (EPAct) furthered competition among utilities and NUGs in the wholesale electric generation market, accelerating industry restructuring. As discussed earlier, Pennsylvania recently adopted comprehensive legislation which provides for the restructuring of the electric utility industry, and New Jersey has proposed similar legislation.

Operating in a competitive environment places pressures on utility profit margins and credit quality. Utilities with significantly higher cost structures than are supportable in the marketplace will experience reduced earnings as they attempt to meet their customers' demands for lower-priced electricity. Competitive forces continue to influence some retail pricing. In some cases, commercial and industrial customers have indicated their intention to pursue competitively priced electricity from other providers, and in some instances have obtained price concessions from utilities. This prospect of increasing competition in the electric utility industry has already led the major credit rating agencies to apply more stringent guidelines in making credit rating determinations.

The combination of the current market price of electricity being below that of utility owned generation and power purchase commitments, as well as the ability of some customers to choose their energy suppliers, has created the potential for stranded costs in the electric utility industry. These stranded costs, while recoverable in a regulated environment, are at risk in a deregulated competitive environment. The GPU Energy companies estimate that their total potential above market costs relating to power purchase commitments, above market generation costs, generating plant decommissioning costs and regulatory assets at year end 1998, on a present value basis, could range from $4.5 billion to $8 billion (JCP&L $2.5 billion to $4 billion; Met-Ed $1 billion to $2 billion; Penelec $1 billion to $2 billion). The estimate is subject to significant uncertainties including the future market price of both electricity and other competitive energy sources, as well as the timing of when these above market costs become stranded due to customers choosing another supplier. As discussed below, the restructuring legislation in Pennsylvania and the proposed restructuring plan in New Jersey provide mechanisms for utilities to recover, subject to regulatory approval, their above market costs. These regulatory recovery mechanisms in Pennsylvania and New Jersey will differ, but should allow for the recovery of non-mitigable above market costs through either distribution charges or separate nonbypassable charges to customers.

In response to competitive forces and regulatory changes, GPU is considering various strategies designed to enhance its competitive position and to increase its ability to adapt to, and anticipate changes in, its business. GPU expects that its primary strategic focus will be on the delivery infrastructure, retail supply and customer services segments of the electric power industry. To this end, GPU is actively reviewing its portfolio of assets, particularly nuclear and fossil generating facilities, for consistency with this strategic focus. GPU is aware that a number of nonaffiliated utilities in the Northeast and in California are in the process of selling some or all of their generation assets in response to regulatory and competitive pressures.

GPU's strategies may also include business combinations with other companies, internal restructurings involving the complete or partial separation of its wholesale and retail businesses, acquisitions of other businesses, and additions to its transmission or distribution businesses. No assurance can be given as to whether or when any potential transaction of the type described above may actually occur, or as to the ultimate effect thereof on the financial condition or competitive position of GPU.

OTHER DEVELOPMENTS AND GPU INITIATIVES

During 1996 and early 1997, there were other state and federal regulatory developments and GPU initiatives relating to competition within the electric utility industry which are described below:

- The PaPUC has issued a final order that sets forth the guidelines for retail access pilot programs in Pennsylvania. These pilot programs will include residential, commercial and industrial class customers, and utilities are required to commit about 5% of load to retail access programs and unbundle their rates to allow customers to choose their electric generation supplier. In March 1997, Met-Ed and Penelec filed with the PaPUC their plan for a proposed pilot program that would offer approximately 51,000 (Met-Ed 23,000; Penelec 28,000) customers choice of their electric generation supplier. The pilot program, which is subject to PaPUC approval, is anticipated to begin in the fourth quarter of 1997 and will be in effect for at least one year.

- JCP&L is awaiting NJBPU approval of a plan to establish a one-year pilot program offering customers in Monroe Township, New Jersey a choice of their electric energy supplier. At the end of the first year, Monroe Township will have the option of renewing the pilot. Monroe Township had been exploring the possibility of establishing its own municipal electric system.

- In early 1997, two pieces of legislation were introduced in Congress which provide for a comprehensive restructuring of the electric utility industry, including retail choice for all utility customers beginning as early as December 2000, the opportunity for utilities to recover their prudently incurred stranded costs, and repeal of both PURPA and the 1935 Act. It is expected that other similar proposed legislation will be introduced in Congress during 1997.

- Federal legislation was enacted which, among other things, permits registered holding company systems to acquire interests in telecommunications companies. In addition, the SEC has adopted Rule 58 under the 1935 Act which permits registered holding company systems to engage in a variety of energy-related services without further SEC authorization. In February 1997, GPU formed a new, nonregulated subsidiary, GPU Advanced Resources, Inc. (AR). AR's lines of business may include telecommunications services, energy services and retail energy sales.

- GPU reduced its total workforce by 8% in 1996 through voluntary enhanced retirement programs which were accepted by 493 bargaining and 347 nonbargaining employees.

- Met-Ed and Penelec filed tariff supplements with the PaPUC requesting approval to, among other things, include their currently effective energy cost rates (ECR) and state tax adjustment surcharges (STAS) in base rates, effective for all bills rendered after January 1, 1997. On February 28, 1997, the PaPUC issued a final order approving this request.

- Statement of Financial Accounting Standards No. 71 (FAS 71), "Accounting for the Effects of Certain Types of Regulation," applies to regulated utilities that have the ability to recover their costs through rates

established by regulators and charged to customers. If a portion of the GPU Energy companies' operations continues to be regulated, FAS 71 accounting may only be applied to that portion. Insofar as the GPU Energy companies are concerned, potentially unrecoverable costs will most likely be related to generation investment, power purchase contracts, and regulatory assets, which are deferred accounting transactions whose value depends on the GPU Energy companies' ability to recover such costs from their respective customers in the future.

In markets where there is excess capacity (as is currently the case in the Mid-Atlantic and surrounding regions which include New Jersey and Pennsylvania) and many available sources of power supply, the market price of electricity is expected to be lower than what would be necessary to support full recovery of the investment in the generating facilities. Also, utilities that are locked into expensive power purchase agreements may be forced to value the contracts at market prices and recognize certain losses.

Although the GPU Energy companies continue to be subject to cost-based ratemaking regulation, in the event that either all or a portion of their operations are no longer subject to FAS 71 provisions, the related regulatory assets, net of regulatory liabilities, would have to be written off and charged to expense. In addition, any above market costs of power purchase commitments would have to be expensed, and additional depreciation expense would have to be recorded for any differences created by the use of a regulated depreciation method that is different from that which would have been used under generally accepted accounting principles for enterprises in general. The experience gained from the deregulation of the telecommunications industry indicates that substantial write-offs may result with the discontinuation of FAS 71. At this time, GPU is unable to determine when and to what extent FAS 71 will no longer be applicable.

THE GPU ENERGY COMPANIES

The electric generating and transmission facilities of the GPU Energy companies are physically interconnected and are operated as a single integrated and coordinated system serving a population of approximately five million in New Jersey and Pennsylvania. For the year 1996, the GPU Energy companies' revenues were about equally divided between Pennsylvania customers and New Jersey customers. During 1996, sales to customers by customer class were as follows:

	% Operating Revenues				% KWH Sales			
	Total	JCP&L	Met-Ed	Penelec	Total	JCP&L	Met-Ed	Penelec
Residential	42	45	42	37	36	41	36	30
Commercial	35	39	28	33	33	39	27	30
Industrial	21	16	28	27	28	20	35	34
Other*	2	-	2	3	3	-	2	6
	100	100	100	100	100	100	100	100

* Rural electric cooperatives, municipalities, street and highway lighting, and others.

The GPU Energy companies also make interchange and spot market sales of electricity to other utilities. Reference is made to GPU Energy Companies' Statistics and Company Statistics on pages F-3, F-101, F-111, and F-121, for additional information concerning GPU's sales and revenues. Revenues of JCP&L, Met-Ed and Penelec derived from their largest single customers accounted for less than 3%, 2% and 1%, respectively, of their electric operating revenues for the year and their 25 largest customers, in the aggregate, accounted for approximately 9%, 13% and 14%, respectively, of such revenues.

The area served by the GPU Energy companies extends from the Atlantic Ocean to Lake Erie, is generally comprised of small communities, rural and suburban areas and includes a wide diversity of industrial enterprises, as well as substantial farming areas. JCP&L provides retail service in northern, western and east central New Jersey, having an estimated population of approximately 2.5 million. Met-Ed provides retail electric service in all or portions of 14 counties, in the eastern and south central parts of Pennsylvania, having an estimated population of almost one million. Met-Ed also sells electricity at wholesale to four municipalities having an estimated population of over 11,000. Penelec provides retail and wholesale electric service within a territory located in western, northern and south central Pennsylvania extending from the Maryland state line northerly to the New York state line, with a population of about 1.5 million, approximately 24% of which is concentrated in ten cities and twelve boroughs, all with populations over 5,000. Penelec also provides wholesale service to five municipalities in New Jersey, as well as to Allegheny Electric Cooperative, Inc., which serves 13 rural electric cooperatives in Pennsylvania and one in New Jersey. Penelec, as lessee of the property of the Waverly Electric Light & Power Company, also serves a population of about 13,700 in Waverly, New York and vicinity.

The GPU Energy companies' transmission facilities are physically interconnected with neighboring nonaffiliated utilities in Pennsylvania, New Jersey, Maryland, New York and Ohio. The interconnection facilities are used for substantial capacity and energy interchange and purchased power transactions, as well as emergency assistance. The GPU Energy companies are members of the PJM Power Pool and the Mid-Atlantic Area Council, an organization providing coordinated review of the planning by utilities in the PJM area. The PJM Power Pool has submitted a comprehensive restructuring proposal, which is pending before the FERC. For additional discussion, see Competitive Environment - Recent Regulatory Actions, Management's Discussion and Analysis.

GPU INTERNATIONAL GROUP

The GPU International Group has ownership interests in distribution and supply businesses in England and Australia, ten operating cogeneration plants in the U.S. totaling 895 MW (of which the GPU International Group's equity interest represents 261 MW) of capacity, and eleven operating generating facilities located in foreign countries totaling 2,686 MW (of which the GPU International Group's equity interest represents 546 MW) of capacity. It has also made investments in certain advanced technologies related to the electric power industry.

The GPU International Group is continuing to investigate investment opportunities in various other domestic and foreign power projects and foreign utility systems and has commitments, both domestically and internationally, in five generating facilities under construction totaling 3,172 MW (of which its equity interest represents 816 MW) of capacity.

At December 31, 1996, GPU, Inc.'s aggregate investment in the GPU International Group was $211 million; GPU, Inc. has also guaranteed up to $893 million of GPU International Group obligations. GPU, Inc. has SEC approval to finance investments in foreign utility companies and exempt wholesale generators up to an aggregate amount equal to 50% of GPU's average consolidated retained earnings, or approximately $1 billion. At December 31, 1996, GPU, Inc. had remaining authorization to finance an additional $25 million of such investments. A request to increase this limit to 100% of GPU's average consolidated retained earnings, or to approximately $2 billion at December 31, 1996, is pending before the SEC.

Selected financial data for the GPU International Group is as follows:

	(In Millions) 1996	1995	1994
Total assets	$1,075	$380	$130
Liabilities and capital:			
Common equity	$ 232	$209	$118
Long-term debt	752	104	-
Notes payable	-	2	-
Total capitalization	984	315	118
Minority interest	43	41	-
Other liabilities	48	24	12
Total liabilities and capital	$1,075	$380	$130
Purchase of investments	$ 574	$165	$ 74
Net income/(loss)	$ 24	$ 9	$ (3)

For additional information on the GPU International Group's investments, see GPU International Group Equity Investments, Note 7 to GPU's Consolidated Financial Statements.

With the acquisitions of Midlands in 1996 and Solaris Power (Solaris) in 1995, the GPU International Group now has 50% ownership interests in foreign utility companies having total fixed assets of approximately $1.6 billion. These foreign utility companies, which annually provide about 20 billion kilowatt-hours of electricity to 2.2 million customers in England and 240,000 customers in Australia, had operating revenues of $2.5 billion in 1996.

The Labour Party in the United Kingdom has proposed a windfall tax on privatized utilities and other companies as part of its election campaign platform. General elections in the United Kingdom are required to be held no later than May 1997. If the Labour Party wins the general election, and the tax is enacted as currently proposed, a charge to Midlands' earnings, which is estimated to range from $110 million to $350 million (GPU's 50% share being $55 million to $175 million), would be recorded in 1997, perhaps as early as the second quarter. Due to the fact that (1) the Labour Party may not win the election; (2) the windfall tax may not be enacted as currently proposed; (3) the amount of the proposed tax may change; and (4) the Labour Party may change

its current platform, there is no certainty that this tax, if levied, would be enacted as currently proposed.

In 1996, GPU Power, through a wholly-owned subsidiary, purchased the rights to acquire up to a 40% interest in a venture which plans to construct a 300 MW coal generating plant in the Philippines. GPU Power's equity contribution is expected to be approximately $40 million.

In 1996, GPU International, through a wholly-owned subsidiary, completed nonrecourse construction financing for its 300 MW Mid-Georgia project. As of December 31, 1996, GPU International had aggregate borrowings outstanding for the construction of this project of $62 million, of which $22 million is guaranteed by GPU, Inc.

In 1996, GPU International and Ballard Power Systems of Canada entered into an agreement to develop, manufacture and market stationary fuel cell power plants worldwide. Under the agreement, GPU International will invest approximately $23 million for up to a 19.3% equity interest in the new venture, of which $6 million was invested as of December 31, 1996.

Management expects that the GPU International Group will provide a substantial portion of GPU's future earnings growth and intends on making additional investments in its business activities. The timing and amounts of these investments, however, will depend upon the availability of appropriate opportunities and financing capabilities, including receipt of regulatory authorization from the SEC.

NUCLEAR FACILITIES

The GPU Energy companies have made investments in three major nuclear projects -- Three Mile Island Unit 1 (TMI-1) and Oyster Creek, both of which are operating generation facilities, and Three Mile Island Unit 2 (TMI-2), which was damaged during a 1979 accident. TMI-1 and TMI-2 are jointly owned by JCP&L, Met-Ed and Penelec in the percentages of 25%, 50% and 25%, respectively. Oyster Creek is owned by JCP&L. At December 31, 1996, the GPU Energy companies' net investment, including nuclear fuel, in TMI-1 was $597 million (JCP&L $154 million; Met-Ed $297 million; Penelec $146 million) and $766 million for Oyster Creek. The GPU Energy companies' net investment in TMI-2 at December 31, 1996 was $90 million (JCP&L $81 million; Met-Ed $1 million; Penelec $8 million). JCP&L is collecting revenues for TMI-2 on a basis which provides for the recovery of its remaining investment in the plant by 2008. Met-Ed and Penelec are collecting revenues for TMI-2 related to their wholesale customers.

Costs associated with the operation, maintenance and retirement of nuclear plants have continued to be significant and less predictable than costs associated with other sources of generation, in large part due to changing regulatory requirements, safety standards, availability of nuclear waste disposal facilities and experience gained in the construction and operation of nuclear facilities. The GPU Energy companies may also incur costs and experience reduced output at their nuclear plants because of the prevailing design criteria at the time of construction and the age of the plants' systems and equipment. In addition, for economic or other reasons, operation of these plants for the full term of their operating licenses cannot be assured. Also, not all risks associated with ownership or operation of

nuclear facilities may be adequately insured or insurable. Consequently, the recovery of costs associated with nuclear projects, including replacement power, any unamortized investment at the end of each plant's useful life (whether scheduled or premature), the carrying costs of that investment and retirement costs, is not assured.

TMI-1

The operating license for TMI-1, a 786 MW pressurized water reactor, expires in 2014. TMI-1 operated at a capacity factor of 102.8% for the year. Its next refueling outage is scheduled to begin in September 1997.

Oyster Creek

The operating license for the Oyster Creek station, a 619 MW boiling water reactor, expires in 2009. Oyster Creek operated at a 79.8% capacity factor for 1996. Oyster Creek completed a 49-day scheduled refueling outage on October 23, 1996. Subsequently, the station experienced an automatic reactor shutdown. After the cause of the shutdown was identified, Oyster Creek was returned to service on November 7, 1996. The station's next refueling outage is scheduled to begin in September 1998.

TMI-2

The 1979 TMI-2 accident resulted in significant damage to, and contamination of, the plant and a release of radioactivity to the environment. A cleanup program was completed in 1990, and after receiving NRC approval, TMI-2 entered into long-term monitored storage in 1993.

As a result of the accident and its aftermath, individual claims for alleged personal injury (including claims for punitive damages), which are material in amount, have been asserted against GPU, Inc. and the GPU Energy companies. Approximately 2,100 of such claims were filed in the United States District Court for the Middle District of Pennsylvania. Some of the claims also seek recovery for injuries from alleged emissions of radioactivity before and after the accident.

At the time of the TMI-2 accident, as provided for in the Price-Anderson Act, the GPU Energy companies had (a) primary financial protection in the form of insurance policies with groups of insurance companies providing an aggregate of $140 million of primary coverage, (b) secondary financial protection in the form of private liability insurance under an industry retrospective rating plan providing for up to an aggregate of $335 million in premium charges under such plan, and (c) an indemnity agreement with the NRC for up to $85 million, bringing their total financial protection up to an aggregate of $560 million. Under the secondary level, the GPU Energy companies are subject to a retrospective premium charge of up to $5 million per reactor, or a total of $15 million (JCP&L $7.5 million; Met-Ed $5 million; Penelec $2.5 million).

In October 1995, the U.S. Court of Appeals for the Third Circuit ruled that the Price-Anderson Act provides coverage under its primary and secondary levels for punitive as well as compensatory damages, but that punitive damages could not be recovered against the Federal Government under the third level of financial protection. In so doing, the Court of Appeals referred to the "finite fund" (the $560 million of financial protection under the Price-

Anderson Act) to which plaintiffs must resort to get compensatory as well as punitive damages.

The Court of Appeals also ruled that the standard of care owed by the defendants to a plaintiff was determined by the specific level of radiation which was released into the environment, as measured at the site boundary, rather than as measured at the specific site where the plaintiff was located at the time of the accident (as the defendants proposed). The Court of Appeals also held that each plaintiff still must demonstrate exposure to radiation released during the TMI-2 accident and that such exposure had resulted in injuries. In 1996, the U.S. Supreme Court denied petitions filed by GPU, Inc. and the GPU Energy companies to review the Court of Appeals' rulings.

In June 1996, the District Court granted a motion for summary judgment filed by GPU, Inc. and the GPU Energy companies, and dismissed all of the 2,100 pending claims. The Court ruled that there was no evidence which created a genuine issue of material fact warranting submission of plaintiffs' claims to a jury. The plaintiffs have appealed the District Court's ruling to the Court of Appeals for the Third Circuit. There can be no assurance as to the outcome of this litigation.

Based on the above, GPU, Inc. and the GPU Energy companies believe that any liability to which they might be subject by reason of the TMI-2 accident will not exceed their financial protection under the Price-Anderson Act.

NUCLEAR PLANT RETIREMENT COSTS

Retirement costs for nuclear plants include decommissioning the radiological portions of the plants and the cost of removal of nonradiological structures and materials. The disposal of spent nuclear fuel is covered separately by contracts with the U.S. Department of Energy (DOE). For further information regarding nuclear fuel disposal costs, see Summary of Significant Accounting Policies - Nuclear Fuel Disposal Fee, Note 1 to GPU's Consolidated Financial Statements.

In 1990, the GPU Energy companies submitted a report, in compliance with NRC regulations, setting forth a funding plan (employing the external sinking fund method) for the decommissioning of their nuclear reactors. Under this plan, the GPU Energy companies intend to complete the funding for Oyster Creek and TMI-1 by the end of the plants' license terms, 2009 and 2014, respectively. The TMI-2 funding completion date is 2014, consistent with TMI-2's remaining in long-term storage and being decommissioned at the same time as TMI-1. Based on NRC studies, a comparable funding target was developed for TMI-2 which took the accident into account. Under the NRC regulations, the funding targets (in 1996 dollars) are as follows:

(Millions)	TMI-1	TMI-2	Oyster Creek
JCP&L	$ 43	$ 67	$221
Met-Ed	85	135	-
Penelec	42	68	-
Total	$170	$270	$221

The funding targets, while not considered cost estimates, are reference levels designed to assure that licensees demonstrate adequate financial responsibility for decommissioning. While the NRC regulations address activities related to the removal of the radiological portions of the plants, they do not establish residual radioactivity limits nor do they address costs related to the removal of nonradiological structures and materials.

In 1995, a consultant to GPUN performed site-specific studies of the TMI site, including both Units 1 and 2, and of Oyster Creek, that considered various decommissioning methods and estimated the cost of decommissioning the radiological portions and the cost of removal of the nonradiological portions of each plant, using the prompt removal/dismantlement method. GPUN management has reviewed the methodology and assumptions used in these studies, is in agreement with them, and believes the results are reasonable. The retirement cost estimates under the site-specific studies are as follows (in 1996 dollars):

GPU	TMI-1 (Millions)	TMI-2 (Millions)	Oyster Creek (Millions)
Radiological decommissioning	$311	$378	$366
Nonradiological cost of removal	77	36*	35
Total	$388	$414	$401

* Net of $6.5 million spent as of December 31, 1996.

JCP&L	TMI-1 (Millions)	TMI-2 (Millions)	Oyster Creek (Millions)
Radiological decommissioning	$78	$ 95	$366
Nonradiological cost of removal	19	9*	35
Total	$97	$104	$401

* Net of $1.6 million spent as of December 31, 1996.

Met-Ed	TMI-1 (Millions)	TMI-2 (Millions)
Radiological decommissioning	$155	$189
Nonradiological cost of removal	39	18*
Total	$194	$207

* Net of $3.3 million spent as of December 31, 1996.

Penelec	TMI-1 (Millions)	TMI-2 (Millions)
Radiological decommissioning	$78	$ 94
Nonradiological cost of removal	19	9*
Total	$97	$103

* Net of $1.6 million spent as of December 31, 1996.

The ultimate cost of retiring the GPU Energy companies' nuclear facilities may be different from the cost estimates contained in these site-specific studies. Such costs are subject to (a) the escalation of various cost elements (for reasons including, but not limited to, general inflation), (b) the further development of regulatory requirements governing decommissioning, (c) the technology available at the time of decommissioning, and (d) the availability of nuclear waste disposal facilities.

The GPU Energy companies charge to depreciation expense and accrue retirement costs based on amounts being collected from customers. Currently, the GPU Energy companies are collecting retirement costs which are less than the retirement cost estimates in the 1995 site-specific studies, and they do not intend to increase these accruals until increased collections from customers are obtained. Customer collections are contributed to external trust funds. These deposits, including the related earnings, are classified as Nuclear Decommissioning Trusts on the Balance Sheets. Accounting for retirement costr may change based upon the Financial Accounting Standards Board (FASB) Exposure Draft discussed below.

The FASB has issued an Exposure Draft titled "Accounting for Certain Liabilities Related to Closure or Removal of Long-Lived Assets," which includes nuclear plant retirement costs. If the Exposure Draft is adopted, Oyster Creek and TMI-1 future retirement costs would have to be recognized as a liability immediately, rather than the current industry practice of accruing these costs in accumulated depreciation over the life of the plants. A regulatory asset for amounts probable of recovery through rates would also be established. Any amounts not probable of recovery through rates would have to be charged to expense. For TMI-2, a liability has already been recognized, based on the 1995 site-specific study (in 1996 dollars) since the plant is no longer operating (see TMI-2 under this section). The effective date of this accounting change could be as early as January 1, 1998.

<u>TMI-1 and Oyster Creek</u>:

The NJBPU has granted JCP&L annual revenues for TMI-1 and Oyster Creek retirement costs of $2.5 million and $13.5 million, respectively. These annual revenues are based on both the NRC funding targets for radiological decommissioning costs and a site-specific study which was performed in 1988 for nonradiological costs of removal. A Stipulation of Final Settlement pending before the NJBPU would allow for JCP&L's future collection of retirement costs to increase annually to $5.2 million and $22.5 million for TMI-1 and Oyster Creek, respectively, beginning in 1998, based on the 1995 site-specific study estimates (see Rate Matters - Final Settlement, Management's Discussion and Analysis).

The PaPUC has granted Met-Ed annual revenues for TMI-1 retirement costs of $8.5 million based on both the NRC funding target for radiological decommissioning costs and the 1988 site-specific study for nonradiological costs of removal. The PaPUC also granted Penelec annual revenues of $4.2 million for its share of TMI-1 retirement costs, on a basis consistent with that granted Met-Ed.

The amounts charged to depreciation expense in 1996 and the provisions for the future expenditure of these funds, which have been made in accumulated depreciation, are as follows:

	(Millions)	
	TMI-1	Oyster Creek
Amount expensed in 1996:		
JCP&L	$ 2	$ 13
Met-Ed	9	-
Penelec	4	-
Total	$ 15	$ 13
Accumulated depreciation provision at December 31, 1996:		
JCP&L	$ 30	$174
Met-Ed	50	-
Penelec	21	-
Total	$101	$174

Management believes that any TMI-1 and Oyster Creek retirement costs, in excess of those currently recognized for ratemaking purposes, should be recoverable under the current ratemaking process.

TMI-2:

The estimated liability for TMI-2 future retirement costs (reflected as Three Mile Island Unit 2 Future Costs on the Balance Sheet) as of December 31, 1996 is $431 million (JCP&L $108 million; Met-Ed $215 million; Penelec $108 million). The liability is based upon the 1995 site-specific study estimates (in 1996 dollars) discussed above and an estimate for remaining incremental monitored storage costs of $17 million (JCP&L $4 million; Met-Ed $8 million; Penelec $5 million), as a result of TMI-2's entering long-term monitored storage in 1993. The GPU Energy companies are incurring annual incremental monitored storage costs of approximately $1 million (JCP&L $250 thousand; Met-Ed $500 thousand; Penelec $250 thousand).

Offsetting the $431 million liability at December 31, 1996 is $266 million (JCP&L $45 million; Met-Ed $143 million; Penelec $78 million), which is probable of recovery from customers and included in Three Mile Island Unit 2 Deferred Costs on the Consolidated Balance Sheet, and $181 million (JCP&L $72 million; Met-Ed $78 million; Penelec $31 million) in trust funds for TMI-2 and included in Nuclear Decommissioning Trusts on the Consolidated Balance Sheet. Earnings on trust fund deposits are included in amounts shown on the Consolidated Balance Sheet under Three Mile Island Unit 2 Deferred Costs. TMI-2 decommissioning costs charged to depreciation expense in 1996 amounted to $14 million (JCP&L $3 million; Met-Ed $10 million; Penelec $1 million).

The NJBPU and PaPUC have granted JCP&L and Met-Ed, respectively, TMI-2 decommissioning revenues for the NRC funding target and allowances for the cost of removal of nonradiological structures and materials. In addition, JCP&L is recovering its share of TMI-2's incremental monitored storage costs. The Final Settlement pending before the NJBPU would adjust JCP&L's future revenues for retirement costs based on the 1995 site-specific study estimates, beginning in 1998. Based on Met-Ed's rate order, Penelec has recorded a regulatory asset for that portion of such costs which it believes to be probable of recovery.

At December 31, 1996, the accident-related portion of TMI-2 radiological decommissioning costs is considered to be $67 million (JCP&L $17 million; Met-Ed $34 million; Penelec $16 million), which is the difference between the 1995 TMI-1 and TMI-2 site-specific study estimates (in 1996 dollars). In connection with rate case resolutions at the time, JCP&L, Met-Ed and Penelec made contributions to irrevocable external trusts relating to their shares of the accident-related portions of the decommissioning liability. In 1990, JCP&L contributed $15 million and in 1991, Met-Ed and Penelec contributed $40 million and $20 million, respectively, to irrevocable external trusts. These contributions were not recovered from customers and have been expensed. The GPU Energy companies will not pursue recovery from customers for any of these amounts contributed in excess of the $67 million accident-related portion referred to above.

JCP&L intends to seek recovery for any increases in TMI-2 retirement costs, and Met-Ed and Penelec intend to seek recovery for any increases in the nonaccident-related portion of such costs, but recognize that recovery cannot be assured.

INSURANCE

GPU has insurance (subject to retentions and deductibles) for its operations and facilities including coverage for property damage, liability to employees and third parties, and loss of use and occupancy (primarily incremental replacement power costs). There is no assurance that GPU will maintain all existing insurance coverages. Losses or liabilities that are not completely insured, unless allowed to be recovered through ratemaking, could have a material adverse effect on the financial position of GPU.

The decontamination liability, premature decommissioning and property damage insurance coverage for the TMI station and for Oyster Creek total $2.7 billion per site. In accordance with NRC regulations, these insurance policies generally require that proceeds first be used for stabilization of the reactors and then to pay for decontamination and debris removal expenses. Any remaining amounts available under the policies may then be used for repair and restoration costs and decommissioning costs. Consequently, there can be no assurance that in the event of a nuclear incident, property damage insurance proceeds would be available for the repair and restoration of that station or to retire capital investment.

The Price-Anderson Act limits GPU's liability to third parties for a nuclear incident at one of its sites to approximately $8.9 billion. Coverage for the first $200 million of such liability is provided by private insurance. The remaining coverage, or secondary financial protection, is provided by retrospective premiums payable by all nuclear reactor owners. Under secondary financial protection, a nuclear incident at any licensed nuclear power reactor in the country, including those owned by the GPU Energy companies, could result in assessments of up to $79 million per incident for each of the GPU Energy companies' two operating reactors, subject to an annual maximum payment of $10 million per incident per reactor. In addition to the retrospective premiums payable under Price-Anderson, the GPU Energy companies are also subject to retrospective premium assessments of up to $54 million (JCP&L $32 million; Met-Ed $15 million; Penelec $7 million) in any one year under insurance policies applicable to nuclear operations and facilities.

The GPU Energy companies have insurance coverage for incremental replacement power costs resulting from an accident-related outage at their nuclear plants. Coverage commences after the first 21 weeks of the outage and continues for three years beginning at $1.8 million for Oyster Creek and $2.6 million for TMI-1 per week for the first year, decreasing to 80% of such amounts for years two and three.

NONUTILITY AND OTHER POWER PURCHASES

Pursuant to the requirements of PURPA and state regulatory directives, the GPU Energy companies have entered into power purchase agreements with NUGs for the purchase of energy and capacity for periods of up to 26 years (JCP&L 25 years; Met-Ed 26 years; Penelec 25 years). The following table shows actual payments from 1994 through 1996, and estimated payments from 1997 through 2001.

Payments Under NUG Agreements
(in Millions)

	Total	JCP&L	Met-Ed	Penelec
* 1994	$528	$304	$101	$123
* 1995	670	381	131	158
* 1996	739	370	177	192
1997	672	336	146	190
1998	691	340	152	199
1999	706	344	152	210
2000	804	347	196	261
2001	873	353	225	295

* Actual. The 1996 amounts are reflected in the rates currently being charged by the GPU Energy companies.

While a few of these facilities are dispatchable, most are must-run and generally obligate the GPU Energy companies to purchase, at the contract price, the output up to the contract limits. As of December 31, 1996, facilities covered by these agreements having 1,631 MW (JCP&L 891 MW; Met-Ed 340 MW; Penelec 400 MW) of capacity were in service.

The emerging competitive generation market has created uncertainty regarding the forecasting of the GPU Energy companies' energy supply needs, which has caused the companies to change their supply strategy to seek shorter-term agreements offering more flexibility. The cost of near- to intermediate-term (i.e. one to four years) energy supply from generation facilities now in service is currently and is expected to continue to be priced below the costs of new supply sources, at least for some time. The projected cost of energy from new generation supply sources has also decreased due to improvements in power plant technologies and lower forecasted fuel prices. As a result of these developments, the rates under virtually all of the GPU Energy companies' NUG agreements for facilities currently in operation are substantially in excess of current and projected prices from alternative sources.

The GPU Energy companies are seeking to reduce the above market costs of these NUG agreements by: (1) attempting to convert must-run agreements to

dispatchable agreements; (2) attempting to renegotiate prices of the agreements; (3) offering contract buyouts (see The GPU Energy Companies' Supply Plan - Managing Nonutility Generation, Management's Discussion and Analysis); and (4) initiating proceedings before federal and state agencies, and in the courts, where appropriate. In addition, the GPU Energy companies intend to avoid, to the maximum extent practicable, entering into any new NUG agreements that are not needed or not consistent with current market pricing, and are supporting legislative efforts to repeal PURPA. These efforts have resulted and may result in additional claims against GPU for substantial damages. There can be no assurance as to the extent these efforts will be successful in whole or in part. Recent NUG actions are as follows:

JCP&L entered into an agreement with the developer of the proposed 110 MW Freehold gas-fired cogeneration project that terminates JCP&L's long-term contract to purchase power from the project.

Met-Ed and Penelec entered into restructured power purchase agreements with AES Power Corporation (AES) relating to the proposed Altoona (80 MW), Blue Mountain (150 MW) and York County (227 MW) NUG facilities. AES, which purchased the interests of the original developers, plans to construct a single, fully dispatchable, gas-fired combined-cycle facility in Southeastern Pennsylvania. These restructured power purchase agreements, which have initial eight-year terms, require PaPUC approval.

Penelec entered into a restructured power purchase agreement with the developer of a proposed 80 MW coal-fired cogeneration facility that was to be built in western Pennsylvania. The restructured power purchase agreement provides for a fully dispatchable, gas-fired combined-cycle cogeneration facility to be built. The new power purchase agreement has an initial eight-year term, with options for extension, and is subject to PaPUC approval.

From 1997 through 2002, JCP&L has contracts to purchase between 5,100 GWH and 5,200 GWH of electric generation per year at prices which are estimated to escalate approximately 1.2% annually on a unit cost (cents/KWH) basis during this period. From 2003 through 2008, JCP&L has contracts to purchase between 4,700 GWH and 5,100 GWH of electric generation per year at an average annual cost of $369 million. The prices during this period are estimated to escalate approximately 1.5% annually. After 2008, when major contracts begin to expire, purchases steadily decline to approximately 865 GWH in 2014. The contract unit cost is estimated to escalate approximately 4.0% annually from 2009 through 2014, with a total average annual cost of $193 million during this period. All of JCP&L's contracts will have expired by the end of 2017. During this entire period, the NUG fuel mix averages approximately 95% natural gas.

From 1997 through 1999, Met-Ed has contracts to purchase between 2,000 GWH and 2,100 GWH of electric generation per year at prices which are estimated to escalate approximately 0.6% annually on a unit cost basis during this period. From 2000 through 2008, Met-Ed has contracts to purchase between 2,900 GWH and 4,300 GWH of electric generation per year at an average annual cost of $241 million. The prices during this period are estimated to escalate approximately 2.5% annually on a unit cost basis. From 2009 through 2012, Met-Ed is forecast to purchase between 1,500 GWH and 1,900 GWH of electric generation per year at an average annual cost of $169 million. During this period, the prices are estimated to escalate approximately 3.4% annually on a unit cost basis. After 2012, Met-Ed's remaining contracts expire rapidly

through 2015; thereafter, they remain constant until the expiration of the last contract in 2020. During this entire period, the NUG fuel mix averages approximately 50% to 75% coal/waste coal.

From 1997 through 2000, Penelec has contracts to purchase between 3,000 GWH and 4,000 GWH of electric generation per year at prices which are estimated to escalate approximately 1.4% annually on a unit cost basis during this period. From 2001 through 2008, Penelec has contracts to purchase between 3,900 GWH and 5,000 GWH of electric generation per year at an average annual cost of $297 million. The prices during this period are estimated to escalate approximately 1.5% annually on a unit cost basis. From 2009 through 2017, purchases decline from approximately 3,000 GWH to approximately 1,500 GWH in 2017. The contract unit cost is estimated to escalate approximately 3.4% annually from 2009 through 2017, with a total average annual cost of $211 million during this period. After 2017, Penelec's remaining contracts expire rapidly through 2020. During this entire period, the NUG fuel mix averages approximately 65% to 95% coal/waste coal.

This discussion contains estimates which are based on current knowledge and expectations of the outcome of future events. The estimates are subject to significant uncertainties, including changes in fuel prices, improvements in technology, the changing regulatory environment and the deregulation of the electric utility industry.

The GPU Energy companies have been granted recovery of their NUG costs (including certain buyout costs) from customers by the PaPUC and NJBPU and expect to continue to pursue such recovery. Although the recently enacted legislation in Pennsylvania and the NJEMP in New Jersey both include provisions for the recovery of costs under NUG agreements and certain NUG buyout costs, there can be no assurance that the GPU Energy companies will continue to be able to recover similar costs which may be incurred in the future (see Competitive Environment, Management's Discussion and Analysis).

JCP&L has entered into agreements with other utilities to purchase capacity and energy for various periods through 2004. These agreements will provide for up to 745 MW in 1997, declining to 527 MW in 1999 and 345 MW in 2004. Payments pursuant to these agreements are estimated to be $145 million in 1997, $128 million in 1998, $104 million in 1999, $84 million in 2000, and $99 million in 2001.

In January 1996, JCP&L issued an all-supply source solicitation for the supply of energy and capacity to meet its forecasted needs. In October 1996, four potential suppliers were selected to provide capacity for four years, beginning in June 1999. Contract negotiations are currently in progress to provide for firm and optional purchases of capacity and energy from sources in New Jersey, Pennsylvania and New York.

RATE PROCEEDINGS

Pennsylvania

Pennsylvania adopted comprehensive legislation in 1996 which provides for the restructuring of the electric utility industry (see Recent Developments section). Effective January 1, 1997, transmission and distribution rates charged to Pennsylvania retail customers are generally capped for 4 1/2 years,

and generation rates are generally capped for up to nine years. Met-Ed and Penelec filed, in December 1996, tariff supplements with the PaPUC requesting approval to, among other things, include their currently effective ECR and STAS in base rates, effective for all bills rendered after January 1, 1997. On February 28, 1997, the PaPUC issued a final order approving this request. Since rates that can be charged to customers for generation are capped for up to nine years, Met-Ed's and Penelec's future earnings will be subject to market volatility. Increases or decreases in fuel costs will no longer be subject to deferred accounting and will be reflected in net income as incurred. Met-Ed and Penelec will continue their efforts to manage fuel costs and will mitigate, to the extent possible, any excessive risks. As a result of including their ECRs in base rates and the cessation of deferred energy accounting, both effective January 1, 1997, Met-Ed and Penelec will experience step increases in reported revenues totaling approximately $25 million in the first quarter of 1997.

New Jersey

In 1996, the NJBPU approved a provisional settlement for a combined levelized energy adjustment clause (LEAC) and Demand-Side Factor (DSF) increase of $27.9 million annually.

Also in 1996, JCP&L, the staff of the NJBPU and the Division of Ratepayer Advocate reached an agreement on a variety of pending rate-related issues (Final Settlement). An Administrative Law Judge (ALJ) issued a decision recommending approval of the Final Settlement, but the NJBPU ordered additional evidentiary hearings on the recovery of buyout costs for the Freehold cogeneration project discussed below (see The GPU Energy Companies' Supply Plan - Managing Nonutility Generation, Management's Discussion and Analysis). In December 1996, the ALJ issued a further decision recommending that recovery of the Freehold buyout costs be approved, subject to possible revocation or modification, if it is determined that the project was not viable when it was bought out. On December 31, 1996, an Addendum revising the Final Settlement was agreed upon by JCP&L, the staff of the NJBPU and the Division of Ratepayer Advocate. In January 1997, the NJBPU staff recommended that rate recovery of the Freehold buyout costs be permitted. JCP&L expects the NJBPU to issue an order in the first quarter of 1997 approving the Final Settlement as revised. There can be no assurance as to the outcome of this proceeding.

Provisions of the Final Settlement, as revised by the Addendum, include a further annual increase of $7 million in the LEAC in addition to those noted above and an annual reduction of $11 million in base rates. Base rates would be frozen at that level until the year 2000, and the LEAC rate frozen through the year 1999. JCP&L could seek a LEAC rate increase if the deferred LEAC balance is projected to exceed $40 million, or a base rate increase under certain other conditions, such as a major change in the current regulatory environment. The Final Settlement provides for recovery in base rates, beginning in 1998, of all postretirement benefit costs recorded in accordance with Statement of Financial Accounting Standards No. 106 including amounts previously deferred and an increase in decommissioning expense to reflect the radiological decommissioning and nonradiological removal costs estimated in the 1995 site-specific studies performed for GPUN. Also, included in base rates would be recovery of the remaining investments in the 58 MW Werner Unit 4 and 72 MW Gilbert Unit 3 generating plants, which were retired in 1996.

The Final Settlement also provides for recovery through the LEAC of: (1) buyout costs up to $130 million, and 50% of any costs from $130 million to $140 million, over a seven-year period for the termination of the Freehold power purchase agreement; and (2) $14 million of the $17 million buyout costs, over a two year period, for the termination of the agreement to purchase power from the proposed 200 MW Crown/Vista project. JCP&L wrote-off the remaining $3 million of buyout costs for the Crown/Vista project in the second quarter of 1996.

In addition, the Final Settlement resolves the NJBPU's generic proceeding regarding recovery of capacity costs associated with electric power purchases from NUG projects which the Division of the Ratepayer Advocate claimed to result in a double recovery. JCP&L would not have to refund any amounts previously collected. The Final Settlement provides annual allowances for the recovery of forecasted additions to nuclear plant. The Final Settlement also provides that if JCP&L's return on equity exceeds 12.2%, excluding demand-side management and nuclear performance incentives, the excess would be used to reduce both customer rates and certain regulatory assets.

JCP&L's two operating nuclear units are subject to the NJBPU's annual nuclear performance standard. Operation of these units at an aggregate annual generating capacity factor below 65% or above 75% would trigger a charge or credit based on replacement energy costs. At current cost levels, the maximum annual effect of the performance standard charge at a 40% capacity factor would be approximately $10 million before tax. While a capacity factor below 40% would generate no specific monetary charge, it would require the issue to be brought before the NJBPU for review. The annual measurement period, which begins in March of each year, coincides with that used for the LEAC.

CAPITAL PROGRAMS

General

During 1996, construction expenditures for the GPU Energy companies totaled approximately $404 million (JCP&L $200 million; Met-Ed $77 million; Penelec $115 million; Other $12 million) attributable principally to new customer connections and maintenance and improvement of existing transmission and distribution facilities. In addition, the GPU International Group made investments in 1996 totaling $574 million, primarily to acquire Midlands (see GPU International Group section). Expenditures for maturing obligations totaled $131 million (JCP&L $35 million; Met-Ed $15 million; Penelec $75 million; Other $6 million) in 1996. The GPU Energy companies' principal categories of estimated construction expenditures for 1997 are as follows:

	(In Millions) 1997				
	Total	JCP&L	Met-Ed	Penelec	Other
Generation - Nuclear	$ 35	$ 16	$13	$ 6	$ -
Non-nuclear	45	10	8	27	-
Total Generation	80	26	21	33	-
Transmission & Distribution	275	141	59	75	-
Other	47	18	10	12	7
Total	$402	$185	$90	$120	$ 7

These construction expenditures are expected to be incurred primarily for ongoing system development. Construction expenditures for the GPU Energy companies are estimated to be $391 million in 1998 (JCP&L $168 million; Met-Ed $98 million; Penelec $118 million; Other $7 million). Expenditures for maturing obligations will total $179 million for 1997 (JCP&L $110 million; Met-Ed $40 million; Penelec $26 million; Other $3 million) and $139 million for 1998 (JCP&L $12 million; Penelec $30 million; Other $97 million). In addition, during 1997 and 1998, and subject to the receipt of regulatory approval, GPU, Inc. will make capital contributions and provide credit support (in amounts which may be substantial) to the GPU International Group as investment opportunities arise.

GPU and the GPU Energy companies estimate that a substantial portion of their anticipated total capital needs in 1997 and 1998 will be satisfied through internally generated funds. The GPU Energy companies expect to finance the remainder of their capital needs principally through the issuance of long-term debt, subject to market conditions. In addition, further significant investments by the GPU International Group, or otherwise, may require GPU, Inc. to issue additional debt and/or common stock.

The GPU Energy companies' bond indentures and articles of incorporation include provisions that limit the amount of long-term debt, preferred stock and short-term debt the companies may issue (see Limitations on Issuing Additional Securities section).

The GPU Energy companies' 1996 construction expenditures exclude nuclear fuel additions provided under capital leases that amounted to $35 million (JCP&L $33 million; Met-Ed $1 million; Penelec $1 million). When consumed, the presently leased material, which amounted to $139 million (JCP&L $95 million; Met-Ed $29 million; Penelec $15 million) at December 31, 1996, is expected to be replaced by additional leased material at an average annual rate (which is based on two full operating cycles, or four years) of between $35 million and $50 million (JCP&L $20 million - $25 million; Met-Ed $10 million - $15 million; Penelec $5 million - $10 million). In the event the needed nuclear fuel cannot be leased, the associated capital requirements would have to be met by other means.

In light of retail access legislation enacted in Pennsylvania and proposed in New Jersey, the extent to which competition will affect the GPU Energy companies' supply plan remains uncertain. Over the next five years, the GPU Energy companies' existing franchise service territories are expected to experience an average annual growth in sales of about 1.7% (JCP&L 1.7%; Met-Ed 1.9%; Penelec 1.7%), principally due to continued economic growth and a slight increase in the number of customers. The GPU Energy companies intend to provide for these increased energy needs, if necessary, through a mix of economic supply sources and will continue to evaluate additional economic purchase opportunities as both demand and supply market conditions evolve.

In response to this competitive climate in which it is likely a major portion of the GPU Energy companies' existing customer base will be able to choose their electric generation supplier, and the surplus capacity position of nearby utilities, the GPU Energy companies' supply plan focuses increasingly on short- to intermediate-term commitments, reliance on "spot" market purchases, and avoidance of long-term firm commitments. The GPU Energy companies' present strategy includes minimizing the financial exposure associated with new long-term purchase commitments and the construction of new

facilities by evaluating these options in terms of an unregulated power market. As part of this strategy, the GPU Energy companies are continually evaluating the future financial viability of their nuclear and fossil generation assets and will retire or otherwise dispose of plants that become uneconomical. The GPU Energy companies intend to take necessary actions to avoid adding new capacity which would result in costs that may exceed future market prices. In addition, the GPU Energy companies intend to continue to seek regulatory support to renegotiate or buy out contracts with NUGs where the pricing is in excess of projected market prices.

FINANCING ARRANGEMENTS

GPU, Inc. has received SEC approval to issue and sell up to $300 million of unsecured debentures through December 31, 2001 and up to seven million shares of additional common stock through 1998. GPU, Inc. has no current plans to issue these securities. Any sale of such securities will, among other things, depend upon future capital requirements and market conditions.

GPU has $527 million of credit facilities, including two Revolving Credit Agreements, as discussed below.

Under a Credit Agreement between GPU, Inc., the GPU Energy companies and a consortium of banks, total borrowings are limited to $250 million outstanding at any time and are subject to various covenants and acceleration under certain circumstances. The agreement expires May 6, 2001, and a commitment fee on the unborrowed amount of 1/8 of 1% is payable annually. Borrowing rates and a facility fee are based on the long-term debt ratings of the GPU Energy companies.

GPU International, Inc. has a separate Credit Agreement providing for borrowings (guaranteed by GPU, Inc.) through December 1997 of up to $30 million outstanding at any time, which amount decreases for two years thereafter. Up to $15 million may be borrowed in the form of letters of credit. An annual commitment fee of 3/8 of 1% on unborrowed amounts and a letter of credit fee of 1/2 of 1% are payable by GPU International, Inc.

GPU expects to have short-term debt outstanding from time to time throughout 1997. The peak in short-term debt outstanding typically occurs in the spring, coinciding with normal cash requirements for state revenue tax payments.

As a result of the Pennsylvania restructuring legislation (see Competitive Environment, Management's Discussion and Analysis), Met-Ed and Penelec each plan to sell transition bonds through a separate trust or other similar entity, with maturities of up to 10 years. Met-Ed and Penelec would use the proceeds from such sale to reduce capitalization and further mitigate stranded costs resulting from customer choice. The timing and amount of the sale of transition bonds will depend upon PaPUC approval of restructuring plans, as well as market conditions.

The GPU Energy companies have regulatory authority to issue and sell first mortgage bonds (FMBs), including secured medium-term notes, and preferred stock through various periods into 1997. The GPU Energy companies intend to seek regulatory approval to extend such authorizations through June 1999 for both JCP&L and Penelec, and through December 1999 for Met-Ed. Under

existing authorizations, JCP&L, Met-Ed and Penelec may issue these senior securities in aggregate amounts of $145 million, $190 million and $120 million, respectively, of which up to $100 million for each company may consist of preferred stock. The GPU Energy companies also have regulatory authority to incur short-term debt, a portion of which may be through the issuance of commercial paper.

In 1996, the GPU Energy companies issued an aggregate of $120 million (JCP&L $80 million; Penelec $40 million) principal amount of FMBs. The proceeds were used to repay short-term debt and for other corporate purposes. The GPU Energy companies redeemed $115.7 million (JCP&L $25.7 million; Met-Ed $15 million; Penelec $75 million) principal amount of FMBs with 1996 maturities.

Also in 1996, JCP&L redeemed $20 million stated value of cumulative preferred stock pursuant to mandatory and optional sinking fund provisions. In December 1996, Met-Ed and Penelec repurchased an aggregate of $11.4 million stated value and $20 million stated value, respectively, of cumulative preferred stock through cash tender offers, at a total cost of approximately $7.7 million and $14.4 million, respectively.

In January 1997, JCP&L redeemed an aggregate of $54.2 million principal amount of FMBs, of which $24.2 million were redeemed prior to maturity.

Present plans call for the GPU Energy companies to issue long-term debt during the next three years to finance construction activities, fund the redemption of maturing senior securities, and depending on interest rates, refinance outstanding senior securities. In addition, subject to the receipt of further regulatory authorization, further significant investments by the GPU International Group, or otherwise, may require GPU, Inc. to issue additional debt and/or common stock (see GPU International Group section).

In 1996, GPU Electric, through its wholly-owned subsidiary EI UK, entered into a five-year term loan agreement with a syndicate of banks which provides for borrowings of up to £350 million, which are guaranteed by GPU, Inc. As of December 31, 1996, EI UK had aggregate borrowings outstanding under this facility of £342 million, or approximately U.S. $586 million. The proceeds from these borrowings were used by EI UK to fund its equity investment in Midlands.

Also in 1996, GPU International, through a wholly-owned subsidiary, completed nonrecourse construction financing for its 300 MW Mid-Georgia project. As of December 31, 1996, aggregate borrowings outstanding for the construction of this project amounted to $62 million, of which $22 million has been guaranteed by GPU, Inc.

LIMITATIONS ON ISSUING ADDITIONAL SECURITIES

The GPU Energy companies' FMB indentures and/or charters contain provisions which limit the total amount of securities evidencing secured indebtedness and/or unsecured indebtedness which the GPU Energy companies may issue, the more restrictive of which are discussed below.

The GPU Energy companies' FMB indentures require that, for a period of any twelve consecutive months out of the fifteen calendar months immediately preceding the issuance of additional FMBs, net earnings (before income taxes, with other income limited to 5% of operating income before income taxes for JCP&L and Met-Ed and 10% for Penelec) available for interest on FMBs shall have been at least twice the annual interest requirements on all FMBs to be outstanding immediately after such issuance. Moreover, the GPU Energy companies' FMB indentures restrict the ratio of the principal amount of FMBs which may be issued to not more than 60% of available bondable value of property additions. In addition, the indentures, in general, permit the GPU Energy companies to issue additional FMBs against a like principal amount of previously issued and retired FMBs.

At December 31, 1996, the net earnings requirement under the GPU Energy companies' FMB indentures, as described above, would have permitted JCP&L, Met-Ed and Penelec to issue $1.1 billion, $606 million and $556 million, respectively, principal amount of additional FMBs at an assumed 8% interest rate. However, the GPU Energy companies had bondable value of property additions sufficient to permit JCP&L, Met-Ed and Penelec to issue only approximately $361 million, $377 million and $257 million, respectively, principal amount of additional FMBs. In addition, the GPU Energy companies' FMB indentures would have permitted JCP&L, Met-Ed and Penelec to issue approximately $261 million, $60 million and $142 million, respectively, of FMBs against retired FMBs.

Among other restrictions, the GPU Energy companies' charters provide that without the consent of the holders of two-thirds of the outstanding preferred stock, no additional shares of preferred stock may be issued unless, for a period of any twelve consecutive months out of the fifteen calendar months immediately preceding such issuance, the after-tax net earnings available for the payment of interest on indebtedness shall have been at least one and one-half times the aggregate of (a) the annual interest charges on indebtedness and (b) the annual dividend requirements on all shares of preferred stock to be outstanding immediately after such issuance. At December 31, 1996, these provisions would have permitted JCP&L, Met-Ed and Penelec to issue $852 million, $419 million and $391 million, respectively, stated value of cumulative preferred stock at an assumed 7.5% dividend rate.

The GPU Energy companies' charters also provide that, without the consent of the holders of a majority of the total voting power of the GPU Energy companies' outstanding preferred stock, the GPU Energy companies may not issue or assume any securities representing short-term unsecured indebtedness, except to refund certain outstanding unsecured securities issued or assumed by the GPU Energy companies or to redeem all outstanding preferred stock, if immediately thereafter the total principal amount of all outstanding unsecured debt securities having an initial maturity of less than ten years (or within three years of maturity for all unsecured indebtedness having original maturities in excess of 10 years) would exceed 10% of the aggregate of (a) the total principal amount of all outstanding secured indebtedness issued or assumed by the GPU Energy companies and (b) the capital and surplus of the GPU Energy companies. At December 31, 1996, these restrictions would have permitted JCP&L, Met-Ed and Penelec to have approximately $292 million, $130 million and $145 million, respectively, of unsecured indebtedness outstanding.

The GPU Energy companies have obtained authorization from the SEC to incur short-term debt (including indebtedness under the Credit Agreement and commercial paper) up to the GPU Energy companies' charter limitations.

REGULATION

As a registered holding company, GPU, Inc. is subject to regulation by the SEC under the 1935 Act. GPU is also subject to regulation under the 1935 Act with respect to accounting, the issuance of securities, the acquisition and sale of utility assets, securities or any other interest in any business, the entering into, and performance of, service, sales and construction contracts, and certain other matters. The SEC has determined that the electric facilities of the GPU Energy companies constitute a single integrated public utility system under the standards of the 1935 Act. The 1935 Act also limits the extent to which GPU may engage in nonutility businesses (see Other Developments and GPU Initiatives section). Each of the GPU Energy companies' retail rates, conditions of service, issuance of securities and other matters are subject to regulation in the state in which each operates - in New Jersey by the NJBPU and in Pennsylvania by the PaPUC. Additionally, Penelec, as lessee, operates the facilities serving the village of Waverly, New York. Penelec's retail rates for New York customers, as well as Penelec's New York operations and property, are subject to regulation by the New York Public Service Commission. Although Penelec does not render electric service in Maryland, the Public Service Commission of Maryland has jurisdiction over the portion of Penelec's property located in that state. Moreover, with respect to wholesale rates, the transmission of electric energy, accounting, the construction and maintenance of hydroelectric projects and certain other matters, the GPU Energy companies are subject to regulation by the FERC under the Federal Power Act. The NRC regulates the construction, ownership and operation of nuclear generating stations and other related matters. JCP&L is also subject, in certain respects, to regulation by the PaPUC in connection with its participation in the ownership and operation of certain facilities located in Pennsylvania. See Electric Generation and the Environment - Environmental Matters section, for additional information.

Midlands, the GPU International Group's electric distribution subsidiary in England, is subject to regulation by the Office of Electricity Regulation. Midlands' network charges are subject to regulatory review every five years, with the results of the next review scheduled for release on April 1, 2000. The supply business franchise license currently relates only to customers having an annual maximum demand of less than 100 KW. Customers with a higher maximum demand are able to buy their electricity from any electricity supplier. This option will be extended to cover all customers effective April 1, 1998.

Solaris, the GPU International Group's electric distribution subsidiary in Australia, is subject to regulation by the Office of the Regulator General. Solaris' network and connection charges are subject to regulatory review every five years, with the next review scheduled for January 1, 2000. In addition, Solaris' franchise license becomes nonexclusive in stages through the year 2001, at which time all customers will be permitted to choose their source of electric supply.

Empresa Guaracachi S.A., the GPU International Group's electric generation subsidiary in Bolivia, is subject to regulation under the

Electricity Law of 1994. Twice each year, the Superintendency of Electricity recalculates the prices that Empresa Guaracachi S.A. and other electric generators may charge for capacity based upon an estimated cost of constructing a new generating unit. In addition, energy prices are recalculated semi-annually based upon a projected cost of generation, including fuel and nonfuel variable operation and maintenance costs.

ELECTRIC GENERATION AND THE ENVIRONMENT

Fuel

The GPU Energy companies utilized fuels in the generation of electric energy during 1996 in approximately the following percentages:

1996 Actuals

	Total	JCP&L	Met-Ed	Penelec
Coal	60%	24%	56%	86%
Nuclear	38%	70%	42%	13%
Gas	1%	4%	-	-
Oil	1%	4%	1%	-
Other*	-	(2)%	1%	1%

* Represents hydro and pumped storage (which is a net user of electricity).

Approximately 40% (JCP&L 58%; Met-Ed 34%; Penelec 29%) of the GPU Energy companies' total energy requirements in 1996 was supplied by purchases and interchange from other utilities and NUGs. For 1997, the GPU Energy companies estimate that their use of fuels in the generation of electric energy will be in the following percentages:

1997 Estimates

	Total	JCP&L	Met-Ed	Penelec
Coal	64%	24%	63%	90%
Nuclear	33%	71%	33%	10%
Gas	3%	10%	2%	-
Oil	-	-	-	-
Other*	-	(5)%	2%	-

* Represents hydro and pumped storage.

Approximately 40% (JCP&L 59%; Met-Ed 37%; Penelec 26%) of the GPU Energy companies' 1997 energy requirements are expected to be supplied by purchases and interchange from other utilities and NUGs.

Fossil: The GPU Energy companies have entered into long-term contracts with nonaffiliated mining companies for the purchase of coal for certain generating stations in which they have ownership interests (JCP&L - 16.67% ownership interest in Keystone; Met-Ed - 16.45% ownership interest in Conemaugh; and Penelec - 50% ownership interest in Homer City). The contracts, which expire between 1997 and 2004, require the purchase of either fixed or minimum amounts of coal. The price of the coal under the contracts

is based on adjustments of indexed cost components. One of Penelec's contracts for Homer City also includes a provision for the payment of postretirement benefits costs. The GPU Energy companies' share of the cost of coal purchased under these agreements is expected to aggregate $133 million (JCP&L $23 million; Met-Ed $29 million; Penelec $81 million) for 1997.

The GPU Energy companies' coal-fired generating stations now in service are estimated to require an aggregate of 155 million tons (JCP&L 15 million tons; Met-Ed 41 million tons; Penelec 99 million tons) of coal over the next twenty years. Of this total requirement, approximately 8 million tons (JCP&L 3 million tons; Penelec 5 million tons) are expected to be supplied by nonaffiliated mine-mouth coal companies with the balance supplied through short- and long-term contracts and spot market purchases.

At the present time, adequate supplies of fossil fuels are readily available to the GPU Energy companies, but this situation could change rapidly as a result of actions over which they have no control.

Nuclear: The preparation of nuclear fuel for generating station use involves various manufacturing stages for which GPU contracts separately. Stage I involves the mining and milling of uranium ores to produce natural uranium concentrates. Stage II provides for the chemical conversion of the natural uranium concentrates into uranium hexafluoride. Stage III involves the process of enrichment to produce enriched uranium hexafluoride from the natural uranium hexafluoride. Stage IV provides for the fabrication of the enriched uranium hexafluoride into nuclear fuel assemblies for use in the reactor core at the nuclear generating station.

In accordance with the Nuclear Waste Policy Act of 1982 (NWPA), the GPU Energy companies have entered into contracts with, and have been paying fees to, the DOE for the future disposal of spent nuclear fuel in a repository or interim storage facility. In December 1996, the DOE notified the GPU Energy companies and other standard contract holders that it will be unable to begin acceptance of spent nuclear fuel for disposal by 1998, as mandated by the NWPA. The DOE has requested recommendations for handling the delay. In January 1997, the GPU Energy companies, along with other electric utilities and state agencies, petitioned the U.S. Court of Appeals to, among other things, permit utilities to cease payments into the Federal Nuclear Waste Fund until the DOE complies with the NWPA. The DOE's inability to accept spent nuclear fuel by 1998 could have a material impact on GPU's results of operations, as additional costs may be incurred to build and maintain interim on-site storage at Oyster Creek. For TMI-1, under normal operating conditions, there is, with minor planned modifications, sufficient on-site storage capacity to accommodate spent nuclear fuel through the end of its licensed life, while maintaining the ability to remove the entire reactor core.

At Oyster Creek, GPUN completed the construction of an interim spent fuel dry storage facility in 1996. Currently, however, the dry storage facility at Oyster Creek is not operational. The NRC has recently raised certain quality assurance concerns regarding the vendor's quality assurance program and the manufacture of the storage components under this quality assurance program. Based on these concerns, the NRC issued a "Demand for Information" letter to the vendor in late January 1997. This letter requires the vendor to review and evaluate its program and provide a detailed response within 60 days.

In addition, GPUN had planned to use Oyster Creek's existing overhead reactor building crane to remove fuel from the spent fuel pool to the interim storage facility. The NRC has raised a safety concern regarding the use of this crane while the plant is operating, and has requested GPUN to request a license amendment addressing its use. GPUN is currently reviewing the available options for moving spent fuel to the dry storage facility.

If these issues are resolved and the interim spent fuel dry storage facility becomes operational, Oyster Creek would have sufficient on-site storage capacity to accommodate, under normal operating conditions, its spent nuclear fuel through the end of its current licensed life, while maintaining the ability to remove the entire reactor core.

Environmental Matters

GPU is subject to a broad range of federal, state and local environmental and employee health and safety legislation and regulations. In addition, the GPU Energy companies are subject to licensing of hydroelectric projects by the FERC and of nuclear power projects by the NRC. Such licensing and other actions by federal agencies with respect to projects of the GPU Energy companies are also subject to the National Environmental Policy Act.

As a result of existing and proposed legislation and regulations, and ongoing legal proceedings dealing with environmental matters, including but not limited to acid rain, water quality, ambient air quality, global warming, electromagnetic fields, and storage and disposal of hazardous and/or toxic wastes, GPU may be required to incur substantial additional costs to construct new equipment, modify or replace existing and proposed equipment, remediate, decommission or cleanup waste disposal and other sites currently or formerly used by it, including formerly owned manufactured gas plant (MGP) sites, coal mine refuse piles and generation facilities. With regard to electromagnetic fields, GPU may be required to postpone or cancel the installation of, or replace or modify, utility plant, the costs of which could be material. The consequences of environmental issues, which could cause the postponement or cancellation of either the installation or replacement of utility plant, are unknown. GPU believes the costs described above should be recoverable, but recognizes that recovery cannot be assured.

GPU records liabilities (on an undiscounted basis) where it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated, and adjusts these liabilities as required to reflect changes in circumstances. At December 31, 1996, the GPU Energy companies have liabilities recorded on their balance sheets for environmental matters totaling $74 million, as follows:

Company	Site Description	Amount (in millions)
JCP&L	MGP sites	$45
Penelec	Seward station	12
All	Ash disposal sites	9*
JCP&L	Various non-MGP sites	6
Met-Ed/ Penelec	Various other sites	2**
Total		$74

* (JCP&L $1; Met-Ed $2; Penelec $6)

** (Met-Ed $1; Penelec $1)

For further discussion of the liabilities recorded for JCP&L's MGP sites, Penelec's Seward station property and the GPU Energy companies' ash disposal sites, see the Water, Residual Waste and Hazardous/Toxic Wastes sections, respectively.

In 1996, the GPU Energy companies made capital expenditures of approximately $13 million (JCP&L $3 million; Met-Ed $2 million; Penelec $8 million) in response to environmental considerations and have budgeted approximately $14 million (JCP&L $1 million; Met-Ed $2 million; Penelec $11 million) for this purpose in 1997. The incremental annual operating and maintenance costs for such equipment is not expected to be material.

<u>Water</u>: The federal Water Pollution Control Act (Clean Water Act) generally requires, with respect to existing steam electric power plants, the application of the best conventional or practicable pollutant control technology available and compliance with state-established water quality standards. Additionally, water quality-based effluent limits (more stringent than "technology" limits) may be applied to utility waste water discharges based on receiving stream quality. With respect to future plants, the Clean Water Act requires the application of the "best available demonstrated control technology, processes, operating methods or other alternatives."

The U.S. Environmental Protection Agency (EPA) has adopted regulations that establish thermal and other limitations for effluents discharged from both existing and new steam electric generating stations. Standards of performance are developed, and enforcement of effluent limitations is accomplished, through the issuance of discharge permits by the EPA, or states authorized by the EPA, which specify limitations to be applied. Discharge permits are required for all of the GPU Energy companies' steam generating stations. JCP&L has filed an application with the New Jersey Department of Environmental Protection (NJDEP) for a discharge permit for its Yards Creek pumped storage facility. Negotiations are proceeding on this with the NJDEP through a pre-draft review process. In addition, the discharge permits for JCP&L's Sayreville station and Met-Ed's Portland station have expired, but the terms of both have been administratively extended pending action by the NJDEP and Pennsylvania Department of Environmental Protection (PaDEP), respectively. GPU has obtained all other required permits for its generating facilities under the Clean Water Act.

The NJDEP has proposed thermal and other conditions for inclusion in the discharge permit for JCP&L's Sayreville generating station which, among other things, could require JCP&L to install cooling towers and/or modify the water intake/discharge systems at this facility. JCP&L has objected to these conditions and has requested an adjudicatory hearing with respect thereto. Implementation of these permit conditions has been stayed pending action on JCP&L's hearing request, or alternatively, through negotiation during the permit renewal process. JCP&L has made filings with the NJDEP that, JCP&L believes, justify the issuance of a thermal variance to permit the continued use of the present once-through cooling system. Based on the NJDEP's review of these demonstrations, substantial modifications may be required at this station, which may result in material capital expenditures.

The discharge permit for the Oyster Creek station may, among other things, require the installation of a closed-cycle cooling system, such as a cooling tower, to meet New Jersey state water quality-based thermal effluent limitations. Although construction of such a system is not required in order

to meet the EPA's regulations setting effluent limitations for the Oyster Creek station (such regulations would accept the use of the once- through cooling system now in operation at this station), a closed-cycle cooling system may be required in order to comply with the water quality standards imposed by the NJDEP for water quality certification and incorporated in the station's discharge permit. If a cooling tower is required, the capital costs could exceed $150 million. In October 1994, following six years of studies, the NJDEP issued a new Discharge to Surface Water Permit for the Oyster Creek station. The new permit grants JCP&L a variance from the New Jersey Surface Water Quality Standards. The variance allows the continued operation of the existing once-through cooling system without modifications such as cooling towers. The variance is effective through October 1999. The NJDEP could revoke the variance at any time upon failure to comply with the permit conditions.

Pursuant to federal environmental monitoring requirements, Penelec has reported to the PaDEP that contaminants from coal mine refuse piles were identified in storm water run-off at Penelec's Seward station property. The refuse piles have contributed to acid mine drainage to the Conemaugh River. Penelec signed a modified Consent Order (Order), which became effective December 1996, that establishes a schedule for long-term remediation, based on future operating scenarios, including reboilering the station using fluidized bed combustion technology. The Order requires Penelec to submit a groundwater remediation plan by May 31, 1998, and also requires compliance with stormwater discharge limits contained in the Seward station's discharge permit by November 1998, if the station is repowered, or by November 1999, if the station is not repowered. In addition, the Order requires Penelec to perform an aquatic study on the Conemaugh River in order to receive a thermal variance.

Penelec currently estimates that the remediation of the Seward station property will range from $12 million to $25 million and recorded a liability of $12 million at December 31, 1996. These cost estimates are subject to uncertainties based on continuing discussions with the PaDEP as to the method of remediation, the extent of remediation required and available cleanup technologies. Penelec expects recovery of these remediation costs through its restructuring plan to be filed with the PaPUC (see Competitive Environment, Management's Discussion and Analysis), and has orded a corresponding regulatory asset of approximately $12 million a ecember 31, 1996.

In 1993, York Haven Power Company, a wholly-owned subsidiary of Met-Ed, entered into an agreement with various agencies to construct a fish passage facility at the York Haven hydroelectric project by April 2000. This agreement is part of the FERC license. The present estimated installed cost of the facility is $7 million. Construction is expected to begin in 1998.

The GPU Energy companies are also subject to environmental and water diversion requirements adopted by the Delaware River Basin Commission and the Susquehanna River Basin Commission, as administered by those commissions or the PaDEP and the NJDEP.

<u>Nuclear</u>: Reference is made to Nuclear Facilities for information regarding the TMI-2 accident, its aftermath and the GPU Energy companies' other nuclear facilities.

New Jersey and Connecticut have established the Northeast Compact, to construct a low-level radioactive waste (radwaste) disposal facility in New Jersey, which should commence operation by the end of 2003. Currently, the N.J. Low-Level Radwaste Disposal Facility Siting Board is looking for a volunteer community to host the site. GPUN's total share of the cost for developing, constructing, and licensing the facility is estimated to be $58 million, which will be paid through 2002. Through December 1996, GPUN has paid $6 million. As a result, at December 31, 1996, a liability of $52 million is reflected on the Consolidated Balance Sheet. JCP&L is recovering these costs from customers, and a regulatory asset has also been recorded.

Pennsylvania, Delaware, Maryland and West Virginia have established the Appalachian Compact to construct a facility for the disposal of low-level radwaste in those states, including low-level radwaste from TMI-1. To date, pre-construction costs of $33 million, out of an estimated $88 million, have been paid. Eleven nuclear plants have so far shared equally in the pre-construction costs; GPUN has contributed $3 million on behalf of TMI-1. All contributors, including nonutility radwaste producers within the compact that make voluntary contributions, will receive certain credits against surcharges to be paid by all depositors of waste over a ten-year period. The methodology for the allocation of these credits has yet to be determined. In addition, $50 million of estimated construction costs will be funded by an independent contractor and recovered by the contractor through waste disposal fees collected during the first five years of the facility's operation. Delays in the facility's construction could result in additional funding requirements, however.

GPUN is currently shipping low-level radwaste to the Barnwell, South Carolina radwaste disposal site. Operation of the Northeast Compact disposal facility, initially expected to commence by the mid-1990's, is now expected to be delayed until at least the end of 2003. The Appalachian Compact disposal facility, which was scheduled to open in 1999, is now estimated to be operational by 2002. Continuing delays in the completion of these disposal facilities will require GPUN to perform an evaluation of its ability to safely store radwaste beyond these dates.

The GPU Energy companies have provided for future contributions to the Decontamination and Decommissioning Fund for the cleanup of uranium enrichment plants operated by the Federal Government. GPU's total liability at December 31, 1996 amounted to $34 million (JCP&L $22 million; Met-Ed $8 million; Penelec $4 million). The remaining amount recoverable from ratepayers at December 31, 1996 is $36 million (JCP&L $23 million; Met-Ed $9 million; Penelec $4 million).

<u>Air</u>: With respect to air quality, the GPU-owned or operated generating stations are subject to certain state environmental regulations of the NJDEP and the PaDEP. The stations are also subject to certain federal environmental regulations of the EPA. One of the major sets of regulations that governs air quality is the Federal Clean Air Act of 1970 (CAA):

CAA Title I sets National Ambient Air Quality Standards (NAAQS) for certain criteria pollutants. The criteria pollutants are ozone, sulfur dioxide (SO2), nitrogen dioxide, particulate matter, carbon monoxide and lead. In particular, this Title has established the Ozone Transport Region (OTR), which includes 12 northeast states and the District of Columbia, to address the transport of those pollutants leading to non-attainment of the ozone NAAQS

in the Northeast. Ozone control is facilitated by the control of pollutant precursors, which are nitrogen oxide (NOx) and volatile organic compounds (VOCs). Fossil fuel-fired electric generating stations are major sources of NOx emissions. Pennsylvania and New Jersey are part of the OTR, and will be required to control NOx emissions to a level that will provide for the attainment of the ozone standard in the Northeast. As an initial step, major stationary sources of NOx were required to implement Reasonably Available Control Technology (RACT) by May 31, 1995. The PaDEP proposed that RACT be determined on a case-by-case basis and thus could be different for each unit or facility. RACT proposals were prepared and submitted to the PaDEP in 1994. GPU has opted for the installation of low NOx burners or other control technology, and in some cases, limitations on annual operations, in order to achieve the reductions required by the PaDEP RACT regulations. The NJDEP's RACT regulations establish maximum allowable emission rates for utility boilers based on fuel used and boiler type, and on combustion turbines based on fuel used. Existing units are eligible for emissions averaging upon approval of an averaging plan by the NJDEP. JCP&L is in compliance with NJDEP RACT regulations.

A Memorandum of Understanding (MOU) has been signed by the members of the Ozone Transport Commission (OTC). The MOU calls for inner and outer zones, with seasonal NOx emission reductions from 1990 emission levels of 65% and 55%, respectively, by May 1, 1999. JCP&L, Met-Ed and Penelec will spend an estimated $1 million, $9 million and $7 million, respectively, to meet the 1999 reductions set by the OTC. The MOU also calls for a 75% reduction from 1990 emission levels by May 2003. The 2003 limits will not be imposed if a scientific demonstration to be provided by the North American Research Strategy for Tropospheric Ozone (NARSTO) finds that less restrictive limits would be necessary to obtain compliance with the ozone NAAQS. However, there is also the potential that the NARSTO effort may actually recommend more severe reductions than outlined in the MOU. A market-based NOx trading system is proposed to allow for the transfer of excess reductions encouraging alternate compliance strategies.

Under mandatory, routine review of the ozone NAAQS, the EPA proposed new standards in November 1996 that will significantly increase the areas in the country which are not in attainment of the NAAQS. The EPA is soliciting comments on the proposal and must finalize the regulation by June 1997. A timeline for implementation of the new standards calls for attainment designations by June 1999; state implementation plans (SIP) by 2000 and 2002 for attainment and non-attainment areas, respectively; and attainment, with probable extensions, by 2011.

The area around the Warren station has been designated as non-attainment for the SO2 NAAQS. The EPA and the PaDEP have both approved the use of a non-guideline air quality model, which is more representative and less conservative than the EPA guideline model, to evaluate the ambient air quality impacts of the station. This modeling has demonstrated attainment for the area, with no required reduction in Warren station emissions. At Shawville station, the approved use of the same non-guideline model shows attainment of the SO2 NAAQS within current Pennsylvania default SO2 emission limits.

The vicinity of the Chestnut Ridge Energy Complex, which includes the Homer City, Conemaugh, Keystone and Seward stations, is officially designated as being in attainment of the SO2 NAAQS; however, both the EPA and the PaDEP have questioned the area's attainment of this standard. The EPA and the

PaDEP have both approved the use of the same non-guideline model discussed above to evaluate the ambient air quality impacts of these generating stations. This model will also be used in the development of a compliance strategy for all generating stations in the Chestnut Ridge Energy Complex.

Attainment of the SO2 NAAQS has been taken into account as part of the design of the Conemaugh station scrubbers. In addition, Met-Ed has initiated ambient air quality modeling studies for its Portland and Titus Stations, which will take several years to complete. While the results are uncertain, these studies may result in a revised Pennsylvania SIP with source-specific emission limitations in order to attain NAAQS for SO2. If SO2 emissions need to be reduced to meet the new SIP, Met-Ed will reevaluate its options available for Portland and Titus stations.

Based on the results of the studies pursuant to compliance with NAAQS, significant SO2 reductions may be required at one or more of these stations, which could result in significant capital and additional operating expenditures.

Under a court ordered review of the NAAQS for particulate matter, the EPA released proposed new standards in November 1996, which could significantly increase the areas in the country that are not in attainment of the standard. The particulate matter NAAQS impact NOx and SO2 emission sources. It is possible that once attainment status is defined by the EPA and the reductions required under other provisions of the CAA are realized, compliance with the particulate matter NAAQS could require further reductions in NOx and/or SO2 emissions.

Certain other environmental regulations limit the amount of particulate matter emitted into the environment. GPU has installed equipment at its coal-fired generating stations and may find it necessary to either upgrade or install additional equipment at certain of its stations to consistently meet particulate emission requirements. Also, the proposed revision to the particulate matter NAAQS could trigger reduction requirements.

Title III of the CAA deals with emissions of hazardous air pollutants (HAPs). As part of Title III, the EPA is charged with conducting a study to determine if fossil fuel-fired electric steam generating units pose a serious threat to public health due to emissions of HAPs. The study will seek to determine whether regulation of utility sources is appropriate and necessary. If the study results prove, through risk analysis, that regulation is required, a Maximum Achievable Control Technology (MACT) standard will be developed for utility sources. An interim study report was published in October 1996. In general, the study did not find unacceptable health risks from utility sources, but recommended further analysis of long-range transport of HAPs and the impact of mercury emissions. The interim report does not include the EPA's official recommendation as to the necessity of HAP regulation for utilities.

Title IV of the CAA requires substantial reductions to meet a national cap in SO2 emissions beginning in the years 1995 and 2000 (Phases I and II, respectively). As a result, it will be necessary for the GPU Energy companies to install and operate emission control equipment, switch to slightly lower sulfur coal at some of their coal-fired plants, or purchase emission allowances in order to achieve compliance. Title IV also imposes requirements for the installation of NOx controls. To comply with Titles I and IV of the

CAA, the GPU Energy companies expect to spend up to $277 million (JCP&L $46 million; Met-Ed $117 million; Penelec $114 million) for air pollution control equipment by the year 2000, of which approximately $240 million (JCP&L $43 million; Met-Ed $95 million; Penelec $102 million) has been spent as of December 31, 1996 (these amounts include costs to meet the 1999 reductions set by the OTC, as discussed on page 33). The capital costs of equipment are for the installation of flue gas desulfurization systems (scrubbers), low NOx burner technology, selective noncatalytic reduction and particulate removal upgrades. The capital costs of this equipment and the increased operating costs of the affected stations are expected to be recoverable, but recovery is not assured.

Conemaugh, Portland and Shawville stations are Phase I affected units. The second of two scrubbers was completed at the Conemaugh station during 1995, as part of GPU's plans to comply with SO2 emission limitations. For the Portland station, Met-Ed plans to meet its Phase I compliance obligation through the use of SO2 emission allowances, including allowances allocated directly to Portland station by the EPA and excess allowances transferred from the Conemaugh station that result from operation of the scrubbers. The Shawville station will require lower sulfur coal and/or the purchase of emission allowances to meet its Phase I requirements.

GPU's current strategy for Phase II compliance is the use of fuel switching and the purchase of allowances at the Keystone and the Homer City Unit 3 stations, with periodic reviews of the cost effectiveness of the installation of scrubbers. Switching to lower sulfur coal and/or the purchasing of allowances is currently planned for the Titus, Seward, Portland, Shawville and Warren stations as well. Homer City units 1 and 2 will use existing coal cleaning technology and the purchase of allowances. Additional control modifications are not expected to be necessary for Phase II compliance at the Conemaugh and Sayreville Stations.

Title IV of the CAA also requires Phase I and Phase II affected units to install a continuous emission monitoring system (CEMS) and provide quality assurance for the data related to SO2, NOx, opacity and volumetric flow. In addition, Title VIII of the CAA requires all affected sources to monitor carbon dioxide emissions. Monitoring systems have been installed and certified on JCP&L, Met-Ed and Penelec's Phase I and Phase II affected units as required by EPA, NJDEP and PaDEP regulations.

The PaDEP has a CEMS enforcement policy to ensure consistent compliance with air quality regulations under federal and state statutes. The CEMS enforcement policy includes matters such as visible emissions, SO2 emission standards, NOx emissions and a requirement to maintain certified CEMS equipment. In addition, this policy provides a mechanism for the payment of certain prescribed amounts to the Pennsylvania Clean Air Fund (Clean Air Fund) for air pollutant emission excess or monitoring failures. With respect to the operation of Met-Ed and Penelec's generating stations, it is not anticipated that payments to be made to the Clean Air Fund due to CEM penalties will be material in amount. The CAA has also expanded the enforcement options available to the EPA and the states and contains more stringent enforcement provisions and penalties. Moreover, citizen suits can seek civil penalties for violations of this act.

CAA Title V required that comprehensive permit applications be submitted by major stationary sources to the permitting authorities in 1995. Title V may dramatically increase the level of effort required to track compliance and tabulate emissions of the numerous processes regulated by the new permits once issued. The states' Title V program also established new emission fee structures. In 1996, the Pennsylvania stations paid $1.5 million in emissions fees, and the New Jersey fees totaled approximately $55,000. Emission fees are based on the level of actual emissions and are assessed on a per ton basis.

GPU continues to reassess its options for compliance with the CAA, including those that may result from the continued development of the emission trading allowance market. GPU's compliance strategy, especially with respect to Phase II, could change as a result of further review, discussions with co-owners of jointly owned stations and changes in federal and state regulatory requirements.

In the fall of 1993, the Clinton Administration announced its Climate Change Action Plan (Plan), intended to reduce greenhouse gas emissions to 1990 levels by the year 2000. The Plan relies heavily on voluntary action by industry. GPU has joined approximately 630 other electric utility companies which have signed accords or are otherwise cooperating with the DOE under the Climate Challenge Program, which is the electric utility's response to the Plan. GPU's greenhouse gas management program is expected to reduce, sequester, or avoid the equivalent of eight million tons of carbon dioxide emissions between 1995 and 2000.

In 1995, as a result of the United Nations Framework Convention on Climate Change, over 160 countries began a negotiating process to produce a document which would address the reduction of greenhouse gas emissions after the year 2000. The U.S. State Department supports the negotiations and calls for all developed nations to commit to emission reductions. The State Department also supports global emissions credit banking and trading similar to the domestic SO2 allowance trading program.

Electromagnetic Fields: There have been a number of studies regarding the possibility of adverse health effects from electric and power frequency magnetic fields that are found everywhere there is electricity. While some of the studies have indicated some association between exposure to magnetic fields and cancer, other studies have indicated no such association. The studies have not shown any causal relationship between exposure to magnetic fields and cancer, or any other adverse health effects. In 1990, the EPA issued a draft report that identifies magnetic fields as a possible carcinogen, although it acknowledged that there is still scientific uncertainty surrounding these fields and their possible link to adverse health effects. On the other hand, a 1992 White House Office of Science and Technology policy report states that "there is no convincing evidence in the published literature to support the contention that exposures to extremely low frequency electric and magnetic fields generated by sources such as household appliances, video display terminals, and local power lines are demonstrable health hazards." In 1994, results of a large-scale epidemiology study of electric utility workers suggested a statistical relationship between brain cancer and the class of workers who received the highest exposure. These findings conflicted with two earlier large-scale studies that found no such relationship. In 1996, the National Research Council of the National Academy of Sciences released a report which concluded that, "Based on a comprehensive

evaluation of published studies relating to the effects of power-frequency electric and magnetic fields on cells, tissues and organisms (including humans), ... the current body of evidence does not show that exposure to these fields presents a human-health hazard. Specifically, no conclusive and consistent evidence shows that exposures to residential electric and magnetic fields produce cancer, adverse neurobehavioral effects, or reproductive and developmental effects." Additional studies, which may foster a better understanding of the subject, are presently underway.

Certain parties have alleged that exposure to electric and magnetic fields associated with the operation of transmission and distribution facilities will produce adverse impacts upon public health and safety and upon property values. Furthermore, regulatory actions under consideration by the NJDEP and bills introduced in the Pennsylvania legislature could, if enacted, establish a framework under which the intensity of the fields produced by electric transmission and distribution lines would be limited or otherwise regulated.

The GPU Energy companies cannot determine at this time what effect, if any, this matter will have on their respective results of operations and financial position.

Residual Waste: PaDEP regulations governing ash disposal sites require, among other things, groundwater assessments of landfills if existing groundwater monitoring indicates the possibility of degradation. The assessments could require the installation of additional monitoring wells and the evaluation of one year's data. If the assessments show degradation of the groundwater, Penelec and Met-Ed would be required to develop abatement plans, which may include the lining of currently unlined facilities. To date, Penelec has not identified any cases requiring abatement. Although Met-Ed's Titus station ash disposal site was upgraded in 1991 and meets many of the lined facility requirements, degradation has been identified at the site. In 1996, Met-Ed filed an abatement plan with the PaDEP in conjunction with its re-permitting application (see discussion below), which states that the problem will be abated once the station is closed and projected site closure procedures have been performed. Approval of the plan by the PaDEP is pending. Also, Met-Ed's Portland station ash disposal site requires significant modifications. Various alternatives for upgrading the site are being evaluated, including beneficial uses of coal ash.

The GPU Energy companies are required to submit applications for re-permitting seven (JCP&L- one; Met-Ed- three; Penelec- three) operating ash disposal sites to the PaDEP by July 1997, including projected site closure procedures and related cost estimates. Applications have been filed with the PaDEP for five (JCP&L- one; Met-Ed- two; Penelec- two) of these sites. The cost estimates for the closure of these five sites range from approximately $9 million to $14 million (JCP&L $1 million; Met-Ed $2 million to $4 million; Penelec $6 million to $9 million), and a liability of $9 million (JCP&L $1 million; Met-Ed $2 million; Penelec $6 million) is reflected on the Consolidated Balance Sheet at December 31, 1996. JCP&L's share of these costs, which results from its 16.67% ownership interest in the Keystone station, has been deferred based on past rate recovery precedent, and Penelec and Met-Ed expect recovery through their restructuring plans to be filed with the PaPUC (see Competitive Environment, Management's Discussion and Analysis). As a result, a regulatory asset of $9 million (JCP&L $1 million; Met-Ed $2

million; Penelec $6 million) is reflected on the Consolidated Balance Sheet at December 31, 1996.

Other PaDEP residual waste compliance requirements involve storage impoundments, which also will eventually require groundwater monitoring systems and potential assessments of impact on groundwater. Groundwater abatement may be necessary at locations where pollution problems are identified. The removal of all the residual waste ("clean closure") will be done at some impoundments to eliminate the need for future monitoring and abatement requirements. Storage impoundments must have implemented groundwater monitoring plans by 2002, but the PaDEP can require this at any time prior to this date or, at its discretion, defer full compliance beyond 2002 for some storage impoundments.

Preliminary groundwater assessment plans have been conducted at Met-Ed's Portland and Titus stations' industrial waste treatment impoundments. The Portland station impoundments were upgraded in 1987 and meet the requirements for lined impoundments. The station's assessment plan is pending with the PaDEP. Additional data will be collected and evaluated to determine if abatement will be required. Although new groundwater monitoring wells were installed at the Titus station, the station impoundments will require significant modifications by 2002.

There are also a number of issues still to be resolved regarding certain waivers related to Penelec's existing landfill and storage impoundment compliance requirements. These waivers could significantly reduce the cost of many of Penelec's facility compliance upgrades.

Hazardous/Toxic Wastes: Under the Toxic Substances Control Act (TSCA), the EPA has adopted certain regulations governing the use, storage, testing, inspection and disposal of electrical equipment that contains polychlorinated biphenyls (PCBs). Such regulations permit the continued use and servicing of certain electrical equipment (including transformers and capacitors) that contain PCBs. GPU has met all requirements of the TSCA necessary to allow the continued use of equipment containing PCBs and has taken substantive voluntary actions to reduce the amount of PCB-containing electrical equipment.

Prior to 1953, the GPU Energy companies owned and operated MGP sites in New Jersey and Pennsylvania. Waste contamination associated with the operation and dismantlement of these MGP sites is, or may be, present both on-site and off-site. Claims have been asserted against the GPU Energy companies for the cost of investigation and remediation of these sites. The amount of such remediation costs and penalties may be significant and may not be covered by insurance. To date, JCP&L has identified 17 former MGP sites and two off-site properties where MGP waste may have been sent. JCP&L has entered into cost sharing agreements with New Jersey Natural Gas Company and Elizabethtown Gas Company, under which JCP&L is responsible for 60% of all costs incurred in connection with the remediation of 12 of these sites. In addition, JCP&L has entered into Administrative Consent Orders (ACOs) with the NJDEP for seven of these sites and has entered into Memoranda of Agreement (MOAs) with the NJDEP for eight of these sites. JCP&L anticipates entering into MOAs for the remaining sites. The ACOs specify the agreed upon obligations of both JCP&L and the NJDEP for remediation of the sites. The MOAs afford JCP&L greater flexibility in the schedule for investigation and remediation of the sites.

As of December 31, 1996, JCP&L has spent approximately $23 million in connection with the cleanup of these sites. In addition, JCP&L has recorded an estimated environmental liability of $45 million relating to expected future costs of these sites, including the two off-site properties. This estimated liability is based upon ongoing site investigations and remediation efforts, which generally involve capping the sites and pumping and treatment of ground water. Moreover, the cost to clean up these sites could be materially in excess of $45 million due to significant uncertainties, including changes in acceptable remediation methods and technologies.

JCP&L defers these remediation expenditures and accrues interest as previously authorized by the NJBPU, and will continue to defer estimated future remediation costs. JCP&L has requested the establishment of an adjustment clause for the recovery of future remediation costs in its Remediation Adjustment Clause (RAC) filing, which is currently under NJBPU review. The Final Settlement pending before the NJBPU would allow JCP&L to continue its accounting treatment for remediation costs and would also provide for the RAC proceeding to remain open for future review.

JCP&L is pursuing reimbursement from its insurance carriers for remediation costs already spent and for future estimated costs. In 1994, JCP&L filed a complaint with the Superior Court of New Jersey against several of its insurance carriers, relative to these MGP sites. Pretrial discovery has begun in this case.

The Federal Resource Conservation and Recovery Act of 1976, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) and the Superfund Amendment and Reauthorization Act of 1986 authorize the EPA to issue an order compelling responsible parties to take cleanup action at any location that is determined to present an imminent and substantial danger to the public or to the environment because of an actual or threatened release of one or more hazardous substances. Pennsylvania and New Jersey have enacted legislation giving similar authority to the PaDEP and the NJDEP, respectively. Because of the nature of the GPU Energy companies' business, various by-products and substances are produced and/or handled that are classified as hazardous under one or more of these statutes. GPU generally provides for the treatment, disposal or recycling of such substances through licensed independent contractors, but these statutory provisions also impose potential responsibility for certain cleanup costs on the generators of the wastes. GPU has been formally notified by the EPA and state environmental authorities that it is among the potentially responsible parties (PRPs) who may be jointly and severally liable to pay for the costs associated with the investigation and remediation at hazardous and/or toxic waste sites in the following number of instances (in some cases, more than one company is named for a given site):

JCP&L	MET-ED	PENELEC	GPUN	GPU, INC.	TOTAL
5	4	2	1	1	10

In addition, certain of the GPU companies have been requested to voluntarily participate in the remediation or supply information to the EPA and state environmental authorities on several other sites for which they have not yet been formally named as PRPs, although the EPA and state authorities may nevertheless consider them as PRPs. Certain of the GPU companies have also been named in lawsuits requesting damages for hazardous and/or toxic

substances allegedly released into the environment. A discussion of five PRP sites, where it is probable that a loss has been incurred, follows:

JCP&L, Met-Ed and GPUN are among the more than 800 PRPs under CERCLA who may be liable to pay for costs associated with the investigation and remediation of the Maxey Flats disposal site, located in Fleming County, Kentucky. A negotiated settlement among all parties has been finalized and cleanup efforts have begun. The interim remediation work is estimated to cost $63 million, for which all responsible parties will be jointly and severally liable. The estimated allocation, which is based upon a percentage of the total volume of waste believed shipped to the site, is JCP&L $1.1 million, Met-Ed $400 thousand and GPUN $150 thousand. A liability is reflected on the Consolidated Balance Sheet accordingly.

JCP&L has been named as a PRP by the NJDEP for allegedly disposing of hazardous waste at the Global Landfill, a dump site located in New Jersey. JCP&L signed a Consent Decree, along with about 50 other PRPs, to investigate the site and conduct site remediation. The current estimated cost of the remediation is $33 million. A final allocation of JCP&L's share has not yet been made. However, JCP&L's interim estimated allocation is $500,000. The extent of the future liability beyond the $500,000 cannot be estimated at this time. At December 31, 1996, JCP&L has recorded a liability of $500,000.

Met-Ed received a PRP notice from the PaDEP asserting that it had disposed of hazardous waste at the Industrial Solvents & Chemical Company site, a former solvents recycler. This site is being remediated under the Pennsylvania Hazardous Sites Cleanup Act. Met-Ed has made immaterial payments to the PRP group for the water line installation and the removal of tanks, drums and other materials at the site. A groundwater study to determine the extent of ground water contamination was completed in 1996 and has been submitted to the PaDEP. A feasibility study will be conducted later in 1997 to determine the extent of additional remediation needed. Met-Ed cannot reasonably estimate its remaining liability until the feasibility study results are available and the PaDEP selects a remedy for ground water contamination.

Penelec is part of a group of 10 PRPs who have entered into a Consent Decree with Pennsylvania and a settlement with the EPA to pay for costs associated with the remediation of a dump site located in Mill Creek Township near Erie, Pennsylvania. Penelec has paid approximately $114,000 in costs for the settlement with Pennsylvania and $600,000 in costs for the settlement with the EPA. Penelec's share of the remaining costs for the site is estimated to be $500,000 (including costs to cap the site), for which a liability has been recorded at December 31, 1996.

Penelec has been named as a PRP by the EPA, along with over 1,000 other PRPs, for allegedly disposing of hazardous materials at the Jack's Creek/Sitken site, a former metals recycling and smelting operation in Mifflin County, Pennsylvania. Penelec has joined a PRP group, which is exploring a settlement with the EPA, but cannot predict the ultimate outcome of the negotiations.

The ultimate cost of remediation of these and other hazardous waste sites will depend upon changing circumstances as site investigations continue, including (a) the existing technology required for site cleanup, (b) the remedial action plan chosen and (c) the extent of site contamination and the

portion attributed to the GPU companies involved. GPU and the GPU Energy companies are unable to estimate the extent of possible remediation and associated costs of additional environmental matters.

FRANCHISES AND CONCESSIONS

JCP&L operates pursuant to franchises in the territory served by it and has the right to occupy and use the public streets and ways of the state with its poles, wires and equipment upon obtaining the consent in writing of the owners of the soil, and also to occupy the public streets and ways underground with its conduits, cables and equipment, where necessary, for its electric operation. JCP&L has the requisite legal franchise for the operation of its electric business within the State of New Jersey, including in incorporated cities and towns where designations of new streets, public ways, etc., may be obtained upon application to such municipalities. JCP&L holds a FERC license expiring in 2013 authorizing it to operate and maintain the Yards Creek pumped storage hydroelectric station in which JCP&L has a 50% ownership interest.

Met-Ed and Penelec have the necessary franchise rights to furnish electric service in the various respective municipalities or territories in which each company now supplies such services. These electric franchise rights, which are generally nonexclusive rights, consist generally of (a) charter rights and (b) certificates of public convenience issued by the PaPUC and/or "grandfather rights". Such electric franchise rights are free from unduly burdensome restrictions and unlimited as to time, except in a few relatively minor cases and except as otherwise described below. The secondary franchise granted by the Borough of Boyertown to Met-Ed contains a provision that the Borough shall have the right at any time to purchase the electric system in the Borough at a valuation to be fixed by appraisers. Met-Ed holds a FERC license expiring in 2014 for the continued operation and maintenance of the York Haven hydroelectric project. Penelec holds a license from the FERC, which expires in 2002, for the continued operation and maintenance of the Piney hydroelectric project. In addition, Penelec and the Cleveland Electric Illuminating Company hold a license expiring in 2015 for the Seneca Pumped Storage Hydroelectric station in which Penelec has a 20% undivided interest. For the same station, Penelec and the Cleveland Electric Illuminating Company hold a Limited Power Permit issued by the Pennsylvania Water and Power Resources Board which is unlimited as to time. For purposes of the Homer City station, Penelec and New York State Electric & Gas Corporation hold a Limited Power Permit issued by the Pennsylvania Water and Power Resources Board which expires in 2017, but is renewable by the permittees until they have recovered all capital invested by them in the project. Penelec also holds a Limited Power Permit issued by the Pennsylvania Water and Power Resources Board for its Shawville station which expires in 2003, but is renewable by Penelec until it has recovered all capital invested in the project.

The extent to which competition in the electric utility industry will affect the territories currently served by the GPU Energy companies and their rights to provide electric utility service in those territories is uncertain. Refer to Competitive Environment and The GPU Energy Companies' Supply Plan, Management's Discussion and Analysis for further discussion.

EMPLOYEE RELATIONS

At February 28, 1997, GPU had 9,061 full-time employees (JCP&L 2,363; Met-Ed 2,234; Penelec 1,895; all other companies 2,569). The nonsupervisory production and maintenance employees of the GPU Energy companies and certain of their nonsupervisory clerical employees are represented for collective bargaining purposes by local unions of the International Brotherhood of Electrical Workers (IBEW) at JCP&L, Met-Ed and Penelec and the Utility Workers Union of America (UWUA) at Penelec.

Penelec's five-year contracts with the IBEW and UWUA expire on May 14, 1998 and June 30, 1998, respectively. Met-Ed's three-year contract with the IBEW expires on April 30, 1997. Negotiations between Met-Ed and the IBEW began in March 1997. JCP&L's three-year contract with the IBEW expires on October 31, 1999.

ITEM 2. PROPERTIES.

Generating Stations

At December 31, 1996, the generating stations of the GPU Energy companies had an aggregate effective capability of 6,606,000 net kilowatts (KW), as follows:

Name of Station	GPU Energy Company	Year of Installation	Net KW (Summer)
COAL-FIRED:			
Homer City(a)	Penelec	1969-1977	942,000
Shawville	Penelec	1954-1960	597,000
Portland	Met-Ed	1958-1962	401,000
Keystone(b)	JCP&L	1967-1968	283,000
Conemaugh(c)	Met-Ed	1970-1971	280,000
Titus	Met-Ed	1951-1953	243,000
Seward	Penelec	1950-1957	196,000
Warren	Penelec	1948-1949	82,000
NUCLEAR:			
TMI-1(d)	All	1974	786,000
Oyster Creek	JCP&L	1969	619,000
GAS/OIL-FIRED:			
Sayreville	JCP&L	1930-1958	229,000
Combustion Turbines(e)	All	1960-1996	1,299,000
Other(f)	All	1968-1977	298,000
Hydroelectric(g)	Met-Ed/Penelec	1905-1969	64,000
PUMPED STORAGE:(h)			
Yards Creek	JCP&L	1965	200,000
Seneca	Penelec	1969	87,000
TOTAL			6,606,000

Aggregate Effective Capability of the GPU Energy Companies

	Net KW (Summer)	Net KW (Winter)
JCP&L	2,718,000	3,139,000
Met-Ed	1,604,000	1,705,000
Penelec	2,284,000	2,365,000
TOTAL	6,606,000	7,209,000

(a) Represents Penelec's undivided 50% interest in the station.

(b) Represents JCP&L's undivided 16.67% interest in the station.

(c) Represents Met-Ed's undivided 16.45% interest in the station.

(d) Jointly owned by JCP&L, Met-Ed and Penelec in percentages of 25%, 50% and 25%, respectively.

(e) JCP&L - [illegible] 000 KW, Met-Ed - 266,000 KW and Penelec 132,000 KW.

(f) Consists of internal combustion and combined-cycle units (JCP&L - 290,000 KW, Met-Ed - 2,000 KW and Penelec - 6,000 KW).

(g) Consists of Met-Ed's York Haven station (19,000 KW) and Penelec's Piney (27,000 KW) and Deep Creek stations (18,000 KW).

(h) Represents the GPU Energy companies' undivided interests in these stations which are net users rather than net producers of electric energy. Effective June 10, 1996, the Yards Creek station was rerated from 195,000 KW.

The GPU Energy companies' coal-fired, hydroelectric (other than the Deep Creek station) and pumped storage stations (other than the Yards Creek station) are located in Pennsylvania. The TMI-1 nuclear station is also located in Pennsylvania. The GPU Energy companies' gas-fired and oil-fired stations (other than some combustion turbines in Pennsylvania), the Yards Creek pumped storage station and the Oyster Creek nuclear station are located in New Jersey. The Deep Creek hydroelectric station is located in Maryland.

Substantially all of the GPU Energy companies' properties are subject to the lien of their respective FMB indentures.

The peak loads of the GPU Energy companies were as follows:

Company	Date	(In KW) Peak Load
GPU Energy companies	Aug. 2, 1995	9,101,000
JCP&L	July 9, 1993	4,564,000
Met-Ed	Aug. 2, 1995	2,186,000
Penelec	Dec. 11, 1995	2,589,000

GPU International Group Facilities

At December 31, 1996, the GPU International Group had ownership interests in 21 operating natural gas-fired cogeneration and other nonutility power production facilities located both domestically and internationally, with an aggregate capability of 3,581,000 KW as follows:

Name of Facility	Location	Year of Installation	Total KW	Ownership Interest (KW)
		U.S. Facilities		
Selkirk	NY	1992-94	350,000	66,900
Lake*	FL	1993	110,000	54,900
Pasco*	FL	1993	109,000	54,400
Onondaga*	NY	1993	80,000	40,000
Syracuse*	NY	1992	80,000	3,500
Marcal*	NJ	1989	65,000	32,500
Camarillo*	CA	1988	26,500	300
Chino*	CA	1987	26,000	300
FPB	CA	1983	26,000	7,800
Berkeley***	CA	1987	22,500	200
Total			895,000	260,800
		Non-U.S. Facilities		
Teesside**	England	1993	1,875,000	249,400
Redditch**	England	1991	29,000	14,500
Hereford**	England	1980	15,000	7,500
Enersis Group**	Portugal	1987-95	50,000	12,500
Micdos**	Spain	1975-95	35,000	7,500
Crisa**	Spain	1948-58	6,000	2,900
Termobarran-quilla*	Colombia	1972-96	434,000	124,100
Guaracachi*	Bolivia	1975-94	161,000	80,500
Aranjuez*	Bolivia	1974-94	40,000	20,000
Karachipampa*	Bolivia	1982	15,000	7,500
Brooklyn*	Canada	1996	26,000	19,500
Total			2,686,000	545,900
Total capability			3,581,000	806,700

* The GPU International Group has operating responsibility for these facilities.

** The GPU International Group's ownership interests in these facilities are through its investment in Midlands.

*** Sold in January 1997.

Transmission and Distribution System

At December 31, 1996, GPU owned the following transmission and distribution facilities:

	JCP&L	Met-Ed	Penelec	GPU Total
Transmission and Distribution Substations	304	281	476	1,061
Aggregate Installed Transformer Capacity of Substations (in kilovoltamperes - KVA)	20,868,301	12,056,750	15,897,762	48,822,813
Transmission System:				
Lines (In Circuit Miles):				
500 KV	18	188	235	441
345 KV	-	-	149	149
230 KV	570	383	650	1,603
138 KV	-	3	11	14
115 KV	232	361	1,326	1,919
69 KV, 46 KV and 34.5 KV	1,764	472	364	2,600
Total	2,584	1,407	2,735	6,726
Distribution System:				
Line Transformer Capacity (KVA)	9,830,763	5,807,962	6,543,254	22,181,979
Pole Miles of Overhead Lines	15,746	12,613	22,136	50,495
Trench Miles of Underground Cable	6,829	1,943	1,889	10,661

In addition, Midlands, which provides service to 2.2 million customers in a 5,000 square mile area in England, owns a total of 39,000 miles of overhead and underground lines. Solaris, which provides service to more than 240,000 customers in and around a 387 square mile area in Melbourne, Australia, owns a total of 3,809 miles of overhead and underground lines (see the GPU International Group section under Item 1).

ITEM 3. LEGAL PROCEEDINGS.

Reference is made to Nuclear Facilities - TMI-2, Rate Proceedings, and Electric Generation and the Environment - Environmental Matters under Item 1 and to Commitments and Contingencies, Note 14 to GPU's Consolidated Financial Statements contained in Item 8 for a description of certain pending legal proceedings involving GPU.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

All of JCP&L, Met-Ed and Penelec's outstanding common stock is owned by GPU, Inc. During 1996, JCP&L, Met-Ed and Penelec paid dividends on their common stock to GPU, Inc. in the following amounts: JCP&L $135 million, Met-Ed $60 million and Penelec $40 million.

In accordance with JCP&L, Met-Ed and Penelec's FMB indentures, as supplemented, the balances of retained earnings at December 31, 1996 that are restricted as to the payment of dividends on their common stock are as follows:

JCP&L - $1.7 million   Met-Ed - $3.4 million   Penelec - $10 million

Stock Trading

GPU, Inc. is listed as GPU on the New York Stock Exchange. On February 3, 1997, there were approximately 43,350 registered holders of GPU, Inc. common stock.

Dividends

GPU, Inc. common stock dividend declaration dates are the first Thursdays of April, June, October and December. Dividend payment dates fall on the last Wednesdays of February, May, August and November. Dividend declarations and quarterly stock price ranges for 1996 and 1995 are set forth below.

Common Stock

Dividends Declared			Price Ranges*				
				1996		1995	
	1996	1995	Quarter	High/Low		High/Low	
April	$.485	$.47	First	$35 1/8	31 1/8	$30 5/8	$26 1/4
June	.485	.47	Second	35 1/4	30 1/8	31	28 1/4
October	.485	.47	Third	35	30 1/2	31 1/4	28 1/8
December	.485	.47	Fourth	34 3/8	30 3/4	34	30 5/8

* Based on New York Stock Exchange Composite Transactions as reported in the Wall Street Journal.

ITEM 6. SELECTED FINANCIAL DATA.

See pages F-1 and F-2 for references to each registrant's Selected Financial Data required by this item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

See pages F-1 and F-2 for references to each registrant's Management's Discussion and Analysis of Financial Condition and Results of Operations required by this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See pages F-1 and F-2 for references to each registrant's Financial Statements and Quarterly Financial Data (unaudited) required by this item.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Identification of Directors

Information regarding GPU, Inc.'s directors is incorporated by reference to pages 2 through 6 of GPU, Inc.'s Proxy Statement for the 1997 Annual Meeting of Stockholders. The current directors of JCP&L, Met-Ed and Penelec, their ages, positions held and business experience during the past five years are as follows:

Name		Age	Position	Year First Elected JCP&L	Met-Ed	Penelec
JCP&L/Met-Ed/Penelec:						
J. R. Leva	(a)	64	Chairman of the Board and Chief Executive Officer	1986	1992	1992
D. Baldassari	(b)	47	President	1982	1996	1996
J. G. Graham	(c)	58	Vice President and Chief Financial Officer	1986	1986	1986
D. W. Myers	(d)	52	Vice President - Finance and Rates, and Comptroller	1994	1996	1996
F. D. Hafer	(e)	55	Director	1996	1978	1994
R. C. Arnold	(f)	59	Director	1989	1989	1989
JCP&L only:						
G. E. Persson	(g)	65	Director	1983		
S. C. Van Ness	(h)	63	Director	1983		
S. B. Wiley	(i)	67	Director	1982		

(a) Mr. Leva is also Chairman and Chief Executive Officer and a director of GPUS; Chairman, Chief Executive Officer and a director of Genco; and Chairman and a director of GPUN, GPU International, Inc. (GPUI), GPU Power, Inc. (GPU Power), and GPU Electric, Inc. (GPU Electric), all subsidiaries of GPU, Inc. Mr. Leva also served as President of GPU, Inc. and GPUS from 1991 to 1996. It is anticipated that Mr. Leva will retire as Chairman and Chief Executive Officer of GPU, Inc. and other similar positions with GPU (other than director of GPU, Inc.) in May 1997. Mr. Leva is also Chairman and a director of Avon Energy Partners Holdings and Midlands Electricity plc, and a director of Utilities Mutual Insurance Company.

(b) Mr. Baldassari was elected President of JCP&L in 1992, and President of Met-Ed and Penelec in 1996. Prior to that, Mr. Baldassari served as Vice President - Materials & Services of JCP&L since 1990. Mr. Baldassari is also a director of GPUS, GPUN, Genco and First Morris Bank of Morristown, NJ.

(c) Mr. Graham was elected Senior Vice President of GPU, Inc. in 1989. He is also Executive Vice President, Chief Financial Officer and a director of GPUS; Vice President and Chief Financial Officer of GPUN; and a director of Genco, GPUI, GPU Power and GPU Electric. Mr. Graham is also a director of Edisto Resources, Inc., Nuclear Electric Insurance Limited, Nuclear Mutual Limited and Utilities Mutual Insurance Company.

(d) Mr. Myers was elected Vice President - Finance and Rates, and Comptroller of Met-Ed and Penelec in 1996, and also serves as Vice President - Finance and Rates, and Comptroller of JCP&L since 1994. Prior to that, he served as Vice President and Treasurer of GPU, Inc., GPUS, JCP&L, Met-Ed and Penelec since 1993. He served as Vice President and Comptroller of GPUN from 1986 to 1993.

(e) Mr. Hafer became President, Chief Operating Officer, and a director of GPU, Inc. and President and Chief Operating Officer of GPUS in 1996. Prior to that, he was President of Penelec since 1994 and Met-Ed since 1986. It is anticipated that Mr. Hafer will be elected Chairman and Chief Executive Officer of GPU, Inc. in May 1997 upon Mr. Leva's retirement. Mr. Hafer is also a director of GPUS, GPUN, Genco, GPUI, Sovereign Bancorp Inc., Sovereign Bank, and Utilities Mutual Insurance Company.

(f) Mr. Arnold has been Executive Vice President-Power Supply of GPUS since 1990. He is also a director of GPUS and Genco.

(g) Mrs. Persson serves as liaison (Special Assistant Director) between the N.J. Division of Consumer Affairs and various State Boards. Prior to 1995, she was owner and President of Business Dynamics Associates of Red Bank, NJ. Mrs. Persson is a member of the United States Small Business Administration National Advisory Board, the New Jersey Small Business Advisory Council, the Board of Advisors of Brookdale Community College and the Board of Advisors of Georgian Court College.

(h) Mr. Van Ness has been affiliated with the law firm of Pico, Mack, Kennedy, Jaffe, Perrella and Yoskin of Trenton, NJ since 1990. He is also a director of The Prudential Insurance Company of America.

(i) Mr. Wiley has been a partner in the law firm of Wiley, Malehorn and Sirota of Morristown, NJ since 1973. He is also Chairman of First Morris Bank of Morristown, NJ.

The directors of the GPU companies are elected at their respective annual meetings of stockholders to serve until the next meeting of stockholders and until their respective successors are duly elected and qualified. There are no family relationships among the directors of the GPU companies.

Identification of Executive Officers

The current executive officers of GPU, Inc., JCP&L, Met-Ed and Penelec, their ages, positions held and business experience during the past five years are as follows:

Name		Age	Position	Year First Elected
GPU:				
J. R. Leva	(a)	64	Chairman, and Chief Executive Officer	1992
I. H. Jolles	(b)	58	Senior Vice President and General Counsel	1990
J. G. Graham	(c)	58	Senior Vice President and Chief Financial Officer	1987
F. A. Donofrio	(d)	54	Vice President, Comptroller and Chief Accounting Officer	1985
P. C. Mezey	(e)	57	Senior Vice President, GPUS	1992
T. G. Howson	(f)	48	Vice President and Treasurer	1994
M. A. Nalewako	(g)	62	Secretary	1988
T. G. Broughton	(h)	51	President, GPUN	1996
R. L. Wise	(i)	53	President, Genco	1994
F. D. Hafer	(j)	55	President and Chief Operating Officer	1996
D. Baldassari	(k)	47	President, JCP&L, Met-Ed, Penelec	1992
B. L. Levy	(l)	41	President and Chief Executive Officer, GPUI, GPU Power and GPU Electric	1991
R. C. Arnold	(m)	59	Executive Vice President, GPUS	1990

Name		Age	Position	Year First Elected		
				JCP&L	Met-Ed	Penelec
JCP&L/Met-Ed/Penelec:						
J. R. Leva	(a)	64	Chairman, and Chief Executive Officer	1992	1992	1992
D. Baldassari	(k)	47	President	1992	1996	1996
I. H. Jolles	(b)	58	Vice President and General Counsel	1996	1996	1996
J. G. Graham	(c)	58	Vice President and Chief Financial Officer	1987	1987	1987
T. G. Howson	(f)	48	Vice President and Treasurer	1994	1994	1994
D. J. Howe	(n)	46	Vice President - Sales and Marketing	1996	1996	1996
D. W. Myers	(o)	52	Vice President - Finance and Rates and Comptroller	1994	1996	1996
G. R. Repko	(p)	51	Vice President - Customer Services	1996	1994	1986
C. B. Snyder	(q)	51	Vice President - Public Affairs	1996	1994	1994
R. J. Toole	(r)	54	Vice President - Generation	1990	1989	1996
R. S. Zechman	(s)	53	Vice President - Corporate Services	1996	1990	1994
R. S. Cohen	(t)	54	Vice President	1996	-	-
C. R. Fruehling		61	Vice President	1982	-	-
E. J. McCarthy	(u)	58	Vice President	1982	-	-
D. L. O'Brien	(v)	54	Vice President	-	1981	1994
J. J. Westervelt	(w)	56	Vice President	1982	-	-
S. L. Guibord	(x)	48	Secretary	1995	1996	1996

(a) See Note (a) on page 49.

(b) Mr. Jolles is also Executive Vice President, General Counsel and a director of GPUS, General Counsel of GPUN and Genco, and a director of GPUI, GPU Power, GPU Electric and Genco.

(c) See Note (c) on page 49.

(d) Mr. Donofrio was elected Vice President of GPU, Inc. in 1989. He is also Senior Vice President - Financial Controls of GPUS and a director of GPUS.

(e) Mr. Mezey was elected Senior Vice President - System Services of GPUS in 1992 and is a director of GPUI, GPU Power and GPU Electric. He previously served as Vice President of GPUS from January 1991 through March 1992 and President of GPUI from February 1990 through December 1991.

(f) Mr. Howson is also Vice President and Treasurer of GPUS, GPUN and Genco. He served as Vice President - Materials, Services and Regulatory Affairs and a director of JCP&L in 1992. Prior to that, he served as Vice President - Corporate Strategic Planning for GPUS since 1989.

(g) Mrs. Nalewako is also Secretary of GPUS and Genco and Assistant Secretary of GPUN, JCP&L, Met-Ed and Penelec.

(h) Mr. Broughton previously served as Executive Vice President of GPUN since September 1995. Prior to that, he served as Vice President-TMI of GPUN since 1991. Mr. Broughton is also a director of GPUS and Genco.

(i) Mr. Wise is also a director of GPUS, GPUN, Genco, GPUI, GPU Power and GPU Electric. He previously served as President, Fossil Generation-GPUS since 1994. Prior to that, Mr. Wise served as President and a director of Penelec since December 1986. He is also a director of U.S. Bancorp and U.S. National Bank of Johnstown, PA.

(j) See Note (e) on page 50.

(k) See Note (b) on page 49.

(l) Mr. Levy is also a director of GPUI, GPU Power, GPU Electric and Genco. He has served as President, Chief Executive Officer and director of GPUI since 1991. Prior to that, Mr. Levy served as Vice President - Business Development of GPUI since 1985.

(m) See Note (f) on page 50.

(n) Mr. Howe previously served as Director of Marketing and Pricing of JCP&L since 1994. Prior to that, he was Director of Competitive Strategies and Initiatives of JCP&L since 1993 and served as Manager - Cogeneration of JCP&L from 1991-1993.

(o) See Note (d) on page 50.

(p) Mr. Repko was elected Vice President - Customer Services of JCP&L in 1996, and also serves as Vice President - Customer Services of Met-Ed and Penelec since 1994. Prior to that, he served as Vice President - Division Operations of Penelec from 1986 to 1993.

(q) Mrs. Snyder was elected Vice President - Public Affairs of JCP&L in 1996 and also serves as Vice President - Public Affairs of Met-Ed and Penelec since 1994. Prior to that she was Regional Director of Met-Ed from 1991 to 1994, and Divisional Director of Met-Ed since 1990.

(r) Mr. Toole was also elected a Vice President and a director of Genco in 1996.

(s) Mr. Zechman was elected Vice President - Corporate Services of JCP&L in 1996 and also serves as Vice President - Corporate Services of Met-Ed and Penelec since 1994. Prior to that, he served as Vice President - Administrative Services of Met-Ed since 1992 and as Vice President - Human Resources of Met-Ed from 1990 to 1992.

(t) Mr. Cohen previously served as Secretary and Corporate Counsel for JCP&L since 1986.

(u) Mr. McCarthy served as Vice President - Customer Operations and Sales of JCP&L from 1994 to 1996. Prior to that, he served as Vice President - Customer Services of JCP&L since 1982.

(v) Mr. O'Brien previously served as Comptroller for Met-Ed and Penelec since 1994. Prior to that, he served as Comptroller of Met-Ed since 1981.

(w) Mr. Westervelt served as Vice President - Human Resources and Corporate Services of JCP&L from 1994 to 1996. Prior to that, he served as Vice President - Human Resources of JCP&L since 1982.

(x) Mr. Guibord was elected Secretary of JCP&L, Met-Ed, and Penelec in 1996. He had served as Corporate Compliance Auditing Director of GPUS since 1994. Prior to that, he was a General Attorney at JCP&L. Mr. Guibord also serves as Secretary of GPUN.

The executive officers of the GPU companies are elected each year by their respective Boards of Directors at the first meeting of the Board held following the annual meeting of stockholders. Executive officers hold office until the next meeting of directors following the annual meeting of stockholders and until their respective successors are duly elected and qualified. There are no family relationships among the executive officers.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item with respect to GPU, Inc. is incorporated by reference to pages 8 through 18 of GPU, Inc.'s Proxy Statement for the 1997 Annual Meeting of Stockholders. The following table sets forth remuneration paid, as required by this Item, to the most highly compensated executive officers of JCP&L, Met-Ed and Penelec for the year ended December 31, 1996.

The managements of JCP&L, Met-Ed and Penelec were combined in a 1996 reorganization. Accordingly, the amounts shown below represent the aggregate remuneration paid to such executive officers by JCP&L, Met-Ed and Penelec during 1996.

Remuneration of Executive Officers

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation		
					Awards	Payouts	
Name and Principal Position	Year	Salary	Bonus	Other Annual Compen-sation(1)	Restricted Stock/Unit Awards (2)	LTIP Payouts(3)	All Other Compen-sation
J. R. Leva Chairman of the Board and Chief Executive Officer	(4)	(4)	(4)	(4)	(4)	(4)	(4)
JCP&L/Met-Ed/Penelec:							
D. Baldassari President	(5)	(5)	(5)	(5)	(5)	(5)	(5)
G. R. Repko Vice President - Customer Services	1996	154,625	44,000	615	-	20,085	12,562 (6)
	1995	147,100	48,000	337	-	9,930	11,491
	1994	142,225	32,000	-	14,630	-	9,778
D. W. Myers Vice President - Finance and Rates	1996	153,333	44,000	590	-	19,265	12,505 (7)
	1995	144,000	34,000	362	-	10,665	10,687
	1994	142,125	29,300	-	13,716	-	9,853
R. S. Zechman Vice President - Corporate Services	1996	152,827	44,000	596	-	19,470	14,051 (8)
	1995	142,500	46,000	453	-	8,318	11,087
	1994	132,500	31,000	-	13,324	-	9,104

(1) Consists of earnings on "Long-Term Incentive Plan" ("LTIP") Compensation paid in the year the award vested.

(2) The restricted units issued in 1995 and 1996 under the 1990 Stock Plan are performance based. The 1996 awards are shown in "Long-Term Incentive Plans - Awards in Last Fiscal Year" table (the "LTIP table"). Dividends are paid or accrued on the aggregate restricted stock/units awarded under the 1990 Stock Plan and reinvested.

The aggregate number and value (based on the stock price per share at December 31, 1996) of unvested stock-equivalent restricted units (including reinvested dividends) includes the amounts shown on the LTIP table, and at the end of 1996 were:

	Aggregate Units	Aggregate Value
J. R. Leva	(4)	(4)
D. Baldassari	(5)	(5)
G. R. Repko	3,946	$132,684
D. W. Myers	3,964	133,290
R. S. Zechman	3,744	125,892

(3) Consists of Performance Cash Incentive Awards paid on the 1990 and 1991 restricted stock awards which have vested under the 1990 Stock Plan. These amounts are designed to compensate recipients of restricted stock/unit awards for the amount of federal and state income taxes that are payable upon vesting of the restricted stock/unit awards.

(4) As noted above, Mr. Leva is Chairman and Chief Executive Officer of GPU, Inc. and its Subsidiaries. Mr. Leva is compensated by GPUS for his overall service on behalf of GPU and accordingly is not compensated directly by the other subsidiary companies for his services. Information with respect to Mr. Leva's compensation is included on pages 11 through 13 in GPU, Inc.'s 1997 Proxy Statement, which is incorporated herein by reference.

(5) Information with respect to Mr. Baldassari's compensation is included on pages 11 through 13 in GPU, Inc.'s 1997 Proxy Statement, which is incorporated herein by reference.

(6) Consists of GPU's matching contributions under the Savings Plan ($6,000), above-market interest accrued on the retirement portion of deferred compensation ($92), and earnings on LTIP compensation not paid in the current year ($6,470).

(7) Consists of GPU's matching contributions under the Savings Plan ($6,000) and earnings on LTIP compensation not paid in the current year ($6,505).

(8) Consists of GPU's matching contributions under the Savings Plan ($6,000), matching contributions under the non-qualified deferred compensation plan ($1,948), above-market interest accrued on the retirement portion of deferred compensation ($9), and earnings on LTIP compensation not paid in the current year ($6,094).

NOTE: The split-dollar life insurance amounts reported in the "All Other Compensation" column are equal to the present value of the interest-free use of the current year employer paid premiums to the projected date the premiums will be refunded to the respective GPU companies.

LONG-TERM INCENTIVE PLANS - AWARDS IN LAST FISCAL YEAR

Name	Number of shares, units or other rights	Performance or other period until maturation or payout	Estimated future payouts under non-stock price-based plans(1) Threshold (#)	Target (#)	Maximum (#)
JCP&L/Met-Ed/Penelec:					
G. R. Repko	970	5 year vesting	0	970	1,940
D. W. Myers	970	5 year vesting	0	970	1,940
R. S. Zechman	970	5 year vesting	0	970	1,940

(1) The restricted units awarded in 1996 under the 1990 Stock Plan provide for a performance adjustment to the aggregate number of units vesting for the recipient, including the accumulated reinvested dividends, based on the annualized GPU Total Shareholder Return (TSR) percentile ranking against all companies in the Standard & Poor's Electric Utility Index for the period between the award and vesting dates. With a 55th percentile ranking, the performance adjustment would be 100% as reflected in the "Target" column. In the event that the percentile ranking is below the 55th percentile, the performance adjustment would be reduced in steps reaching 0% at the 39th percentile as reflected in the "Threshold" column. Should the TSR percentile ranking exceed the 59th percentile, then the performance adjustment would be increased in steps reaching 200% at the 90th percentile as reflected in the "Maximum" column. Under the 1990 Stock Plan, regular quarterly dividends are reinvested in additional units that are subject to the vesting restrictions of the award. Actual payouts under the Plan would be based on the aggregate number of units awarded and the units accumulated through dividend reinvestment at the time the restrictions lapse. Information with respect to Mr. Leva's and Mr. Baldassari's long-term incentive plans is included on pages 13 and 14 in GPU, Inc.'s 1997 Proxy Statement, which is incorporated herein by reference.

Proposed Remuneration of Executive Officers

None of the named executive officers in the Summary Compensation Table has an employment contract. The compensation of executive officers is determined from time to time by the Personnel & Compensation Committee of the GPU, Inc. Board of Directors.

Retirement Plans

The GPU pension plans provide for pension benefits, payable for life after retirement, based upon years of creditable service with GPU and the employee's career average compensation as defined below. Under federal law, an employee's pension benefits that may be paid from a qualified trust under a qualified pension plan such as the GPU plans are subject to certain maximum amounts. The GPU companies also have adopted non-qualified plans providing that the portion of a participant's pension benefits which, by reason of such limitations or source, cannot be paid from such a qualified trust shall be paid directly on an unfunded basis by the participant's employer.

The following table illustrates the amount of aggregate annual pension benefits from funded and unfunded sources resulting from employer contributions to the qualified trust and direct payments payable upon retirement in 1997 (computed on a single life annuity basis) to persons in specified salary and years of service classifications:

ESTIMATED ANNUAL RETIREMENT BENEFITS (2) (3) (4)
BASED UPON CAREER AVERAGE COMPENSATION

(1997 Retirement)

Career Average Compensation(1)	10 Years of Service	15 Years of Service	20 Years of Service	25 Years of Service	30 Years of Service	35 Years of Service	40 Years of Service	45 Years of Service
$ 50,000	$ 9,338	$ 14,007	$ 18,676	$ 23,345	$ 28,014	$ 32,684	$ 37,085	$ 41,085
100,000	19,338	29,007	38,676	48,345	58,014	67,684	76,685	84,685
150,000	29,338	44,007	58,676	73,345	88,014	102,684	116,285	128,285
200,000	39,338	59,007	78,676	98,345	118,014	137,684	155,885	171,885
250,000	49,338	74,007	98,676	123,345	148,014	172,684	195,485	215,485
300,000	59,338	89,007	118,676	148,345	178,014	207,684	235,085	259,085
350,000	69,338	104,007	138,676	173,345	208,014	242,684	274,685	302,685
400,000	79,338	119,007	158,676	198,345	238,014	277,684	314,285	346,285
450,000	89,338	134,007	178,676	223,345	268,014	312,684	353,885	389,885
500,000	99,338	149,007	198,676	248,345	298,014	347,684	393,485	433,485
550,000	109,338	164,007	218,676	273,345	328,014	382,684	433,085	477,085
600,000	119,338	179,007	238,676	298,345	358,014	417,684	472,685	520,685
650,000	129,338	194,007	258,676	323,345	388,014	452,684	512,285	564,285
700,000	139,338	209,007	278,676	348,345	418,014	487,684	551,885	607,885
750,000	149,338	224,007	298,676	373,345	448,014	522,684	591,485	651,485
800,000	159,338	239,007	318,676	398,345	478,014	557,684	631,085	695,085

(1) Career Average Compensation is the average annual compensation received from January 1, 1984 to retirement and includes Salary and Bonus. The career average compensation amounts for the following named executive officers differ by more than 10% from the three year average annual compensation set forth in the Summary Compensation Table and are as follows: Messrs. Leva - $453,214; Baldassari - $191,741; Repko - $132,857; Myers - $150,696; and Zechman - $117,028.

(2) Years of Creditable Service at December 31, 1996: Messrs. Leva - 45 years; Baldassari - 27 years; Repko - 30 years; Myers - 16 years; and Zechman - 27 years.

(3) Based on an assumed retirement at age 65 in 1997. To reduce the above amounts to reflect a retirement benefit assuming a continual annuity to a surviving spouse equal to 50% of the annuity payable at retirement, multiply the above benefits by 90%. The estimated annual benefits are not subject to any reduction for Social Security benefits or other offset amounts.

(4) Annual retirement benefits under the basic pension per the above table cannot exceed 55% of the average compensation during the highest paid 36 calendar months.

Remuneration of JCP&L Directors

Nonemployee directors receive an annual retainer of $15,000, a fee of $1,000 for each Board meeting attended, and a fee of $1,000 for each Committee meeting attended.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item for GPU, Inc. is incorporated by reference to page 7 of GPU, Inc.'s Proxy Statement for the 1997 Annual Meeting of Stockholders.

All of the outstanding shares of JCP&L (15,371,270), Met-Ed (859,500) and Penelec (5,290,596) common stock are owned beneficially and of record by their parent, GPU, Inc., 100 Interpace Parkway, Parsippany, NJ 07054.

The following table sets forth, as of February 1, 1997, the beneficial ownership of equity securities of each of the directors and each of the executive officers named in the Summary Compensation Tables, and of all directors and executive officers of each of the respective GPU Energy companies as a group. The shares owned by all directors and executive officers as a group constitute less than 1% of the total shares outstanding.

		Amount and Nature of Beneficial Ownership		
		Shares(1)		Stock-Equivalent
Name	Title of Security	Direct	Indirect	Restricted Units(2)
JCP&L/Met-Ed/Penelec:				
J. R. Leva	GPU Common Stock	4,450	100	44,905
F. D. Hafer	GPU Common Stock	5,035	131	11,378
J. G. Graham	GPU Common Stock	4,377	1,180	11,721
R. C. Arnold	GPU Common Stock	-	5,370	10,003
D. Baldassari	GPU Common Stock	1,081	-	10,839
D. W. Myers	GPU Common Stock	-	-	3,964
G. R. Repko	GPU Common Stock	8,099	-	3,946
R. S. Zechman	GPU Common Stock	964	-	3,744
JCP&L Only:				
G. E. Persson	GPU Common Stock		None	
S. C. Van Ness	GPU Common Stock		None	
S. B. Wiley	GPU Common Stock		None	
All Directors and Executive Officers as a Group	GPU Common Stock	38,039	7,219	142,860

(1) The number of shares owned and the nature of such ownership, not being within the knowledge of GPU, have been furnished by each individual.

(2) Restricted units, which do not have voting rights, represent rights (subject to vesting) to receive shares of Common Stock under the 1990 Stock Plan for Employees of GPU and Subsidiaries (the "1990 Stock Plan"). See Summary Compensation Table above.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) See pages F-1 and F-2 for references to Financial Statements and Financial Statement Schedules required by this item.

1. Exhibits:

3-A Articles of Incorporation of GPU, as amended through March 27, 1990 - Incorporated by reference to Exhibit 3-A, 1989 Annual Report on Form 10-K, SEC File No. 1-6047.

3-A-1 Articles of Amendment to Articles of Incorporation of GPU dated May 5, 1995 - Incorporated by reference to Exhibit A-4, Certificate Pursuant to Rule 24, SEC File No. 70-8569.

3-A-2 Articles of Incorporation of GPU, Inc. as amended August 1, 1996.

3-B By-Laws of GPU, as amended June 7, 1990 - Incorporated by reference to Exhibit 3-A, 1990 Annual Report on Form 10-K, SEC File No. 1-6047.

3-C Restated Certificate of Incorporation of JCP&L, as amended - Incorporated by reference to Exhibit 3-A, 1990 Annual Report on Form 10-K, SEC File No. 1-3141.

3-C-1 Certificate of Amendment to Restated Certificate of Incorporation of JCP&L, dated June 19, 1992 - Incorporated by reference to Exhibit A-2(a), Certificate Pursuant to Rule 24, SEC File No. 70-7949.

3-C-2 Certificate of Amendment to Restated Certificate of Incorporation of JCP&L, dated June 19, 1992 - Incorporated by reference to Exhibit A-2(a)(i), Certificate Pursuant to Rule 24, SEC File No. 70-7949.

3-D By-Laws of JCP&L, as amended - Incorporated by reference to Exhibit 3-B, 1993 Annual Report on Form 10-K, SEC File No. 1-3141.

3-E Restated Articles of Incorporation of Met-Ed - Incorporated by reference to Exhibit B-18, 1991 Annual Report of GPU on Form U5S, SEC File No. 30-126.

3-F By-Laws of Met-Ed dated July 27, 1995, as amended - Incorporated by reference to Exhibit 3-F, 1995 Annual Report on Form 10-K, SEC File No. 1-446.

3-G Restated Articles of Incorporation of Penelec as amended through March 10, 1992 - Incorporated by reference to Exhibit 3A, 1991 Annual Report on Form 10-K, SEC File No. 1-3522.

3-H By-Laws of Penelec dated July 27 1995, as amended - Incorporated by reference to Exhibit 3-H, 1995 Annual Report on Form 10-K, SEC File No. 1-3522.

4-A Indenture of JCP&L, dated March 1, 1946, between JCP&L and United States Trust Company of New York, Successor Trustee, as amended and supplemented by eight supplemental indentures dated December 1, 1948 through June 1, 1960 - Incorporated by reference to JCP&L's Instruments of Indebtedness Nos. 1 to 7, inclusive, and 9 and 10 filed as part of Amendment No. 1 to 1959 Annual Report of GPU on Form U5S, SEC File Nos. 30-126 and 1-3292.

4-A-1 Ninth Supplemental Indenture of JCP&L, dated November 1, 1962 - Incorporated by reference to Exhibit 2-C, Registration No. 2-20732.

4-A-2 Tenth Supplemental Indenture of JCP&L, dated October 1, 1963 - Incorporated by reference to Exhibit 2-C, Registration No. 2-21645.

4-A-3 Eleventh Supplemental Indenture of JCP&L, dated October 1, 1964 - Incorporated by reference to Exhibit 5-A-3, Registration No. 2-59785.

4-A-4 Twelfth Supplemental Indenture of JCP&L, dated November 1, 1965 - Incorporated by reference to Exhibit 5-A-4, Registration No. 2-59785.

4-A-5 Thirteenth Supplemental Indenture of JCP&L, dated August 1, 1966 - Incorporated by reference to Exhibit 4-C, Registration No. 2-25124.

4-A-6 Fourteenth Supplemental Indenture of JCP&L, dated September 1, 1967 - Incorporated by reference to Exhibit 5-A-6, Registration No. 2-59785.

4-A-7 Fifteenth Supplemental Indenture of JCP&L, dated October 1, 1968 - Incorporated by reference to Exhibit 5-A-7, Registration No. 2-59785.

4-A-8 Sixteenth Supplemental Indenture of JCP&L, dated October 1, 1969 - Incorporated by reference to Exhibit 5-A-8, Registration No. 2-59785.

4-A-9 Seventeenth Supplemental Indenture of JCP&L, dated June 1, 1970 - Incorporated by reference to Exhibit 5-A-9, Registration No. 2-59785.

4-A-10 Eighteenth Supplemental Indenture of JCP&L, dated December 1, 1970 - Incorporated by reference to Exhibit 5-A-10, Registration No. 2-59785.

4-A-11 Nineteenth Supplemental Indenture of JCP&L, dated February 1, 1971 - Incorporated by reference to Exhibit 5-A-11, Registration No. 2-59785.

4-A-12 Twentieth Supplemental Indenture of JCP&L, dated November 1, 1971 - Incorporated by reference to Exhibit 5-A-12, Registration No. 2-59875.

4-A-13 Twenty-first Supplemental Indenture of JCP&L, dated August 1, 1972 - Incorporated by reference to Exhibit 5-A-13, Registration No. 2-59785.

4-A-14 Twenty-second Supplemental Indenture of JCP&L, dated August 1, 1973 - Incorporated by reference to Exhibit 5-A-14, Registration No. 2-59785.

4-A-15 Twenty-third Supplemental Indenture of JCP&L, dated October 1, 1973 - Incorporated by reference to Exhibit 5-A-15, Registration No. 2-59785.

4-A-16 Twenty-fourth Supplemental Indenture of JCP&L, dated December 1, 1973 - Incorporated by reference to Exhibit 5-A-16, Registration No. 2-59785.

4-A-17 Twenty-fifth Supplemental Indenture of JCP&L, dated November 1, 1974 - Incorporated by reference to Exhibit 5-A-17, Registration No. 2-59785.

4-A-18 Twenty-sixth Supplemental Indenture of JCP&L, dated March 1, 1975 - Incorporated by reference to Exhibit 5-A-18, Registration No. 2-59785.

4-A-19 Twenty-seventh Supplemental Indenture of JCP&L, dated July 1, 1975 - Incorporated by reference to Exhibit 5-A-19, Registration No. 2-59785.

4-A-20 Twenty-eighth Supplemental Indenture of JCP&L, dated October 1, 1975 - Incorporated by reference to Exhibit 5-A-20, Registration No. 2-59785.

4-A-21 Twenty-ninth Supplemental Indenture of JCP&L, dated February 1, 1976 - Incorporated by reference to Exhibit 5-A-21, Registration No. 2-59785.

4-A-22 Supplemental Indenture No. 29A of JCP&L, dated May 31, 1976 - Incorporated by reference to Exhibit 5-A-22, Registration No. 2-59785.

4-A-23 Thirtieth Supplemental Indenture of JCP&L, dated June 1, 1976 - Incorporated by reference to Exhibit 5-A-23, Registration No. 2-59785.

4-A-24 Thirty-first Supplemental Indenture of JCP&L, dated May 1, 1977 - Incorporated by reference to Exhibit 5-A-24, Registration No. 2-59785.

4-A-25 Thirty-second Supplemental Indenture of JCP&L, dated January 20, 1978 - Incorporated by reference to Exhibit 5-A-25, Registration No. 2-60438.

4-A-26 Thirty-third Supplemental Indenture of JCP&L, dated January 1, 1979 - Incorporated by reference to Exhibit A-20(b), Certificate Pursuant to Rule 24, SEC File No. 70-6242.

4-A-27 Thirty-fourth Supplemental Indenture of JCP&L, dated June 1, 1979 - Incorporated by reference to Exhibit A-28, Certificate Pursuant to Rule 24, SEC File No. 70-6290.

4-A-28 Thirty-sixth Supplemental Indenture of JCP&L, dated October 1, 1979 - Incorporated by reference to Exhibit A-30, Certificate Pursuant to Rule 24, SEC File No. 70-6354.

4-A-29 Thirty-seventh Supplemental Indenture of JCP&L, dated September 1, 1984 - Incorporated by reference to Exhibit A-1(cc), Certificate Pursuant to Rule 24, SEC File No. 70-7001.

4-A-30 Thirty-eighth Supplemental Indenture of JCP&L, dated July 1, 1985 - Incorporated by reference to Exhibit A-1(dd), Certificate Pursuant to Rule 24, SEC File No. 70-7109.

4-A-31 Thirty-ninth Supplemental Indenture of JCP&L, dated April 1, 1988 - Incorporated by reference to Exhibit A-1(a), Certificate Pursuant to Rule 24, SEC File No. 70-7263.

4-A-32 Fortieth Supplemental Indenture of JCP&L, dated June 14, 1988 - Incorporated by reference to Exhibit A-1(ff), Certificate Pursuant to Rule 24, SEC File No. 70-7603.

4-A-33 Forty-first Supplemental Indenture of JCP&L, dated April 1, 1989 - Incorporated by reference to Exhibit A-1(gg), Certificate Pursuant to Rule 24, SEC File No. 70-7603.

4-A-34 Forty-second Supplemental Indenture of JCP&L, dated July 1, 1989 - Incorporated by reference to Exhibit A-1(hh), Certificate Pursuant to Rule 24, SEC File No. 70-7603.

4-A-35 Forty-third Supplemental Indenture of JCP&L, dated March 1, 1991 - Incorporated by reference to Exhibit 4-A-35, Registration No. 33-45314.

4-A-36 Forty-fourth Supplemental Indenture of JCP&L, dated March 1, 1992 - Incorporated by reference to Exhibit 4-A-36, Registration No. 33-49405.

4-A-37 Forty-fifth Supplemental Indenture of JCP&L, dated October 1, 1992 - Incorporated by reference to Exhibit 4-A-37, Registration No. 33-49405.

4-A-38 Forty-sixth Supplemental Indenture of JCP&L, dated April 1, 1993 - Incorporated by reference to Exhibit C-15, 1992 Annual Report of GPU on Form U5S, SEC File No. 30-126.

4-A-39 Forty-seventh Supplemental Indenture of JCP&L, dated April 10, 1993 - Incorporated by reference to Exhibit C-16, 1992 Annual Report of GPU on Form U5S, SEC File No. 30-126.

4-A-40 Forty-eighth Supplemental Indenture of JCP&L, dated April 15, 1993 - Incorporated by reference to Exhibit C-17, 1992 Annual Report of GPU on Form U5S, SEC File No. 30-126.

4-A-41 Forty-ninth Supplemental Indenture of JCP&L, dated October 1, 1993 - Incorporated by reference to Exhibit C-18, 1993 Annual Report of GPU on Form U5S, SEC File No. 30-126.

4-A-42 Fiftieth Supplemental Indenture of JCP&L, dated August 1, 1994 - Incorporated by reference to Exhibit C-19, 1994 Annual Report of GPU on Form U5S, SEC File No. 30-126.

4-A-43 Fifty-first Supplemental Indenture of JCP&L, dated August 15, 1996.

4-B Indenture of Met-Ed, dated November 1, 1944 with United States Trust Company of New York, Successor Trustee, as amended and supplemented by fourteen supplemental indentures dated February 1, 1947 through May 1, 1960 - Incorporated by reference to Met-Ed's Instruments of Indebtedness Nos. 1 to 14, inclusive and 16, filed as part of Amendment No. 1 to 1959 Annual Report of GPU on Form U5S, SEC File Nos. 30-126 and 1-3292.

4-B-1 Supplemental Indenture of Met-Ed, dated December 1, 1962 - Incorporated by reference to Exhibit 2-E(1), Registration No. 2-59678.

4-B-2 Supplemental Indenture of Met-Ed, dated March 20, 1964 - Incorporated by reference to Exhibit 2-E(2), Registration No. 2-59678.

4-B-3 Supplemental Indenture of Met-Ed, dated July 1, 1965 - Incorporated by reference to Exhibit 2-E(3), Registration No. 2-59678.

4-B-4 Supplemental Indenture of Met-Ed, dated June 1, 1966 - Incorporated by reference to Exhibit 2-B-4, Registration No. 2-24883.

4-B-5 Supplemental Indenture of Met-Ed, dated March 22, 1968 - Incorporated by reference to Exhibit 4-C-5, Registration No. 2-29644.

4-B-6 Supplemental Indenture of Met-Ed, dated September 1, 1968 - Incorporated by reference to Exhibit 2-E(6), Registration No. 2-59678.

4-B-7 Supplemental Indenture of Met-Ed, dated August 1, 1969 - Incorporated by reference to Exhibit 2-E(7), Registration No. 2-59678.

4-B-8 Supplemental Indenture of Met-Ed, dated November 1, 1971 - Incorporated by reference to Exhibit 2-E(8), Registration No. 2-59678.

4-B-9 Supplemental Indenture of Met-Ed, dated May 1, 1972 - Incorporated by reference to Exhibit 2-E(9), Registration No. 2-59678.

4-B-10 Supplemental Indenture of Met-Ed, dated December 1, 1973 - Incorporated by reference to Exhibit 2-E(10), Registration No. 2-59678.

4-B-11 Supplemental Indenture of Met-Ed, dated October 30, 1974 - Incorporated by reference to Exhibit 2-E(11), Registration No. 2-59678.

4-B-12 Supplemental Indenture of Met-Ed, dated October 31, 1974 - Incorporated by reference to Exhibit 2-E(12), Registration No. 2-59678.

4-B-13 Supplemental Indenture of Met-Ed, dated March 20, 1975 - Incorporated by reference to Exhibit 2-E(13), Registration No. 2-59678.

4-B-14 Supplemental Indenture of Met-Ed, dated September 25, 1975 - Incorporated by reference to Exhibit 2-E(15), Registration No. 2-59678.

4-B-15 Supplemental Indenture of Met-Ed, dated January 12, 1976 - Incorporated by reference to Exhibit 2-E(16), Registration No. 2-59678.

4-B-16 Supplemental Indenture of Met-Ed, dated March 1, 1976 - Incorporated by reference to Exhibit 2-E(17), Registration No. 2-59678.

4-B-17 Supplemental Indenture of Met-Ed, dated September 28, 1977 - Incorporated by reference to Exhibit 2-E(18), Registration No. 2-62212.

4-B-18 Supplemental Indenture of Met-Ed, dated January 1, 1978 - Incorporated by reference to Exhibit 2-E(19), Registration No. 2-62212.

4-B-19 Supplemental Indenture of Met-Ed, dated September 1, 1978 - Incorporated by reference to Exhibit 4-A(19), Registration No. 33-48937.

4-B-20 Supplemental Indenture of Met-Ed, dated June 1, 1979 - Incorporated by reference to Exhibit 4-A(20), Registration No. 33-48937.

4-B-21 Supplemental Indenture of Met-Ed, dated January 1, 1980 - Incorporated by reference to Exhibit 4-A(21), Registration No. 33-48937.

4-B-22 Supplemental Indenture of Met-Ed, dated September 1, 1981 - Incorporated by reference to Exhibit 4-A(22), Registration No. 33-48937.

4-B-23 Supplemental Indenture of Met-Ed, dated September 10, 1981 - Incorporated by reference to Exhibit 4-A(23), Registration No. 33-48937.

4-B-24 Supplemental Indenture of Met-Ed, dated December 1, 1982 - Incorporated by reference to Exhibit 4-A(24), Registration No. 33-48937.

4-B-25 Supplemental Indenture of Met-Ed, dated September 1, 1983 - Incorporated by reference to Exhibit 4-A(25), Registration No. 33-48937.

4-B-26 Supplemental Indenture of Met-Ed, dated September 1, 1984 - Incorporated by reference to Exhibit 4-A(26), Registration No. 33-48937.

4-B-27 Supplemental Indenture of Met-Ed, dated March 1, 1985 - Incorporated by reference to Exhibit 4-A(27), Registration No. 33-48937.

4-B-28 Supplemental Indenture of Met-Ed, dated September 1, 1985 - Incorporated by reference to Exhibit 4-A(28), Registration No. 33-48937.

4-B-29 Supplemental Indenture of Met-Ed, dated June 1, 1988 - Incorporated by reference to Exhibit 4-A(29), Registration No. 33-48937.

4-B-30 Supplemental Indenture of Met-Ed, dated April 1, 1990 - Incorporated by reference to Exhibit 4-A(30), Registration No. 33-48937.

4-B-31 Amendment dated May 22, 1990 to Supplemental Indenture of Met-Ed, dated April 1, 1990 - Incorporated by reference to Exhibit 4-A(31), Registration No. 33-48937.

4-B-32 Supplemental Indenture of Met-Ed, dated September 1, 1992 - Incorporated by reference to Exhibit 4-A(32)(a), Registration No. 33-48937.

4-B-33 Supplemental Indenture of Met-Ed, dated December 1, 1993 - Incorporated by reference to Exhibit C-58, 1993 Annual Report of GPU on Form U5S, SEC File No. 30-126.

4-B-34 Supplemental Indenture of Met-Ed dated July 15, 1995 - Incorporated by reference to Exhibit 4-B-35, 1995 Annual Report on Form 10-K, SEC File No. 1-446.

4-B-35 Supplemental Indenture of Met-Ed dated August 15, 1996.

4-C Mortgage and Deed of Trust of Penelec dated January 1, 1942 between Penelec and United States Trust Company of New York, Successor Trustee, and indentures supplemental thereto dated March 7, 1942 through May 1, 1960 - Incorporated by reference to Penelec's Instruments of Indebtedness Nos. 1-20, inclusive, filed as a part of Amendment No. 1 to 1959 Annual Report of GPU on Form U5S, SEC File Nos. 30-126 and 1-3292.

4-C-1 Supplemental Indentures to Mortgage and Deed of Trust of Penelec dated May 1, 1961 through December 1, 1977 - Incorporated by reference to Exhibit 2-D(1) to 2-D(19), Registration No. 2-61502.

4-C-2 Supplemental Indenture of Penelec dated June 1, 1978 - Incorporated by reference to Exhibit 4-A(2), Registration No. 33-49669.

4-C-3 Supplemental Indenture of Penelec dated June 1, 1979 - Incorporated by reference to Exhibit 4-A(3), Registration No. 33-49669.

4-C-4 Supplemental Indenture of Penelec dated September 1, 1984 - Incorporated by reference to Exhibit 4-A(4), Registration No. 33-49669.

4-C-5 Supplemental Indenture of Penelec dated December 1, 1985 - Incorporated by reference to Exhibit 4-A(5), Registration No. 33-49669.

4-C-6 Supplemental Indenture of Penelec dated December 1, 1986 - Incorporated by reference to Exhibit 4-A(6), Registration No. 33-49669.

4-C-7 Supplemental Indenture of Penelec dated May 1, 1989 - Incorporated by reference to Exhibit 4-A(7), Registration No. 33-49669.

4-C-8 Supplemental Indenture of Penelec dated December 1, 1990- Incorporated by reference to Exhibit 4-A(8), Registration No. 33-45312.

4-C-9 Supplemental Indenture of Penelec dated March 1, 1992 - Incorporated by reference to Exhibit 4-A(9), Registration No. 33-45312.

4-C-10 Supplemental Indenture of Penelec, dated June 1, 1993 - Incorporated by reference to Exhibit C-73, 1993 Annual Report of GPU on Form U5S, SEC File No. 30-126.

4-C-11 Supplemental Indenture of Penelec dated November 1, 1995 - Incorporated by reference to Exhibit 4-C-11, 1995 Annual Report on Form 10-K, SEC File No. 1-3522.

4-C-12 Supplemental Indenture of Penelec dated August 15, 1996.

4-D Subordinated Debenture Indenture of JCP&L dated May 1, 1995 - Incorporated by reference to Exhibit A-8(a), Certificate Pursuant to Rule 24, SEC File No. 70-8495.

4-E Subordinated Debenture Indenture of Met-Ed dated August 1, 1994 - Incorporated by reference to Exhibit A-8(a), Certificate Pursuant to Rule 24, SEC File No. 70-8401.

4-F Subordinated Debenture Indenture of Penelec dated July 1, 1994 - Incorporated by reference to Exhibit A-8(a), Certificate Pursuant to Rule 24, SEC File No. 70-8403.

4-G Amended and Restated Limited Partnership Agreement of JCP&L Capital, L.P., dated May 11, 1995 - Incorporated by reference to Exhibit A-5(a), Certificate Pursuant to Rule 24, SEC File No. 70-8495.

4-H Action Creating Series A Preferred Securities of JCP&L Capital, L.P., dated May 11, 1995 - Incorporated by reference to Exhibit A-6(a), Certificate Pursuant to Rule 24, SEC File No. 70-8495.

4-I Payment and Guarantee Agreement of JCP&L, dated May 18, 1995 - Incorporated by reference to Exhibit B-1(a), Certificate Pursuant to Rule 24, SEC File No. 70-8495.

4-J Amended and Restated Limited Partnership Agreement of Met-Ed Capital, L.P., dated August 16, 1994 - Incorporated by reference to Exhibit A-5(a), Certificate Pursuant to Rule 24, SEC File No. 70-8401.

4-K Action Creating Series A Preferred Securities of Met-Ed Capital, L.P., dated August 16, 1994 - Incorporated by reference to Exhibit A-6(a), Certificate Pursuant to Rule 24, SEC File No. 70-8401.

4-L Payment and Guarantee Agreement of Met-Ed, dated August 23, 1994 - Incorporated by reference to Exhibit B-1(a), Certificate Pursuant to Rule 24, SEC File No. 70-8401.

4-M Amended and Restated Limited Partnership Agreement of Penelec Capital, L.P., dated June 27, 1994 - Incorporated by reference to Exhibit A-5(a), Certificate Pursuant to Rule 24, SEC File No. 70-8403.

4-N Action Creating Series A Preferred Securities of Penelec Capital, L.P., dated June 27, 1994 - Incorporated by reference to Exhibit A-6(a), Certificate Pursuant to Rule 24, SEC File No. 70-8403.

4-O Payment and Guarantee Agreement of Penelec, dated July 5, 1994 - Incorporated by reference to Exhibit B-1(a), Certificate Pursuant to Rule 24, SEC File No. 70-8403.

10-A GPU System Companies Deferred Compensation Plan dated August 1, 1996.

10-B GPU System Companies Master Directors' Benefits Protection Trust dated November 7, 1996.

10-C GPU System Companies Master Executives' Benefits Protection Trust dated August 1, 1996.

10-D Employee Incentive Compensation Plan of JCP&L dated April 1, 1995 - Incorporated by reference to Exhibit 10-D, 1995 Annual Report on Form 10-K, SEC File No. 1-3141.

10-E Employee Incentive Compensation Plan of Met-Ed dated April 1, 1995 - Incorporated by reference to Exhibit 10-E, 1995 Annual Report on Form 10-K, SEC File No. 1-446.

10-F Employee Incentive Compensation Plan of Penelec dated April 1, 1995 - Incorporated by reference to Exhibit 10-F, 1995 Annual Report on Form 10-K, SEC File No. 1-3522.

10-G Incentive Compensation Plan for Elected Officers of JCP&L dated August 1, 1996.

10-H Incentive Compensation Plan for Elected Officers of Met-Ed dated August 1, 1996.

10-I Incentive Compensation Plan for Elected Officers of Penelec dated August 1, 1996.

10-J Deferred Remuneration Plan for Outside Directors of JCP&L dated November 7, 1996.

10-K JCP&L Supplemental and Excess Benefits Plan dated August 1, 1996.

10-L Met-Ed Supplemental and Excess Benefits Plan dated August 1, 1996.

10-M Penelec Supplemental and Excess Benefits Plan dated August 1, 1996.

10-N Letter agreements dated November 1, 1996 relating to supplemental pension benefits for J.R. Leva.

10-O Letter agreement dated November 1, 1996 relating to terms of employment and pension benefits for I.H. Jolles.

10-P Letter agreement dated November 1, 1996 relating to supplemental pension benefits for J.G. Graham.

10-Q GPU, Inc. Restricted Stock Plan for Outside Directors dated November 7, 1996.

10-R Retirement Plan for Outside Directors of GPU, Inc. dated November 7, 1996.

10-S Deferred Remuneration Plan for Outside Directors of GPU, Inc. dated November 7, 1996.

10-T Amended and Restated Nuclear Material Lease Agreement, dated November 17, 1995, between Oyster Creek Fuel Corp. and JCP&L - Incorporated by reference to Exhibit B-2(a)(i), Certificate Pursuant to Rule 24, SEC File No. 70-7862.

10-U Amended and Restated Nuclear Material Lease Agreement, dated November 17, 1995, between TMI-1 Fuel Corp. and JCP&L - Incorporated by reference to Exhibit B-2(a)(ii), Certificate Pursuant to Rule 24, SEC File No. 70-7862.

10-V Letter Agreement, dated November 17, 1995, from JCP&L relating to Oyster Creek Nuclear Material Lease Agreement - Incorporated by reference to Exhibit B-2(b)(i), Certificate Pursuant to Rule 24, SEC File No. 70-7862.

10-W Letter Agreement, dated November 17, 1995, from JCP&L relating to JCP&L TMI-1 Nuclear Material Lease Agreement - Incorporated by reference to Exhibit B-2(b)(ii), Certificate Pursuant to Rule 24, SEC File No. 70-7862.

10-X Amended and Restated Trust Agreement, dated November 17, 1995, between United States Trust Company of New York, as Owner Trustee, Lord Fuel Corp., as Trustor and Beneficiary, and JCP&L, Met-Ed and Penelec - Incorporated by reference to Exhibit B-3(i), Certificate Pursuant to Rule 24, SEC File No. 70-7862.

10-Y Amended and Restated Nuclear Material Lease Agreement, dated November 17, 1995, between TMI-1 Fuel Corp. and Met-Ed - Incorporated by reference to Exhibit B-2(a)(iii), Certificate Pursuant to Rule 24, SEC File No. 70-7862.

10-Z Letter Agreement, dated November 17, 1995, from Met-Ed relating to Met-Ed TMI-1 Nuclear Material Lease Agreement - Incorporated by reference to Exhibit B-2(b)(i), Certificate Pursuant to Rule 24, SEC File No. 70-7862.

10-AA Amended and Restated Nuclear Material Lease Agreement, dated November 17, 1995, between TMI-1 Fuel Corp. and Penelec - Incorporated by reference to Exhibit B-2(a)(iv), Certificate Pursuant to Rule 24, SEC File No. 70-7862.

10-BB Letter Agreement, dated November 17, 1995, from Penelec relating to Penelec Nuclear Material Lease Agreement - Incorporated by reference to Exhibit B-2(b)(i), Certificate Pursuant to Rule 24, SEC File No. 70-7862.

10-CC GPU, Inc. 1990 Stock Plan for Employees of GPU, Inc. and Subsidiaries as amended and restated to reflect amendments through August 1, 1996.

12 Statements Showing Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.

A - GPU
B - JCP&L
C - Met-Ed
D - Penelec

21 Subsidiaries of the Registrant

A - JCP&L
B - Met-Ed
C - Penelec

23 Consent of Independent Accountants

A - GPU
B - JCP&L
C - Met-Ed
D - Penelec

27 Financial Data Schedule

A - GPU
B - JCP&L
C - Met-Ed
D - Penelec

(b) Reports on Form 8-K:

A - GPU, Inc.

Dated October 21, 1996, under Item 5 (Other Events).

Dated December 2, 1996, under Item 5 (Other Events).

B - JCP&L

Dated October 21, 1996, under Item 5 (Other Events).

C - Met-Ed

Dated November 20, 1996, under Item 5 (Other Events).

Dated December 2, 1996, under Item 5 (Other Events).

D - Penelec

Dated November 20, 1996, under Item 5 (Other Events).

Dated December 2, 1996, under Item 5 (Other Events).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GPU, INC.

Dated: March 10, 1997

BY: /s/ J. R. Leva
J. R. Leva, Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature and Title	Date
/s/ J. R. Leva J. R. Leva, Chairman (Chief Executive Officer) and President	March 10, 1997
/s/ F. D. Hafer F. D. Hafer, President (Chief Operating Officer) and Director	March 10, 1997
/s/ J. G. Graham J. G. Graham, Senior Vice President (Chief Financial Officer)	March 10, 1997
/s/ F. A. Donofrio F. A. Donofrio, Vice President and Comptroller (Chief Accounting Officer)	March 10, 1997
/s/ T. H. Black T. H. Black, Director	March 10, 1997
/s/ T. B. Hagen T. B. Hagen, Director	March 10, 1997
/s/ H. F. Henderson H. F. Henderson, Jr., Director	March 10, 1997
/s/ J. M. Pietruski J. M. Pietruski, Director	March 10, 1997
/s/ C. A. Rein C. A. Rein, Director	March 10, 1997
/s/ P. R. Roedel P. R. Roedel, Director	March 10, 1997
/s/ B. S. Townsend B. S. Townsend, Director	March 10, 1997
/s/ C. A. H. Trost C. A. H. Trost, Director	March 10, 1997
/s/ P. K. Woolf P. K. Woolf, Director	March 10, 1997

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The Signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

JERSEY CENTRAL POWER & LIGHT COMPANY

Dated: March 10, 1997

BY: /s/ D. Baldassari
D. Baldassari, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature and Title	Date
/s/ J. R. Leva J. R. Leva, Chairman (Principal Executive Officer) and Director	March 10, 1997
/s/ D. Baldassari D. Baldassari, President (Principal Operating Officer) and Director	March 10, 1997
/s/ J. G. Graham J. G. Graham, Vice President (Principal Financial Officer) and Director	March 10, 1997
/s/ D. W. Myers D. W. Myers, Vice President-Comptroller (Principal Accounting Officer) and Director	March 10, 1997
/s/ R. C. Arnold R. C. Arnold, Director	March 10, 1997
/s/ F. D. Hafer F. D. Hafer, Director	March 10, 1997
/s/ G. E. Persson G. E. Persson, Director	March 10, 1997
/s/ S. C. Van Ness S. C. Van Ness, Director	March 10, 1997
/s/ S. B. Wiley S. B. Wiley, Director	March 10, 1997

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The Signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

METROPOLITAN EDISON COMPANY

Dated: March 10, 1997

BY: /s/ D. Baldassari
D. Baldassari, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature and Title	Date
/s/ J. R. Leva J. R. Leva, Chairman (Principal Executive Officer) and Director	March 10, 1997
/s/ D. Baldassari D. Baldassari, President (Principal Operating Officer) and Director	March 10, 1997
/s/ J. G. Graham J. G. Graham, Vice President (Principal Financial Officer) and Director	March 10, 1997
/s/ D. W. Myers D. W. Myers, Vice President-Comptroller (Principal Accounting Officer) and Director	March 10, 1997
/s/ R. C. Arnold R. C. Arnold, Director	March 10, 1997
/s/ F. D. Hafer F. D. Hafer, Director	March 10, 1997

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The Signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

PENNSYLVANIA ELECTRIC COMPANY

Dated: March 10, 1997

BY: /s/ D. Baldassari
D. Baldassari, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature and Title	Date
/s/ J. R. Leva J. R. Leva, Chairman (Principal Executive Officer) and Director	March 10, 1997
/s/ D. Baldassari D. Baldassari, President (Principal Operating Officer) and Director	March 10, 1997
/s/ J. G. Graham J. G. Graham, Vice President (Principal Financial Officer) and Director	March 10, 1997
/s/ D. W. Myers D. W. Myers, Vice President-Comptroller (Principal Accounting Officer) and Director	March 10, 1997
/s/ R. C. Arnold R. C. Arnold, Director	March 10, 1997
/s/ F. D. Hafer F. D. Hafer, Director	March 10, 1997

GPU, INC. AND SUBSIDIARY COMPANIES
STATEMENTS SHOWING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS BASED ON SEC REGULATION S-K, ITEM 503
(In Thousands)

	Twelve Months Ended December 31,				
	1996	1995	1994	1993	1992
OPERATING REVENUES	$3,918,089	$3,804,656	$3,649,516	$3,596,090	$3,434,153
OPERATING EXPENSES	3,243,238	3,070,150	3,008,944	2,868,135	2,821,710
Interest portion of rentals (A)	26,093	27,362	24,655	25,536	28,374
Fixed charges of service company subsidiaries (B)	3,695	3,666	3,637	4,204	4,366
Net expense	3,213,450	3,039,122	2,980,652	2,838,395	2,788,970
OTHER INCOME AND DEDUCTIONS:					
Allowance for funds used during construction	10,672	14,671	11,827	9,936	12,580
Other income / (expense), net	28,151	216,110	(152,236)	(7,579)	30,503
Fixed charges of the GPU International Group (C)	29,683	1,717	15	4	9
Total other income and deductions	68,506	232,498	(140,394)	2,361	43,092
EARNINGS AVAILABLE FOR FIXED CHARGES AND PREFERRED STOCK DIVIDENDS (excluding taxes based on income)	$ 773,145	$ 998,032	$ 528,470	$ 760,056	$ 688,275
FIXED CHARGES:					
Interest on funded indebtedness	$ 216,352	$ 192,488	$ 186,259	$ 191,142	$ 178,176
Other interest (D)	59,398	56,396	47,498	21,525	19,604
Preferred stock dividends of subsidiaries on a pretax basis (F)	24,008	26,756	30,314	46,270	58,637
Interest portion of rentals (A)	26,093	27,362	24,655	25,536	28,374
Total fixed charges	$ 325,851	$ 303,002	$ 288,726	$ 284,473	$ 284,791
RATIO OF EARNINGS TO FIXED CHARGES	2.37	3.29	1.83	2.67	2.42
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS (E)	2.37	3.29	1.83	2.67	2.42

GPU, INC. AND SUBSIDIARY COMPANIES
STATEMENTS SHOWING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS BASED ON SEC REGULATION S-K, ITEM 503
(In Thousands)

Notes:

(A) The Company has included the equivalent of the interest portion of all rentals charged to income as fixed charges for this statement and has excluded such components from operating expenses.

(B) Represents fixed charges of GPU Service, Inc. and GPU Nuclear, Inc. which are accounted for as operating expenses in the Company's consolidated income statement. The Company has removed the fixed charges from operating expenses and included such amounts in fixed charges as interest on funded indebtedness and other interest for this statement.

(C) Represents fixed charges of the GPU International Group which are accounted for as other income and deductions in the Company's consolidated income statement. The Company has removed the fixed charges from other income and deductions and included such amounts in fixed charges as interest on funded indebtedness and other interest for this statement.

(D) Includes dividends on subsidiary-obligated mandatorily redeemable preferred securities of $28,888, $24,816 and $7,692 for the years 1996, 1995 and 1994, respectively.

(E) GPU Inc., the parent holding company, does not have any preferred stock outstanding, therefore, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

(F) Calculation of preferred stock dividends of subsidiaries on a pretax basis is as follows:

	Twelve Months Ended December 31				
	1996	1995	1994	1993	1992
Income before provision for income taxes and preferred stock dividends of subsidiaries and gain on preferred stock reacquisition	$471,302	$721,786	$270,058	$521,853	$462,121
Income before preferred stock dividends of subsidiaries and gain on preferred stock reacquisition	304,583	457,080	184,380	324,430	288,193
Pretax earnings ratio	154.7%	157.9%	146.5%	160.9%	160.4%
Preferred stock dividends of subsidiaries	15,519	16,945	20,692	28,757	36,557
Preferred stock dividends of subsidiaries on a pretax basis	24,008	26,756	30,314	46,270	58,637

JERSEY CENTRAL POWER & LIGHT COMPANY AND SUBSIDIARY COMPANY
STATEMENTS SHOWING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS BASED ON SEC REGULATION S-K, ITEM 503
(In Thousands)

	Twelve Months Ended December 31,				
	1996	1995	1994	1993	1992
OPERATING REVENUES	$2,057,918	$2,035,928	$1,952,425	$1,935,909	$1,774,071
OPERATING EXPENSES	1,729,532	1,653,387	1,622,399	1,600,984	1,536,596
Interest portion of rentals (A)	10,666	12,354	10,187	10,944	12,414
Net expense	1,718,866	1,641,033	1,612,212	1,590,040	1,524,182
OTHER INCOME AND DEDUCTIONS:					
Allowance for funds used during construction	6,647	7,824	4,143	4,756	8,071
Other income/(expense), net	7,202	14,889	21,995	6,281	21,519
Total other income and deductions	13,849	22,713	26,138	11,037	29,590
EARNINGS AVAILABLE FOR FIXED CHARGES AND PREFERRED STOCK DIVIDENDS (excluding taxes based on income)	$ 352,901	$ 417,608	$ 366,351	$ 356,906	$ 279,479
FIXED CHARGES:					
Interest on funded indebtedness	$ 89,648	$ 92,602	$ 93,477	$ 100,246	$ 92,942
Other interest (B)	21,847	16,337	14,726	6,530	4,873
Interest portion of rentals (A)	10,666	12,354	10,187	10,944	12,414
Total fixed charges	$ 122,161	$ 121,293	$ 118,390	$ 117,720	$ 110,229
RATIO OF EARNINGS TO FIXED CHARGES	2.89	3.44	3.09	3.03	2.54
Preferred stock dividend requirement	13,072	14,457	14,795	16,810	20,604
Ratio of income before provision for income taxes to net income (C)	147.6%	148.8%	152.3%	151.1%	144.2%
Preferred stock dividend requirement on a pretax basis	19,294	21,512	22,529	25,400	29,711
Fixed charges, as above	122,161	121,293	118,390	117,720	110,229
Total fixed charges and preferred stock dividends	$ 141,455	$ 142,805	$ 140,919	$ 143,120	$ 139,940
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS	2.50	2.92	2.60	2.49	2.00

JERSEY CENTRAL POWER & LIGHT COMPANY AND SUBSIDIARY COMPANY
STATEMENTS SHOWING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS BASED ON SEC REGULATION S-K, ITEM 503
(In Thousands)

Notes:

(A) The Company has included the equivalent of the interest portion of all rentals charged to income as fixed charges for this statement and has excluded such components from Operating Expenses.

(B) Includes dividends on company-obligated mandatorily redeemable preferred securities of \$10,700 and \$6,628 for the years 1996 and 1995, respectively.

(C) Represents income before provision for income taxes divided by net income as follows:

	Twelve Months Ended December 31,				
	1996	1995	1994	1993	1992
Income before provision for income taxes	$230,740	$296,315	$247,961	$239,187	$169,250
Net Income	156,303	199,089	162,841	158,344	117,361

METROPOLITAN EDISON COMPANY AND SUBSIDIARY COMPANIES
STATEMENTS SHOWING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS BASED ON SEC REGULATION S-K, ITEM 503
(In Thousands)

	Twelve Months Ended December 31,				
	1996	1995	1994	1993	1992
OPERATING REVENUES	$910,408	$854,674	$801,303	$801,487	$821,823
OPERATING EXPENSES	733,664	686,183	655,805	624,025	660,497
Interest portion of rentals (A)	5,367	5,186	5,315	4,932	5,817
Net expense	728,297	680,997	650,490	619,093	654,680
OTHER INCOME AND DEDUCTIONS:					
Allowance for funds used during construction	1,245	2,430	3,847	2,919	2,858
Other income/(expense), net	1,220	129,660	(98,953)	(5,581)	3,229
Total other income and deductions	2,465	132,090	(95,106)	(2,662)	6,087
EARNINGS AVAILABLE FOR FIXED CHARGES AND PREFERRED STOCK DIVIDENDS (excluding taxes based on income)	$184,576	$305,767	$ 55,707	$179,732	$173,230
FIXED CHARGES:					
Interest on funded indebtedness	$ 45,373	$ 45,844	$ 43,270	$ 42,887	$ 38,882
Other interest (B)	14,436	14,147	15,137	6,990	6,039
Interest portion of rentals (A)	5,367	5,186	5,315	4,932	5,817
Total fixed charges	$ 65,176	$ 65,177	$ 63,722	$ 54,809	$ 50,738
RATIO OF EARNINGS TO FIXED CHARGES	2.83	4.69	0.87	3.28	3.41
Preferred stock dividend requirement	944	944	2,960	6,960	10,289
Ratio of income before provision for income taxes to net income (C)	172.9%	162.0%	174.8%	160.4%	167.6%
Preferred stock dividend requirement on a pretax basis	1,632	1,529	5,174	11,164	17,244
Fixed charges, as above	65,176	65,177	63,722	54,809	50,738
Total fixed charges and preferred stock dividends	$ 66,808	$ 66,706	$ 68,896	$ 65,973	$ 67,982
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS	2.76	4.58	0.81	2.72	2.55

METROPOLITAN EDISON COMPANY AND SUBSIDIARY COMPANIES
STATEMENTS SHOWING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS BASED ON SEC REGULATION S-K, ITEM 503
(In Thousands)

Notes:

(A) The Company has included the equivalent of the interest portion of all rentals charged to income as fixed charges for this statement and has excluded such components from Operating Expenses.

(B) Includes dividends on company-obligated mandatorily redeemable preferred securities of \$9,000, \$9,000 and \$3,200 for the years 1996, 1995 and 1994, respectively.

(C) Represents income before provision for income taxes divided by net income as follows:

	Twelve Months Ended December 31,				
	1996	1995	1994*	1993	1992
Income before provision for income taxes	\$119,400	\$240,590	\$ -	\$124,923	\$122,492
Net Income	69,067	148,540	-	77,875	73,077

* For the twelve months ended December 31, 1994, the ratio was based on the composite income tax rate for 1994.

PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY COMPANIES
STATEMENTS SHOWING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS BASED ON SEC REGULATION S-K, ITEM 503
(In Thousands)

	Twelve Months Ended December 31,				
	1996	1995	1994	1993	1992
OPERATING REVENUES	$1,019,645	$981,329	$944,744	$908,280	$896,337
OPERATING EXPENSES	840,288	793,320	776,215	688,587	678,478
Interest portion of rentals (A)	4,490	4,911	3,632	3,406	3,945
Net expense	835,798	788,409	772,583	685,181	674,533
OTHER INCOME AND DEDUCTIONS:					
Allowance for funds used during construction	2,780	4,417	3,837	2,261	1,651
Other income/(expense), net	(825)	56,454	(71,287)	(7,021)	(179)
Total other income and deductions	1,955	60,871	(67,450)	(4,760)	1,472
EARNINGS AVAILABLE FOR FIXED CHARGES AND PREFERRED STOCK DIVIDENDS (excluding taxes based on income)	$185,802	$253,791	$104,711	$218,339	$223,276
FIXED CHARGES:					
Interest on funded indebtedness	$ 49,654	$ 49,875	$ 46,439	$ 44,714	$ 42,615
Other interest (B)	16,300	17,616	11,913	5,255	6,415
Interest portion of rentals (A)	4,490	4,911	3,632	3,406	3,945
Total fixed charges	$ 70,444	$ 72,402	$ 61,984	$ 53,375	$ 52,975
RATIO OF EARNINGS TO FIXED CHARGES	2.64	3.51	1.69	4.09	4.21
Preferred stock dividend requirement	1,503	1,544	2,937	4,987	5,664
Ratio of income before provision for income taxes to net income (C)	165.2%	163.4%	134.4%	172.3%	170.7%
Preferred stock dividend requirement on a pretax basis	2,483	2,523	3,946	8,594	9,671
Fixed charges, as above	70,444	72,402	61,984	53,375	52,975
Total fixed charges and preferred stock dividends	$ 72,927	$ 74,925	$ 65,930	$ 61,969	$ 62,646
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS	2.55	3.39	1.59	3.52	3.56

PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY COMPANIES
STATEMENTS SHOWING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS BASED ON SEC REGULATION S-K, ITEM 503
(In Thousands)

Notes:

(A) The Company has included the equivalent of the interest portion of all rentals charged to income as fixed charges for this statement and has excluded such components from Operating Expenses.

(B) Includes dividends on company-obligated mandatorily redeemable preferred securities of $9,188, $9,188 and $4,492 for the years 1996, 1995 and 1994, respectively.

(C) Represents income before provision for income taxes divided by net income as follows:

	Twelve Months Ended December 31,				
	1996	1995	1994	1993	1992
Income before provision for income taxes	$115,358	$181,389	$42,727	$164,964	$170,301
Net Income	69,809	111,010	31,799	95,728	99,744

GPU, INC.

1996 SUPPLEMENTARY DATA, FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

SEE PAGE F-6 FOR COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND PAGE F-45 FOR COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INDEX TO SUPPLEMENTARY DATA, FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

INDEX TO SUPPLEMENTARY DATA, FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

METROPOLITAN EDISON COMPANY

PENNSYLVANIA ELECTRIC COMPANY

Schedules other than those listed above have been omitted since they are not required, are inapplicable or the required information is presented in the Financial Statements or Notes thereto.

GPU ENERGY COMPANIES' STATISTICS

For The Years Ended December 31,	1996	1995	1994	1993	1992	1991
Capacity at System Peak (in MW):						
Company owned	6,680	6,637	6,655	6,735	6,718	6,737
Contracted	3,536	3,604	3,416	3,236	3,360	3,045
Total capacity (a)	10,216	10,241	10,071	9,971	10,078	9,782
Hourly Peak Load (in MW):						
Summer peak	8,497	9,101	8,521	8,533	8,067	8,271
Winter peak	7,756	7,861	7,683	7,167	7,173	7,119
Reserve at system peak (%)	20.2	12.5	18.2	16.9	24.9	18.3
Load factor (%) (b)	64.2	57.5	61.7	60.9	62.3	61.1
Sources of Energy (in thousands of MWH):						
Coal	18,133	17,500	16,548	16,969	18,123	17,942
Nuclear	11,439	11,582	10,216	10,614	11,449	8,598
Gas, hydro & oil	812	1,019	1,071	575	409	1,187
Net generation	30,384	30,101	27,835	28,158	29,981	27,727
Utility purchases and interchange	8,795	10,297	10,326	11,984	11,931	14,255
Nonutility purchases	11,046	10,712	8,810	8,383	8,070	5,934
Total sources of energy	50,225	51,110	46,971	48,525	49,982	47,916
Company use, line loss, etc	(5,777)	(5,357)	(4,313)	(5,166)	(4,843)	(4,775)
Total electric energy sales	44,448	45,753	42,658	43,359	45,139	43,141
Fuel Expense (in millions):						
Coal	$263	$251	$260	$266	$266	$285
Nuclear	70	74	65	66	69	60
Gas & oil	38	38	39	32	21	44
Total	$371	$363	$364	$364	$356	$389
Power Purchased and Interchanged (in millions):						
Utility purchases and interchange	$ 267	$ 351	$367	$406	$430	$508
Nonutility purchases	739	671	528	491	471	343
Total	$1,006	$1,022	$895	$897	$901	$851
Electric Energy Sales (in thousands of MWH):						
Residential	15,298	14,802	14,788	14,498	13,725	13,852
Commercial	14,017	13,544	13,301	12,919	12,333	12,336
Industrial	12,093	11,982	11,983	11,699	11,901	12,035
Other	1,105	1,143	1,245	1,221	1,303	1,369
Sales to customers	42,513	41,471	41,317	40,337	39,262	39,592
Sales to other utilities	1,935	4,282	1,341	3,022	5,877	3,549
Total	44,448	45,753	42,658	43,359	45,139	43,141
Operating Revenues (in millions):						
Residential	$1,599	$1,542	$1,503	$1,465	$1,339	$1,341
Commercial	1,324	1,258	1,215	1,169	1,079	1,060
Industrial	803	780	774	755	752	753
Other	71	73	78	89	89	93
Sales to customers	3,797	3,653	3,570	3,478	3,259	3,247
Sales to other utilities	57	101	24	67	127	84
Total electric energy sales	3,854	3,754	3,594	3,545	3,386	3,331
Other revenues	64	51	56	51	48	41
Total	$3,918	$3,805	$3,650	$3,596	$ 3,434	$3,372
Price per KWH (in cents):						
Residential	10.51	10.35	10.18	10.07	9.73	9.67
Commercial	9.47	9.25	9.12	9.04	8.72	8.59
Industrial	6.65	6.51	6.46	6.47	6.32	6.25
Total sales to customers	8.96	8.77	8.64	8.61	8.28	8.20
Total electric energy sales	8.70	8.17	8.43	8.17	7.49	7.72
Kilowatt-hour Sales per Residential Customer	8,741	8,539	8,646	8,575	8,215	8,374
Customers at Year-End (in thousands)	1,997	1,976	1,949	1,925	1,901	1,879

(a) Summer ratings at December 31, 1996 of owned and contracted capacity were 6,606 MW and 3,901 MW, respectively.
(b) The ratio of the average hourly load in kilowatts supplied during the year to the peak load occurring during the year.

SELECTED FINANCIAL DATA

For The Years Ended December 31,	1996*	1995**	1994***	1993	1992	1991****
Common Stock Data						
Earnings per average common share	$ 2.47	$ 3.79	$ 1.42	$ 2.65	$ 2.27	$ 2.49
Cash dividends paid per share	$ 1.925	$ 1.86	$ 1.775	$ 1.65	$ 1.575	$ 1.45
Book value per share	$ 25.21	$ 24.66	$ 22.31	$ 22.69	$ 21.46	$ 20.81
Closing market price per share	$ 33 5/8	$ 34	$ 26 1/4	$ 30 7/8	$ 27 5/8	$ 27 1/4
Common shares outstanding (In Thousands):						
Average	120,743	116,214	115,160	111,779	110,840	110,798
At year-end	120,870	120,619	115,315	115,041	110,857	110,815
Market price to book value at year-end	133%	138%	118%	136%	129%	131%
Price/earnings ratio	13.6	9.0	18.5	11.7	12.2	10.9
Return on average common equity	9.8%	16.0%	6.3%	11.9%	10.7%	12.0%
Financial Data (In Thousands)						
Operating revenues	$3,918,089	$3,804,656	$3,649,516	$3,596,090	$3,434,153	$3,371,599
Other operation and maintenance expense	1,090,888	963,609	1,076,925	909,786	856,773	[illegible]91,314
Net income	298,352	440,135	163,688	295,673	251,636	275,382
Net utility plant in service	5,942,354	5,862,390	5,730,962	5,512,057	5,244,039	5,064,254
Total assets	10,941,219	9,849,516	9,209,777	8,829,255	7,730,738	7,408,834
Long-term debt	3,177,016	2,567,898	2,345,417	2,320,384	2,221,617	1,992,499
Long-term obligations under capital leases	6,623	11,696	16,982	23,320	24,094	27,210
Subsidiary-obligated mandatorily redeemable preferred securities	330,000	330,000	205,000	-	-	-
Cumulative preferred stock with mandatory redemption	114,000	134,000	150,000	150,000	150,000	100,000
Capital expenditures:						
GPU Energy companies	403,880	461,860	585,916	495,517	460,073	467,050
GPU International Group	573,587	164,831	73,835	16,426	747	5,339
Number of employees	9,345	10,286	10,555	11,963	11,969	12,018

* Results for 1996 reflect a decrease in earnings of $74.5 million (after-tax), or $0.62 per share, for costs related to voluntary enhanced retirement programs.

** Results for 1995 reflect the reversal of $104.9 million (after-tax), or $0.91 per share, of certain future TMI-2 retirement costs written off in 1994. The reversal of this write-off resulted from a 1995 Pennsylvania Supreme Court decision that overturned a 1994 lower court order, and restored a 1993 PaPUC order allowing for the recovery of such costs. Partially offsetting this increase was a charge to income of $8.4 million (after-tax), or $0.07 per share, of TMI-2 monitored storage costs deemed not probable of recovery through ratemaking.

*** Results for 1994 reflect a net decrease in earnings of $164.7 million (after-tax), or $1.43 per share, due to a write-off of certain future TMI-2 retirement costs ($104.9 million, or $0.91 per share); charges for costs related to early retirement programs ($76.1 million, or $0.66 per share); a write-off of Penelec's postretirement benefit costs believed not probable of recovery in rates ($10.6 million, or $0.09 per share); and net interest income from refunds of previously paid federal income taxes related to the tax retirement of TMI-2 ($26.9 million, or $0.23 per share).

**** Results for 1991 reflect an increase in earnings of $58.2 million (after-tax), or $0.53 per share, for an accounting change recognizing unbilled revenues and a decrease in earnings of $56.2 million (after-tax), or $0.51 per share, for estimated TMI-2 costs.

QUARTERLY FINANCIAL DATA (UNAUDITED)

In Thousands Except Per Share Data	First Quarter 1996	First Quarter 1995	Second Quarter 1996	Second Quarter 1995
Operating revenues	$1,022,934	$913,972	$912,254	$864,648
Operating income	161,206	133,660	134,753	126,318
Net income	108,253	75,497	73,625	60,980
Earnings per share	.90	.65	.61	.53

In Thousands Except Per Share Data	Third Quarter 1996*	Third Quarter 1995**	Fourth Quarter 1996	Fourth Quarter 1995
Operating revenues	$1,058,223	$1,095,082	$924,678	$930,954
Operating income	93,166	184,581	119,154	115,992
Net income	35,821	234,278	80,653	69,380
Earnings per share	.29	2.02	.67	.59

* Results for the third quarter of 1996 reflect charges of $74.5 million (after-tax), or $0.62 per share, for costs related to voluntary enhanced retirement programs.

** Results for the third quarter of 1995 reflect the reversal of $104.9 million (after-tax), or $0.91 per share, of certain future TMI-2 retirement costs written off in the second quarter of 1994. The reversal of this write-off resulted from a 1995 Pennsylvania Supreme Court decision that overturned a 1994 lower court order, and restored a 1993 PaPUC order allowing for the recovery of such costs. Partially offsetting this increase was a charge to income of $8.4 million (after-tax), or $0.07 per share, of TMI-2 monitored storage costs deemed not probable of recovery through ratemaking.

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GPU, Inc. (formerly General Public Utilities Corporation) owns all the outstanding common stock of three domestic electric utilities -- Jersey Central Power & Light Company (JCP&L), Metropolitan Edison Company (Met-Ed) and Pennsylvania Electric Company (Penelec). In 1996, the customer service, transmission and distribution operations of these electric utilities began doing business under the name GPU Energy. JCP&L, Met-Ed and Penelec considered together are referred to as the "GPU Energy companies." The generation operations of these three electric utilities are conducted by GPU Generation, Inc. (Genco) and GPU Nuclear, Inc. (GPUN). GPU, Inc. also owns all the common stock of GPU International, Inc. (formerly Energy Initiatives, Inc.), GPU Power, Inc. (formerly EI Power, Inc.) and GPU Electric, Inc. (formerly EI Energy, Inc.). Collectively, these are referred to as the "GPU International Group." Corporate functions are performed by GPU Service, Inc. (GPUS). All of these companies considered together are referred to as "GPU."

GPU RESULTS OF OPERATIONS

GPU's 1996 earnings were $298.4 million, or $2.47 per share, compared to 1995 earnings of $440.1 million, or $3.79 per share. GPU's return on average common equity was 9.8% in 1996 compared to 16.0% in 1995.

Earnings for 1996 would have been $372.9 million, or $3.09 per share, compared to earnings of $343.6 million, or $2.95 per share for 1995, if nonrecurring items are excluded. Excluding these nonrecurring items, return on average common equity for 1996 and 1995 would have been 12.1% and 12.7%, respectively. The earnings increase, on this basis, was due primarily to higher GPU International Group income, mainly resulting from the earnings inclusion of Midlands Electricity plc (Midlands), in which a 50% interest was acquired in 1996. Also affecting the 1996 earnings were lower reserve capacity expense and gains associated with the reacquisition of preferred stock through cash tender offers, which were primarily offset by higher depreciation and other operation and maintenance (O&M) expenses.

The 1996 nonrecurring item consisted of a $74.5 million after-tax charge to income, or $0.62 per share, for costs related to voluntary enhanced retirement programs, which were accepted by 840 bargaining and nonbargaining employees, representing about 8% of GPU's total workforce.

The 1995 nonrecurring items consisted of the reversal of a $104.9 million after-tax expense, or $0.91 per share, for certain future Three Mile Island Unit 2 (TMI-2) retirement costs written off by Met-Ed and Penelec in 1994. This reversal of expense resulted from a 1995 Pennsylvania Supreme Court decision restoring a 1993 Pennsylvania Public Utility Commission (PaPUC) order allowing Met-Ed to recover such costs from customers. Partially offsetting the effect of this was a charge to income of $8.4 million after-tax, or $0.07 per share, for TMI-2 monitored storage costs deemed not probable of recovery through ratemaking.

GPU RESULTS OF OPERATIONS (continued)

Earnings in 1995 were $440.1 million, or $3.79 per share, compared to 1994 earnings of $163.7 million, or $1.42 per share. The increase in earnings was due primarily to the effect of 1995 (discussed above) and 1994 nonrecurring items. Excluding these nonrecurring items, earnings for 1995 would have been $343.6 million, or $2.95 per share, compared to 1994 earnings of $328.4 million, or $2.85 per share. Contributing to this increase were higher new customer sales, partially offset by higher depreciation and financing expenses.

The 1994 nonrecurring items included the write-off of $104.9 million after-tax, or $0.91 per share (discussed above), of certain future TMI-2 retirement costs. Also in 1994, there was a charge to income of $76.1 million after-tax, or $0.66 per share, for costs related to voluntary enhanced retirement programs; a write-off of $10.6 million after-tax, or $0.09 per share, for certain postretirement benefit (OPEB) costs; and net interest income of $26.9 million after-tax, or $0.23 per share, resulting from refunds of previously paid federal income taxes related to the tax retirement of TMI-2.

OPERATING REVENUES:

Total revenues increased 3% to $3.9 billion in 1996, after increasing 4.3% to $3.8 billion in 1995. The components of these changes are as follows:

	(In Millions) 1996	1995
Kilowatt-hour (KWH) revenues (excluding energy portion)	$ 24.9	$ 14.7
Energy revenues	67.8	141.6
Other revenues	20.7	(1.2)
Increase in revenues	$113.4	$155.1

Kilowatt-hour revenues

1996 and 1995

The 1996 and 1995 increases in KWH revenues were due primarily to increased new commercial and residential customer sales, partially offset by lower weather-related sales to residential customers.

1996 KWH Customer Sales by Service Class

Residential	36%
Commercial	33%
Industrial/Other	31%

GPU RESULTS OF OPERATIONS (continued)

Energy revenues

1996 and 1995

Changes in energy revenues do not affect earnings as they reflect corresponding changes in the energy cost rates billed to customers and expensed. The 1996 increase was due primarily to higher energy cost rates in effect and increased commercial and residential customer sales, partially offset by lower sales to other utilities. Energy revenues in 1995 increased primarily from additional sales to other utilities and higher energy cost rates.

Other revenues

1996 and 1995

Generally, changes in other revenues do not affect earnings as they are offset by corresponding changes in expense, such as taxes other than income taxes. However, increased transmission revenues contributed to earnings in 1996.

OPERATING EXPENSES:

Power purchased and interchanged (PP&I)

1996 and 1995

Generally, changes in the energy component of PP&I expense do not significantly affect earnings since these cost increases are substantially recovered through the GPU Energy companies' energy adjustment clauses. However, lower reserve capacity expense, which is a component of PP&I, contributed to earnings in 1996.

Fuel and Deferral of energy costs, net

1996 and 1995

Generally, changes in fuel expense and deferral of energy costs do not affect earnings as they are offset by corresponding changes in energy revenues. However, earnings for 1996 benefitted from a $6.3 million pre-tax performance award earned by JCP&L for the efficient operation of its nuclear generating stations.

Other operation and maintenance

1996

The 1996 increase in other O&M expenses was due primarily to a $122.7 million pre-tax charge related to the early retirement programs. Partially offsetting the effect of these was a 1995 write-off of $14.7 million pre-tax, for TMI-2 monitored storage costs deemed not probable of recovery through ratemaking. Greater storm damage and emergency repairs in 1996 also contributed to the increase.

GPU RESULTS OF OPERATIONS (continued)

1995

The 1995 decrease in other O&M expenses was due to a $127 million pre-tax charge in 1994 related to early retirement programs. Partially offsetting the effect of these was the 1995 write-off of $14.7 million for TMI-2 monitored storage costs.

Depreciation and amortization

1996

The 1996 increase in depreciation and amortization expense was due primarily to additions to plant in service and higher depreciation rates for Met-Ed and Penelec.

1995

The 1995 increase in depreciation and amortization expense was due primarily to additions to plant in service.

Taxes, other than income taxes

1996 and 1995

Generally, changes in taxes other than income taxes do not significantly affect earnings as they are substantially recovered in revenues.

OTHER INCOME AND DEDUCTIONS:

Other income/(expense), net

1996

The 1996 decrease in other income/(expense) was due primarily to the reversal in 1995, of $183.9 million pre-tax, of certain future TMI-2 retirement costs written off in 1994 by Met-Ed and Penelec. This reversal of expense resulted from a 1995 Pennsylvania Supreme Court decision restoring a 1993 PaPUC order allowing Met-Ed to recover such costs from customers. This was partially offset by higher GPU International Group income, due primarily to the inclusion of Midlands' income (see Note 6 to GPU's Consolidated Financial Statements).

1995

The 1995 increase in other income/(expense) was due largely to the reversal of TMI-2 retirement costs written off in 1994. Also, in 1994 Penelec expensed $18.6 million pre-tax for certain OPEB costs believed not probable of recovery in rates. Of this amount, $14.6 million was written off as a result of a PaPUC order disallowing the collection of such costs by a nonaffiliated utility, and $4 million was charged to expense for OPEB costs related to employees who participated in the 1994 early retirement programs. Increased GPU International Group income in 1995, due primarily to gains on the sale of investment securities totaling $11.8 million pre-tax, also contributed to the increase. Partially offsetting these was interest income in 1994 of $59.4 million pre-tax resulting from refunds of previously paid federal income taxes related to the tax retirement of TMI-2.

GPU RESULTS OF OPERATIONS (continued)

INTEREST CHARGES AND PREFERRED DIVIDENDS:

Other interest

1995

The 1995 decrease in other interest was due primarily to the GPU Energy companies recognizing in 1994 interest expense related to the tax retirement of TMI-2. The tax retirement of TMI-2 resulted in a $13.8 million pre-tax charge to interest expense on additional amounts owed for tax years in which depreciation deductions with respect to TMI-2 had been taken.

Dividends on subsidiary-obligated mandatorily redeemable preferred securities

1996 and 1995

The 1996 increase was due to JCP&L issuing in May 1995, through a special-purpose finance subsidiary, $125 million stated value of mandatorily redeemable preferred securities. The 1995 increase was due to Met-Ed and Penelec issuing in 1994, through special-purpose finance subsidiaries, $100 million and $105 million, respectively, of these securities.

Gain on preferred stock reacquisition

1996

The 1996 increase was due to gains associated with Met-Ed and Penelec reacquiring, through cash tender offers, portions of their preferred stock.

JCP&L RESULTS OF OPERATIONS

JCP&L's 1996 earnings were $143.2 million, compared to 1995 earnings of $184.6 million. The decrease in earnings was due primarily to a $39.4 million after-tax charge in 1996 for voluntary enhanced retirement programs (includes JCP&L's share of costs allocated from Genco, GPUN and GPUS), which were accepted by 341 bargaining and non-bargaining employees of JCP&L, or about 11.5% of its workforce. JCP&L's return on average common equity was 9.5% in 1996 compared to 13.1% in 1995. Excluding this nonrecurring item, 1996 earnings would have been $182.6 million and return on average common equity, on this basis, would have been 12%.

Earnings in 1995 were $184.6 million, compared to 1994 earnings of $148 million. Contributing to this earnings increase were a $30.4 million after-tax charge in 1994 for early retirement programs, lower other O&M expenses, and higher new customer sales, partially offset by lower weather-related sales. Also, in 1994 JCP&L recognized net interest income of $7.4 million after-tax resulting from refunds of previously paid federal income taxes related to the tax retirement of TMI-2.

JCP&L RESULTS OF OPERATIONS (continued)

OPERATING REVENUES:

Total revenues increased 1.1% to $2.06 billion in 1996, after increasing 4.3% to $2.04 billion in 1995. The components of these changes are as follows:

	(In Millions) 1996	1995
Kilowatt-hour revenues (excluding energy portion)	$ (7.2)	$ 11.4
Energy revenues	22.1	72.3
Other revenues	7.1	(0.2)
Increase in revenues	$ 22.0	$ 83.5

Kilowatt-hour revenues

1996

The 1996 decrease in KWH revenues was due to lower weather-related sales to residential customers, partially offset by new residential and commercial customer sales.

1996 KWH Customer Sales by Service Class

Residential	41%
Commercial	39%
Industrial/Other	20%

1995

The 1995 increase in KWH revenues was due to increases in new residential and commercial customer sales, partially offset by lower weather-related sales.

Energy revenues

1996 and 1995

Changes in energy revenues do not affect earnings as they reflect corresponding changes in the energy cost rates billed to customers and expensed. The 1996 increase in energy revenues was due primarily to higher energy cost rates in effect and increased commercial customer sales, partially offset by lower sales to other utilities. The 1995 increase was primarily due to additional sales to other utilities and higher energy cost rates.

Other revenues

1996 and 1995

Generally, changes in other revenues do not affect earnings as they are offset by corresponding changes in expense, such as taxes other than income taxes.

JCP&L RESULTS OF OPERATIONS (continued)

OPERATING EXPENSES:

Power purchased and interchanged

1996

Generally, changes in the energy component of PP&I expense do not significantly affect earnings since these cost increases are substantially recovered through the energy adjustment clause. However, lower reserve capacity expense resulting primarily from reduced purchases from Pennsylvania Power & Light Company contributed to the 1996 earnings.

1995

Earnings in 1995 were negatively affected by higher reserve capacity expense resulting primarily from a Pennsylvania-New Jersey-Maryland Interconnection (PJM Power Pool) prior year adjustment and one-time net charges of $3.6 million pre-tax from another utility.

Fuel and Deferral of energy and capacity costs, net

1996 and 1995

Generally, changes in fuel expense and deferral of energy and capacity costs do not affect earnings as they are offset by corresponding changes in energy revenues. However, earnings for 1996 benefitted from a $6.3 million pre-tax performance award earned by JCP&L for the efficient operation of its nuclear generating stations.

Other operation and maintenance

1996

The 1996 increase in other O&M expenses was due in part to a $62.9 million pre-tax charge related to the early retirement programs. Payments associated with the use of others' transmission facilities (primarily associated companies) and greater storm damage and emergency repairs also contributed to the increase.

1995

The 1995 decrease in other O&M expenses was due primarily to the effect of a $46.9 million pre-tax charge in 1994 related to early retirement programs and lower 1995 storm damage and emergency repairs.

Depreciation and amortization

1996

The 1996 increase in depreciation and amortization expense was due primarily to additions to plant in service, partially offset by lower depreciation rates; and higher regulatory asset amortizations.

1995

The 1995 increase in depreciation and amortization expense was due primarily to additions to plant in service, partially offset by lower regulatory asset amortizations.

JCP&L RESULTS OF OPERATIONS (continued)

Taxes, other than income taxes

1996 and 1995
Generally, changes in taxes other than income taxes do not significantly affect earnings as they are substantially recovered in revenues.

OTHER INCOME AND DEDUCTIONS:

Other income, net

1996
The 1996 decrease in other income was due largely to the write-off of $3 million pre-tax of nonutility generation (NUG) buyout costs related to the Crown/Vista project (see Rate Matters section) and the write-off of obsolete inventory in connection with the retirements of the Werner and Gilbert generating stations.

1995
The 1995 decrease was due to the recognition in 1994 of interest income of $14.7 million pre-tax resulting from refunds of previously paid federal income taxes related to the tax retirement of TMI-2. Partially offsetting the effect of this was a 1994 write-off of $4.2 million pre-tax for a cancelled project.

INTEREST CHARGES AND DIVIDENDS ON PREFERRED SECURITIES:

Interest on long-term debt

1996
The decrease in interest on long-term debt was due to lower interest rates on long-term debt.

Dividends on company-obligated mandatorily redeemable preferred securities

1996 and 1995
The 1996 increase was due to JCP&L issuing in May 1995, through a special-purpose finance subsidiary, $125 million stated value of mandatorily redeemable preferred securities.

MET-ED RESULTS OF OPERATIONS

Met-Ed's 1996 earnings were $71.8 million, compared to 1995 earnings of $147.6 million. The decrease in earnings was due primarily to the effect of 1996 and 1995 nonrecurring items. Met-Ed's return on average common equity was 10.3% in 1996 compared to 23.5% in 1995.

MET-ED RESULTS OF OPERATIONS (continued)

Excluding these nonrecurring items, earnings would have been $87.2 million, compared to earnings of $80.5 million for 1995. Return on average common equity for 1996 and 1995, on this basis, would have been 12.4% and 13.4%, respectively. The earnings increase, on this basis, was due to primarily higher customer sales, lower reserve capacity expense and gains associated with the reacquisition of preferred stock.

The 1996 nonrecurring item consisted of a charge to income of $15.4 million after-tax for voluntary enhanced retirement programs (includes Met-Ed's share of costs allocated from Genco, GPUN and GPUS), which were accepted by 163 bargaining and non-bargaining employees of Met-Ed, or about 7.5% of its workforce.

The 1995 nonrecurring items consisted of the reversal of a $72.8 million after-tax expense, for certain future TMI-2 retirement costs written off in 1994. This reversal of expense resulted from a 1995 Pennsylvania Supreme Court decision restoring a 1993 PaPUC order allowing Met-Ed to recover such costs from customers. Partially offsetting the effect of this was a charge to income of $5.7 million after-tax for TMI-2 monitored storage costs deemed not probable of recovery through ratemaking.

Earnings in 1995 were $147.6 million, compared to a net loss of $2.2 million for 1994. The increase in earnings was due primarily to the net effect of 1995 (discussed above) and 1994 nonrecurring items. Excluding these nonrecurring items, earnings for 1995 would have been $80.5 million, compared to 1994 earnings of $77.7 million. Contributing to this increase were higher customer sales and lower other O&M expenses, partially offset by higher depreciation and financing expenses.

The 1994 nonrecurring items included the above mentioned TMI-2 write-off of $72.8 million after-tax. Also, in 1994 there was a charge to income of $20.1 million after-tax, for costs related to voluntary enhanced retirement programs; and net interest income of $13 million after-tax resulting from refunds of previously paid federal income taxes related to the tax retirement of TMI-2.

OPERATING REVENUES:

Total revenues increased 6.5% to $910.4 million in 1996, after increasing 6.7% to $854.7 million in 1995. The components of these changes are as follows:

	(In Millions) 1996	1995
Kilowatt-hour revenues (excluding energy portion)	$ 21.5	$ 4.8
Energy revenues	30.1	46.4
Other revenues	4.1	2.2
Increase in revenues	$ 55.7	$ 53.4

MET-ED RESULTS OF OPERATIONS (continued)

Kilowatt-hour revenues

1996

The 1996 increase in KWH revenues was due to increased customer usage, higher weather-related sales to residential customers and an increase in new commercial and residential customer sales.

1996 KWH Customer Sales by Service Class

Residential	36%
Commercial	27%
Industrial/Other	37%

1995

The 1995 increase in KWH revenues was due to an increase in new residential and commercial customer sales and higher industrial customer usage, partially offset by lower weather-related sales.

Energy revenues

1996 and 1995

Changes in energy revenues do not affect earnings as they reflect corresponding changes in the energy cost rates billed to customers and expensed. The 1996 increase in energy revenues was due primarily to higher energy cost rates in effect and increased commercial and residential customer sales, partially offset by lower sales to other utilities. The 1995 increase was due to higher energy cost rates and additional sales to other utilities.

Other revenues

1996 and 1995

Generally, changes in other revenues do not affect earnings as they are offset by corresponding changes in expense, such as taxes other than income taxes.

OPERATING EXPENSES:

Power purchased and interchanged

1996 and 1995

Generally, changes in the energy component of PP&I expense do not significantly affect earnings since these cost increases are substantially recovered through the energy adjustment clause. However, lower reserve capacity expense contributed to the 1996 and 1995 earnings.

Fuel and Deferral of energy costs, net

1996 and 1995

Generally, changes in fuel expense and deferral of energy costs do not affect earnings as they are offset by corresponding changes in energy revenues.

MET-ED RESULTS OF OPERATIONS (continued)

Other operation and maintenance

1996

The 1996 increase in other O&M expenses was due primarily to a $26.2 million pre-tax charge related to the early retirement programs and greater storm damage and emergency repairs. Partially offsetting the effect of these was a 1995 write-off of $10 million pre-tax, for TMI-2 monitored storage costs deemed not probable of recovery through ratemaking.

1995

The 1995 decrease in other O&M expenses was due primarily to a $35.2 million pre-tax charge in 1994 related to early retirement programs. Partially offsetting the effect of this was a 1995 write-off of $10 million pre-tax for TMI-2 monitored storage costs.

Depreciation and amortization

1996

The 1996 decrease in depreciation and amortization was due to adjustments in 1995 related to TMI-2 decommissioning. These adjustments more than offset 1996 increases in depreciation expense resulting from additions to plant in service and higher depreciation rates.

1995

The 1995 increase in depreciation and amortization expense was due primarily to additions to plant in service and adjustments for TMI-2 decommissioning.

Taxes, other than income taxes

1996 and 1995

Generally, changes in taxes other than income taxes do not significantly affect earnings as they are substantially recovered in revenues.

OTHER INCOME AND DEDUCTIONS:

Other income/(expense), net

1996

The 1996 decrease in other income/(expense) was due primarily to the reversal in 1995, of $127.6 million pre-tax, of certain future TMI-2 retirement costs written off in 1994. This reversal of expense resulted from a 1995 Pennsylvania Supreme Court decision restoring a 1993 PaPUC order allowing Met-Ed to recover such costs from customers.

1995

The 1995 increase in other income/(expense) was due largely to the reversal of TMI-2 retirement costs written off in 1994. Partially offsetting

MET-ED RESULTS OF OPERATIONS (continued)

the effect of this was interest income in 1994 of $29.8 million pre-tax resulting from refunds of previously paid federal income taxes related to the tax retirement of TMI-2.

INTEREST CHARGES AND DIVIDENDS ON PREFERRED SECURITIES:

Dividends on company-obligated mandatorily redeemable preferred securities

1995

The 1995 increase was due to Met-Ed issuing in August 1994, through a special-purpose finance subsidiary, $100 million stated value of mandatorily redeemable preferred securities.

Gain on preferred stock reacquisition

1996

The 1996 increase was due to gains associated with Met-Ed reacquiring, through cash tender offers, portions of its preferred stock.

PENELEC RESULTS OF OPERATIONS

Penelec's 1996 earnings were $73.9 million, compared to 1995 earnings of $109.5 million. The decrease in earnings was due primarily to the effect of 1996 and 1995 nonrecurring items. Penelec's return on average common equity was 10% in 1996 compared to 15.8% in 1995.

Excluding these nonrecurring items, earnings would have been $93.6 million compared to earnings of $80.1 million for 1995. Return on average common equity for 1996 and 1995, on this basis, would have been 12.6% and 11.8%, respectively. The earnings increase, on this basis, was due primarily to higher customer sales and gains associated with the reacquisition of preferred stock, which were partially offset by higher depreciation expense.

The 1996 nonrecurring item consisted of a charge to income of $19.7 million after-tax for voluntary enhanced retirement programs (includes Penelec's share of costs allocated from Genco, GPUN and GPUS), which were accepted by 165 bargaining and non-bargaining employees of Penelec or about 7.5% of its workforce.

The 1995 nonrecurring items consisted of the reversal of a $32.1 million after-tax expense, for certain future TMI-2 retirement costs written off in 1994. This reversal of expense resulted from a 1995 Pennsylvania Supreme Court decision restoring a 1993 PaPUC order allowing an affiliate (Met-Ed) to recover such costs from customers. Partially offsetting the effect of this was a charge to income of $2.7 million after-tax for TMI-2 monitored storage costs deemed not probable of recovery through ratemaking.

PENELEC RESULTS OF OPERATIONS (continued)

Earnings in 1995 were $109.5 million, compared to 1994 earnings of $28.9 million. The increase in earnings was due primarily to the net effect of 1995 (discussed above) and 1994 nonrecurring items. Excluding these nonrecurring items, earnings for 1995 would have been $80.1 million, compared to 1994 earnings of $90.7 million. Contributing to this earnings decrease were higher other O&M expenses and increased financing expenses.

The 1994 nonrecurring items included the above mentioned TMI-2 write-off of $32.1 million after-tax. Also in 1994, there was a charge to income of $25.6 million after-tax, for costs related to voluntary enhanced retirement programs; a write-off of $10.6 million after-tax for certain OPEB costs; and net interest income of $6.5 million after-tax resulting from refunds of previously paid federal income taxes related to the tax retirement of TMI-2.

OPERATING REVENUES:

Total revenues increased 3.9% to $1 billion in 1996, after increasing 3.9% to $981.3 million in 1995. The components of these changes are as follows:

	(In Millions) 1996	1995
Kilowatt-hour revenues (excluding energy portion)	$ 7.5	$ 1.7
Energy revenues	14.7	32.3
Other revenues	16.1	2.6
Increase in revenues	$ 38.3	$ 36.6

Kilowatt-hour revenues

1996 and 1995

The 1996 and 1995 increases in KWH revenues were due primarily to increased new commercial and residential customer sales. Higher weather-related sales to residential customers also contributed to the 1996 increase.

1996 KWH Customer Sales by Service Class

Residential	29%
Commercial	31%
Industrial	34%
Other	6%

Energy revenues

1996 and 1995

Changes in energy revenues do not affect earnings as they reflect corresponding changes in the energy cost rates billed to customers and expensed. The 1996 increase in energy revenues was due primarily to higher energy cost rates in effect and increased commercial and residential customer

PENELEC RESULTS OF OPERATIONS (continued)

sales, partially offset by lower sales to other utilities. The 1995 increase was due primarily to additional sales to other utilities and higher energy cost rates.

Other revenues

1996 and 1995

Generally, changes in other revenues do not affect earnings as they are offset by corresponding changes in expense, such as taxes other than income taxes. However, increased transmission revenues contributed to earnings in 1996.

OPERATING EXPENSES:

Power purchased and interchanged

1996 and 1995

Generally, changes in the energy component of PP&I expense do not significantly affect earnings since these cost increases are substantially recovered through the energy adjustment clause.

Fuel and Deferral of energy costs, net

1996 and 1995

Generally, changes in fuel expense and deferral of energy costs do not affect earnings as they are offset by corresponding changes in energy revenues.

Other operation and maintenance

1996

The 1996 increase in other O&M expenses was due to a $33.6 million pre-tax charge related to the early retirement programs. Partially offsetting the effect of this was a 1995 write-off of $4.7 million pre-tax, for TMI-2 monitored storage costs deemed not probable of recovery through ratemaking.

1995

The 1995 decrease in other O&M expenses was due to a $44.9 million pre-tax charge in 1994 related to early retirement programs. Partially offsetting the effect of this were a 1995 write-off of $4.7 million pre-tax for TMI-2 monitored storage costs, and employee severance payments associated with the management combination with Met-Ed in 1995.

Depreciation and amortization

1996 and 1995

The 1996 increase in depreciation and amortization expense was due to additions to plant in service and higher depreciation rates. The 1995 increase was due primarily to additions to plant in service.

PENELEC RESULTS OF OPERATIONS (continued)

Taxes, other than income taxes

1996 and 1995

Generally, changes in taxes other than income taxes do not significantly affect earnings as they are substantially recovered in revenues.

OTHER INCOME AND DEDUCTIONS:

Other income/(expense), net

1996

The 1996 decrease in other income/(expense) was due primarily to the reversal in 1995, of $56.3 million pre-tax, of certain future TMI-2 retirement costs written off in 1994. This reversal of expense resulted from a 1995 Pennsylvania Supreme Court decision restoring a 1993 PaPUC order allowing an affiliate to recover such costs from customers. Partially offsetting this was a write-off in 1995 of $2.5 million of deferred OPEB costs related to wholesale customers which were deemed not recoverable through ratemaking.

1995

The 1995 increase in other income/(expense) was due largely to the reversal of TMI-2 retirement costs of $56.3 million pre-tax written off in 1994. In 1994, Penelec expensed $18.6 million pre-tax for certain OPEB costs believed not probable of recovery in rates. Of this amount, $14.6 million was written off as a result of a PaPUC order disallowing a nonaffiliated utility to collect such costs, and $4 million was charged to expense for OPEB costs related to employees who participated in the early retirement programs. Also, Penelec recorded interest income of $14.9 million pre-tax resulting from refunds of previously paid federal income taxes related to the tax retirement of TMI-2.

INTEREST CHARGES AND DIVIDENDS ON PREFERRED SECURITIES:

Dividends on company-obligated mandatorily redeemable preferred securities

1995

The 1995 increase was due to Penelec issuing in July 1994, through a special-purpose finance subsidiary, $105 million stated value of mandatorily redeemable preferred securities.

Gain on preferred stock reacquisition

1996

The 1996 increase was due to gains associated with Penelec reacquiring, through cash tender offers, portions of its preferred stock.

The following sections of Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements made that are not historical facts are forward-looking and, accordingly, involve risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Although such forward-looking statements have been based on reasonable assumptions, there is no assurance that the expected results will be achieved. Some of the factors that could cause actual results to differ materially include, but are not limited to: the effects of regulatory decisions; changes in law and other governmental actions and initiatives; the impact of deregulation and increased competition in the industry; industry restructuring; expected outcomes of legal proceedings; generating plant performance; fuel prices and availability; and uncertainties involved with foreign operations including political risks and foreign currency fluctuations.

GPU INTERNATIONAL GROUP

The GPU International Group develops, owns and operates electric generation, transmission and distribution facilities and supply businesses in the U.S. and foreign countries. It has also made investments in certain advanced technologies related to the electric power industry. The GPU International Group has ownership interests in distribution and supply businesses in England and Australia, ten operating cogeneration plants in the U.S. totaling 895 MW (of which the GPU International Group's equity interest represents 261 MW) of capacity, and eleven operating generating facilities located in foreign countries totaling 2,686 MW (of which the GPU International Group's equity interest represents 546 MW) of capacity.

The GPU International Group is continuing to pursue investment opportunities and has commitments, both domestically and internationally, in five generating facilities under construction totaling 3,172 MW (of which the GPU International Group's equity interest represents 816 MW) of capacity.

At December 31, 1996, GPU, Inc.'s aggregate investment in the GPU International Group was $211 million; GPU, Inc. has also guaranteed up to an additional $893 million of GPU International Group obligations. GPU, Inc. has Securities and Exchange Commission (SEC) approval to finance investments in foreign utility companies and exempt wholesale generators up to an aggregate amount equal to 50% of GPU's average consolidated retained earnings, or approximately $1 billion. At December 31, 1996, GPU, Inc. had remaining authorization to finance an additional $25 million of such investments. A request to increase this limit to 100% of GPU's average consolidated retained earnings, or to approximately $2 billion at December 31, 1996, is pending.

Selected financial data for the GPU International Group is as follows:

	(In Millions) 1996	1995	1994
Total assets	$1,075	$380	$130
Liabilities and capital:			
Common equity	$ 232	$209	$118
Long-term debt	752	104	-
Notes payable	-	2	-
Total capitalization	984	315	118
Minority interest	43	41	-
Other liabilities	48	24	12
Total liabilities and capital	$1,075	$380	$130
Purchase of investments	$ 574	$165	$ 74
Net income/(loss)	$ 24	$ 9	$ (3)

For additional information on the GPU International Group's investments, see Note 7 to GPU's Consolidated Financial Statements.

In 1996, GPU and Cinergy Corp. (Cinergy) formed Avon Energy Partners Holdings (Holdings), a 50/50 joint venture, to acquire Midlands (see Note 6 to GPU's Consolidated Financial Statements), an English regional electric company. A wholly-owned subsidiary of Holdings purchased the outstanding shares of Midlands through a cash tender offer of £1.7 billion, or approximately U.S. $2.6 billion. GPU's 50% interest in Holdings is held by EI UK Holdings, Inc. (EI UK), a wholly-owned subsidiary of GPU Electric.

The Labour Party in the United Kingdom has proposed a windfall tax on privatized utilities and other companies as part of its election campaign platform. General elections in the United Kingdom are required to be held no later than May 1997. If the Labour Party wins the general election, and the tax is enacted as currently proposed, a charge to Midlands' earnings, which is estimated to range from $110 million to $350 million (GPU's 50% share being $55 million to $175 million), would be recorded in 1997, perhaps as early as the second quarter. Due to the fact that (1) the Labour Party may not win the election; (2) the windfall tax may not be enacted as currently proposed; (3) the amount of the proposed tax may change; and (4) the Labour Party may change its current platform, there is no certainty that this tax, if levied, would be enacted as currently proposed.

With the acquisitions of Midlands in 1996 and Solaris Power in 1995, the GPU International Group now has 50% ownership interests in foreign utility companies having total fixed assets of approximately $1.6 billion. These foreign utility companies annually provide about 20 billion kilowatt-hours of electricity to 2.2 million customers in England and 240,000 customers in Australia, with operating revenues of $2.5 billion in 1996.

In 1996, GPU Power, through a wholly-owned subsidiary, purchased the rights to acquire up to a 40% interest in a venture which plans to construct a 300 MW coal generating plant in the Philippines. GPU Power's equity contribution is expected to be approximately $40 million.

In 1996, GPU International and Ballard Power Systems of Canada agreed to a business venture to develop, manufacture and market stationary fuel cell power plants worldwide. Under the agreement, GPU International will invest approximately $23 million for up to a 19.3% equity interest in the new venture, of which $6 million was invested as of December 31, 1996.

Management expects that the GPU International Group will provide a substantial portion of GPU's future earnings growth and intends on making additional investments in its business activities. The timing and amounts of these investments, however, will depend upon the availability of appropriate opportunities and financing capabilities.

LIQUIDITY AND CAPITAL RESOURCES

Capital Needs

The GPU Energy companies' capital needs were $535 million (JCP&L $235 million; Met-Ed $92 million; Penelec $190 million; Other $18 million) in 1996, consisting of cash construction expenditures of $404 million (JCP&L $200 million; Met-Ed $77 million; Penelec $115 million; Other $12 million) and amounts for maturing obligations of $131 million (JCP&L $35 million; Met-Ed $15 million; Penelec $75 million; Other $6 million). In addition, the GPU International Group made investments in 1996 totaling $574 million, due primarily to the acquisition of Midlands (see Note 6 to GPU's Consolidated Financial Statements).

During 1996, construction expenditures were used primarily for new customer connections and to maintain and improve existing transmission and distribution facilities. In 1997, construction expenditures for the GPU Energy companies are estimated to be $402 million (JCP&L $185 million; Met-Ed $90 million; Penelec $120 million; Other $7 million), consisting primarily of $391 million (JCP&L $179 million; Met-Ed $88 million; Penelec $117 million; Other $7 million) for ongoing system development. Expenditures for maturing obligations will total $179 million (JCP&L $110 million; Met-Ed $40 million; Penelec $26 million; Other $3 million) in 1997, and $139 million (JCP&L $12 million; Penelec $30 million; Other $97 million) in 1998. Management estimates that a substantial portion of GPU's and the GPU Energy companies' 1997 capital needs will be satisfied through internally generated funds.

Cash Construction Expenditures
(In millions of dollars)

	1992	1993	1994	1995	1996	1997*
GPU	$460	$496	$586	$462	$404	$402
JCP&L	$219	$197	$244	$218	$200	$185
Met-Ed	131	142	160	113	77	90
Penelec	110	150	174	131	115	120
Other	-	7	8	-	12	7

* Estimate

The GPU Energy companies' capital leases are primarily for nuclear fuel. Nuclear fuel capital leases at December 31, 1996 totaled $139 million (JCP&L $95 million; Met-Ed $29 million; Penelec $15 million). When consumed, portions of the presently leased material will be replaced by additional leased material at an average annual rate (which is based on two full operating cycles, or four years) of between $35 million and $50 million (JCP&L $20 million - $25 million; Met-Ed $10 million - $15 million; Penelec $5 million - $10 million). In the event the needed nuclear fuel cannot be leased, the associated capital requirements would have to be met by other means.

Financing

GPU, Inc. has received SEC approval to issue and sell up to $300 million of unsecured debentures through December 31, 2001 and up to seven million shares of additional common stock through 1998. GPU, Inc. has no current plans to issue these securities. Any sale of such securities will, among other things, depend upon future capital requirements and market conditions.

As a result of Pennsylvania legislation (see Competitive Environment section), Met-Ed and Penelec each plan to sell securitized transition bonds through a separate trust or other similar entity, and would use the proceeds to reduce capitalization and further mitigate stranded costs resulting from customer choice. The timing and amount of any sale will depend upon PaPUC approval of restructuring plans, as well as market conditions.

The GPU Energy companies have regulatory authority to issue and sell first mortgage bonds (FMBs), including secured medium-term notes, and preferred stock through various periods into 1997. JCP&L and Penelec intend to seek regulatory approval to extend such authorizations through June 1999. Under existing authorizations, JCP&L, Met-Ed and Penelec may issue these senior securities in aggregate amounts of $145 million, $190 million and $120 million, respectively, of which up to $100 million for each company may consist of preferred stock. The GPU Energy companies also have regulatory authority to incur short-term debt, a portion of which may be through the issuance of commercial paper.

In 1996, the GPU Energy companies issued an aggregate of $120 million (JCP&L $80 million; Penelec $40 million) principal amount of FMBs. The proceeds from these issuances were used to repay short-term debt and for other corporate purposes. The GPU Energy companies redeemed $115.7 million (JCP&L $25.7 million; Met-Ed $15 million; Penelec $75 million) principal amount of FMBs with 1996 maturities.

Also in 1996, JCP&L redeemed $20 million stated value of cumulative preferred stock pursuant to mandatory and optional sinking fund provisions. In December 1996, Met-Ed and Penelec repurchased an aggregate of $11.4 million stated value and $20 million stated value, respectively, of cumulative preferred stock, through cash tender offers, at a total cost of approximately $7.7 million and $14.4 million, respectively.

In January 1997, JCP&L redeemed an aggregate of $54.2 million principal amount of FMBs, of which $24.2 million were redeemed prior to maturity.

The GPU Energy companies' bond indentures and articles of incorporation include provisions that limit the amount of long-term debt, preferred stock and short-term debt the companies may issue. The GPU Energy companies' interest and preferred dividend coverage ratios are currently in excess of indenture and charter restrictions. The amount of FMBs that the GPU Energy companies could issue based on the bondable value of property additions is in excess of amounts currently authorized.

GPU's cost of capital and ability to obtain external financing are affected by its security ratings, which are periodically reviewed by the credit rating agencies. The GPU Energy companies' FMBs are currently rated at an equivalent of "BBB+" or higher by the major credit rating agencies, while the preferred stock and mandatorily redeemable preferred securities have been

assigned an equivalent of "BBB" or higher. In addition, the GPU Energy companies' commercial paper is rated as having good to high credit quality.

The Standard & Poor's (S&P) rating outlook is used to assess the potential direction of an issuer's long-term debt rating over the intermediate to longer-term. The rating outlook for the GPU Energy companies remained constant in 1996. Met-Ed's "positive" rating outlook reflects expectations of steady financial improvement based on economic growth, the successful buyout of expensive NUG contracts, and continued strong nuclear operations. JCP&L's and Penelec's "stable" rating outlooks refle[illegible] [illegible]anageable construction programs, minimal rate relief requirements and expectations of modest strengthening in the service area economies. The S&P business position is a financial benchmarking standard for rating the debt of electric utilities to reflect the changing risk profiles resulting primarily from the intensifying competitive pressures in the industry. The business position currently assigned to the GPU Energy companies is "low average" to "average"; in 1996, the business position for Met-Ed was raised to "average."

Present plans call for the GPU Energy companies to issue long-term debt during the next three years to finance construction activities, fund the redemption of maturing senior securities, and depending on interest rates, refinance outstanding senior securities. In addition, further significant investments by the GPU International Group, or otherwise, may require GPU, Inc. to issue additional debt and/or common stock (see GPU International Group section for a discussion of GPU, Inc.'s remaining investment authorization).

In 1996, GPU Electric, through its wholly-owned subsidiary EI UK, entered into a five-year term loan agreement with a syndicate of banks which provides for borrowings of up to £350 million. As of December 31, 1996, EI UK had aggregate borrowings outstanding under the GPU, Inc. guaranteed term loan of £342 million, or approximately U.S. $586 million. The proceeds from these borrowings were used by EI UK to fund the acquisition of Midlands.

Also in 1996, GPU International, through a wholly-owned subsidiary, completed nonrecourse construction financing for its 300 MW Mid-Georgia project. As of December 31, 1996, GPU International had aggregate borrowings outstanding for the construction of this project of $62 million, of which $22 million is guaranteed by GPU, Inc.

Capitalization

GPU's target capitalization ratios are designed to provide credit quality ratings that permit capital market access at reasonable costs. The targets and actual capitalization ratios are as follows:

GPU	Target Range	1996	1995	1994
Common equity	45-48%	43%	47%	44%
Preferred equity	7-9	7	9	8
Notes payable and long-term debt	48-43	50	44	48
	100%	100%	100%	100%

JCP&L	Target Range	1996	1995	1994
Common equity	48-51%	48%	49%	47%
Preferred equity	8-10	9	10	7
Notes payable and long-term debt	44-39	43	41	46
	100%	100%	100%	100%

Met-Ed	Target Range	1996	1995	1994
Common equity	47-50%	48%	47%	46%
Preferred equity	8-10	8	9	10
Notes payable and long-term debt	45-40	44	44	44
	100%	100%	100%	100%

Penelec	Target Range	1996	1995	1994
Common equity	45-48%	45%	45%	43%
Preferred equity	8-10	7	9	9
Notes payable and long-term debt	47-42	48	46	48
	100%	100%	100%	100%

In 1996, the quarterly dividend on GPU, Inc.'s common stock was increased by 3.2% to an annualized rate of $1.94 per share. GPU, Inc.'s payout rate in 1996 was 62% of earnings (excluding the nonrecurring items). Management will continue to review GPU, Inc.'s dividend policy to determine how to best serve the long-term interests of shareholders.

COMPETITIVE ENVIRONMENT

The GPU Energy companies estimate that their total potential above market costs relating to power purchase commitments, above market generation costs, generating plant decommissioning costs and regulatory assets at year end 1998, on a present value basis, could range from $4.5 billion to $8 billion (JCP&L $2.5 billion to $4 billion; Met-Ed $1 billion to $2 billion; Penelec $1 billion to $2 billion). The estimate is subject to significant uncertainties including the future market price of both electricity and other competitive energy sources, as well as the timing of when these above market costs become stranded due to customers choosing another supplier. As discussed below, both the restructuring legislation in Pennsylvania and the

proposed restructuring plan in New Jersey provide mechanisms for utilities to recover, subject to regulatory approval, their above market costs. These regulatory recovery mechanisms in Pennsylvania and New Jersey will differ, but should allow for the recovery of non-mitigable above market costs through either distribution charges or separate nonbypassable charges to customers.

Recent Regulatory Actions

Since the enactment of the federal Public Utility Regulatory Policies Act of 1978 (PURPA), market forces combined with state and federal actions have led to increased competition in the electric utility industry. During 1996, state and federal actions continued to move the electric utility industry in this direction.

In 1996, Pennsylvania adopted comprehensive legislation which provides for the restructuring of the electric utility industry. The legislation, among other things, permits one-third of Pennsylvania retail consumers to choose their electric supplier beginning January 1, 1999, and all retail consumers by January 1, 2001. The legislation requires the unbundling of rates for transmission, distribution and generation services. Utilities would have the opportunity to recover up to 100% of their prudently incurred stranded costs that result from customers choosing another supplier through a PaPUC approved competitive transition charge, subject to certain conditions, including that they attempt to mitigate these costs. For a discussion of stranded costs, see the Competition and the Changing Regulatory Environment section of Note 14 to GPU's Consolidated Financial Statements.

The legislation provides utilities the opportunity to reduce their stranded costs through the issuance of transition bonds with maturities of up to 10 years. The sale proceeds could be used to buy out or buy down uneconomic NUG contracts, to reduce capitalization, or both. Principal and interest payments on the bonds would be paid by all distribution service customers through a nonbypassable intangible transition charge. Reduced financing costs associated with the sale of transition bonds would be used to provide rate reductions for all customers.

Pennsylvania electric utilities are required to submit restructuring plans to the PaPUC between April 1, 1997 and September 30, 1997. Met-Ed and Penelec are scheduled to file their respective plans with the PaPUC on June 1, 1997. The PaPUC is required to conduct public hearings prior to its approval of these plans.

Effective January 1, 1997, transmission and distribution rates charged to Pennsylvania retail customers are generally capped for 4 1/2 years, and generation rates are generally capped for up to nine years. Transmission and distribution of electricity will continue as a regulated monopoly and the PaPUC will ensure that adequate electrical reserves exist to maintain reliable service. An independent system operator (ISO) will be responsible for coordinating the generation and transmission of electricity in an efficient and nondiscriminatory manner.

As part of this restructuring, Met-Ed and Penelec filed, in December 1996, tariff supplements with the PaPUC requesting approval to, among other things, include their currently effective energy cost rates (ECR) and state tax adjustment surcharges (STAS) in base rates, effective for all bills rendered after January 1, 1997. The PaPUC has issued a tentative order

approving this request. Since rates that can be charged to customers for generation are capped for up to nine years, Met-Ed's and Penelec's future earnings will be subject to market volatility. Increases or decreases in fuel costs will no longer be subject to deferred accounting and will be reflected in net income as incurred. Met-Ed and Penelec will continue their efforts to manage fuel costs and will mitigate, to the extent possible, any excessive risks. As a result of including their ECRs in base rates and the cessation of deferred energy accounting, both effective January 1, 1997, Met-Ed and Penelec will experience step increases in reported revenues totaling approximately $25 million (Met-Ed $10 million; Penelec $15 million) in the first quarter of 1997.

The PaPUC has also issued a final order that sets forth the guidelines for retail access pilot programs in Pennsylvania. These pilot programs shall include residential, commercial and industrial class customers, and utilities are required to commit about 5% of load to retail access programs and unbundle their rates to allow customers to choose their electric generation supplier. Met-Ed and Penelec expect to file with the PaPUC in the first quarter of 1997 their plan for a proposed pilot program that would offer certain customers choice of their electric generation supplier.

In January 1997, the New Jersey Board of Public Utilities (NJBPU) released Phase II of the New Jersey Energy Master Plan which recommends, among other things, that certain electric retail customers be permitted to choose their supplier beginning October 1998, expanding to include all retail customers by April 2001. The NJBPU also recommends a near-term electric rate reduction of 5% to 10% with the phase in of retail competition, and combined with the effects of separate proposed modifications to the state's energy tax policy, an aggregate rate reduction of at least 10% to 15% over time.

The NJBPU proposes in this report that utilities have an opportunity to recover their stranded costs associated with generating capacity commitments provided that they attempt to mitigate these costs. Also, NUG contracts which cannot be mitigated will be eligible for stranded cost recovery. The determination of stranded cost recovery by the NJBPU would be undertaken on a case-by-case basis, with no guarantee for full recovery of these costs. A separate market transition charge (MTC) would be established for each utility to allow utilities to recover stranded costs over 4 to 8 years. The MTC would be capped to ensure that customers experience the NJBPU's recommended overall rate reduction of 5% to 10%. New Jersey is also considering securitization as a mechanism to help mitigate stranded costs.

In addition, the NJBPU is proposing that beginning October 1998, utilities unbundle their rates to allow customers to choose their electric generation supplier. Transmission and distribution of electricity would continue as a regulated monopoly and utilities would be responsible for connecting customers to the system and for providing distribution service. Transmission service would be provided by an ISO, who would be responsible for maintaining the reliability of the regional power grid and would be regulated by the Federal Energy Regulatory Commission (FERC).

The NJBPU intends to issue its final findings and recommendations to the Governor and the Legislature for their consideration in March 1997. The NJBPU proposes requiring electric utilities in New Jersey to file for review, by no later than July 15, 1997, complete restructuring plans, stranded cost filings and unbundled rate filings. The NJBPU intends to complete its review

of these filings by October 1998.

JCP&L is awaiting NJBPU approval of a plan to establish a one-year pilot program offering customers in Monroe Township, New Jersey a choice of their electric energy supplier. At the end of the first year, Monroe Township will have the option of renewing the pilot. Monroe Township had been exploring the possibility of establishing its own municipal electric system.

In 1996, FERC issued Order 888, which requires utilities to provide open access to their transmission network, thereby encouraging a fully competitive wholesale electric power market. It also requires electric utilities to, among other things: (1) file nondiscriminatory open access transmission tariffs which would be available to all wholesale sellers and buyers of electricity; (2) accept service under these new tariffs for their own wholesale transactions; and (3) be permitted to recover their legitimate and verifiable stranded costs incurred when a wholesale customer purchases power from another supplier using the utility's transmission system. While it does not require corporate unbundling, which the FERC defines as the disposing of ancillary services or creating separate affiliates to manage transmission services, Order 888 does call for functional unbundling of transmission and ancillary services.

In July 1996, the GPU Energy companies filed pro forma tariffs in accordance with Order 888. These tariffs became effective on July 9, 1996.

In 1996, the GPU Energy companies, along with six other electric utility members of the PJM Power Pool (together, the supporting PJM companies), filed with the FERC a transmission tariff and agreements that would create a new wholesale energy market to meet the requirements of Order 888, and to increase competition in the Mid-Atlantic region. The Mid-Atlantic energy agreements include: (1) the requirements and standards under which an ISO will operate the energy market and transmission system; (2) a transmission owners agreement and tariff that provides pool-wide transmission service with ten zones, each reflecting an existing PJM company's transmission costs, and an average transmission rate for service across or out of the power pool; (3) establishment of a Mid-Atlantic spot energy market; and (4) requiring the ownership of, or contracting for, sufficient transmission and generation capacity, including the sharing of generating capacity reserves, to meet reliability requirements. The proposed PJM tariff and agreements would supersede the tariffs filed by the GPU Energy companies in July 1996. PECO Energy Company (PECO), which opposes the supporting PJM companies' proposed restructuring plan, has filed its own plan with the FERC.

A number of parties, including PECO, have intervened in this proceeding. Among other things, the interveners contend that the proposal would leave excessive control of the transmission system to the PJM member utilities and that the plan's ten zone transmission pricing is anticompetitive and preserves utility market power.

In a November 1996 order the FERC directed the PJM companies to develop a new ISO proposal. According to the FERC, the proposals failed to satisfy Order 888, particularly the requirement that ISOs be independent. Among other things, the FERC noted that all stakeholders should participate in the formation of an ISO, no party should exercise undue influence on its board of directors, and no administrative oversight committee should control the actions of the ISO, which should be able to develop its own operating

procedures. In December 1996, the PJM companies, including PECO, submitted to the FERC a joint filing they believe is in compliance with Order 888. The joint filing represents an interim solution and contains several unresolved issues for which alternate proposals were presented to the FERC for resolution. The joint filing includes a pool-wide pro forma tariff and amendments to the PJM Interconnection Agreement to modify membership and governance provisions

As part of the joint compliance filing, the supporting PJM companies and PECO filed separate briefs supporting their positions on a number of other unresolved issues involving PJM restructuring, principally concerning transmission tariff design and congestion pricing. The PJM companies hope to reach consensus among themselves and with other stakeholders on all the issues and file a new pro forma tariff and other agreements by no later than May 31, 1997.

In January 1997, legislation was introduced in Congress which provides for a comprehensive restructuring of the electric utility industry, including, retail choice for all utility customers beginning December 2003, the opportunity for utilities to recover their prudently incurred stranded costs, and repeal of both PURPA and the Public Utility Holding Company Act. It is expected that other similar proposed legislation will be introduced in Congress during 1997.

Managing the Transition

As competition in the electric utility industry increases, the price of electricity and quality of customer services will be critical. GPU has been active both on the federal and state levels in helping to shape electric industry restructuring while protecting the interests of its shareholders and customers, and is attempting to assess the impact that these competitive pressures and other changes will have on its financial condition and results of operations.

GPU has identified the following strategic objectives to guide it over the next several years: (1) strengthen and expand the distribution business; (2) maximize existing generation asset values consistent with competitive market economics; (3) internally and externally position GPU for industry deregulation and restructuring; and (4) seek earnings growth from new core-related business initiatives, including making investments in the GPU International Group.

As part of its strategic planning, GPU is continuing to investigate investment opportunities in various domestic and foreign power projects and foreign utility systems, and intends on making additional investments which would be financed with new debt or equity (see GPU International Group section for a discussion of GPU, Inc.'s remaining investment authorization). GPU believes it can achieve earnings growth by making these kinds of investments and also gain operating experience in businesses that are already operating in a competitive environment.

While GPU recognizes that there are risks inherent in making these investments and that investment risk cannot be mitigated entirely, GPU believes the best long-term approach to managing these risks is through portfolio diversification. GPU's diversification policy is to reduce its overall investment risk by: (1) investing in diverse electric businesses; (2)

achieving a balance between new development and construction of electric facilities, and acquisitions of assets already in operation (thereby producing near-term earnings without significant development or construction risk); and (3) investing in diverse geographic regions.

In 1996, 493 bargaining employees (JCP&L 265; Met-Ed 90; Penelec 133; Other 5) and 347 nonbargaining employees (JCP&L 76; Met-Ed 73; Penelec 32; Other 166) accepted voluntary enhanced retirement programs, resulting in an 8% reduction in GPU's total workforce and a third quarter pre-tax charge to earnings of $122.7 million (JCP&L $62.9 million; Met-Ed $26.2 million; Penelec $33.6 million). GPU funded the cost of these retirement programs in 1996.

In response to competitive forces and regulatory changes, GPU has from time to time considered, and expects to continue to consider, various strategies designed to enhance its competitive position and to increase its ability to adapt to, and anticipate changes in, its business. GPU is aware that a number of nonaffiliated utilities in the Northeast and in California are in the process of selling some or all of their generation assets in response to regulatory and competitive pressures.

The GPU Energy companies are continually evaluating the future financial viability of their nuclear and fossil generation assets and will retire or otherwise attempt to dispose of plants that become uneconomical. In 1996, JCP&L retired its 58 MW Werner Unit 4 and 72 MW Gilbert Unit 3 generating plants because of high operating costs. See the Rate Matters section regarding the recovery of JCP&L's remaining investment in these plants.

GPU's strategies may include business combinations with other companies, internal restructurings involving the complete or partial separation of its wholesale and retail businesses, acquisitions of other businesses, and additions to or dispositions of all or portions of its generation, transmission or distribution businesses. As a result of federal and state actions noted above, the GPU Energy companies will be required to implement rate unbundling for generation, transmission and distribution services. No assurances can be given as to whether any potential transaction of the type described above may actually occur, or as to the ultimate effect thereof on the financial condition or competitive position of GPU.

Nonutility Generation Agreements

Pursuant to the requirements of PURPA and state regulatory directives, the GPU Energy companies have entered into power purchase agreements with NUGs for the purchase of energy and capacity for periods of up to 26 years (JCP&L 25 years; Met-Ed 26 years; Penelec 25 years). Although a few of these facilities are dispatchable, most are must-run and generally obligate the GPU Energy companies to purchase, at the contract price, the output up to the contract limits. While the GPU Energy companies thus far have been granted recovery of their NUG costs from customers by the PaPUC and NJBPU, there can be no assurance that they will continue to be able to recover these costs throughout the terms of the related agreements. As of December 31, 1996, facilities covered by these agreements having 1,631 MW (JCP&L 891 MW; Met-Ed 340 MW; Penelec 400 MW) of capacity were in service.

Due to the current availability of excess capacity in the marketplace, the cost of near- to intermediate-term (i.e., one to four years) energy supply from generation facilities now in service is currently and is expected to continue to be priced below the costs of new supply sources, at least for some time. The projected cost of energy from new generation supply sources has also decreased due to improvements in power plant technologies and lower forecasted fuel prices.

The GPU Energy companies intend to avoid, to the maximum extent practicable, entering into any new NUG agreements that are not needed or not consistent with current market pricing and continue to support legislative efforts to repeal PURPA. They are also attempting to renegotiate, and in some cases buy out, existing high cost long-term NUG agreements (see Managing Nonutility Generation section).

RATE MATTERS

Pennsylvania adopted comprehensive legislation in 1996 which provides for the restructuring of the electric utility industry. For additional information and related rate matters, see the Competitive Environment section.

In 1996, the NJBPU approved a provisional settlement for a combined levelized energy adjustment clause (LEAC) and Demand-Side Factor (DSF) increase of $27.9 million annually. The DSF is applied to customer rates so electric utilities can recover their demand-side management program costs, which include activities designed to improve efficiency in customer electricity use and load-management programs that reduce peak demand.

Also in 1996, JCP&L, the staff of the NJBPU and the Division of Ratepayer Advocate reached an agreement on a variety of pending rate-related issues (Final Settlement). An Administrative Law Judge (ALJ) issued a decision recommending approval of the Final Settlement, but the NJBPU ordered additional evidentiary hearings on the recovery of buyout costs for the Freehold cogeneration project discussed below (see Managing Nonutility Generation section). In December 1996, the ALJ issued a further decision recommending that recovery of the Freehold buyout costs be approved, subject to possible revocation or modification, if it is determined that the project was not viable when it was bought out. On December 31, 1996, an Addendum revising the Final Settlement was agreed upon by JCP&L, the staff of the

NJBPU and the Division of Ratepayer Advocate. In January 1997, the NJBPU staff recommended that rate recovery of the Freehold buyout costs be permitted. JCP&L expects the NJBPU to issue an order in the first quarter of 1997 approving the Final Settlement as revised. There can be no assurance as to the outcome of this proceeding.

Provisions of the Final Settlement, as revised by the Addendum, include a further annual increase of $7 million in the LEAC in addition to those noted above and an annual reduction of $11 million in base rates. Base rates would be frozen at that level until the year 2000, and the LEAC rate frozen through the year 1999. JCP&L could seek a LEAC rate increase if the deferred LEAC balance is projected to exceed $40 million, or a base rate increase under certain other conditions, such as a major change in the current regulatory environment. The Final Settlement provides for recovery in base rates, beginning in 1998, of all OPEB costs recorded in accordance with Statement of Financial Accounting Standards No. 106 including amounts previously deferred and an increase in decommissioning expense to reflect the radiological decommissioning and nonradiological removal costs estimated in the 1995 site-specific studies performed for GPUN (see Nuclear Plant Retirement Costs section of Note 14 to GPU's Consolidated Financial Statements). Also, included in base rates would be recovery of the remaining investments in the 58 MW Werner Unit 4 and 72 MW Gilbert Unit 3 generating plants, which were retired in 1996.

The Final Settlement also provides for recovery through the LEAC of: (1) buyout costs up to $130 million, and 50% of any costs from $130 million to $140 million, over a seven-year period for the termination of the Freehold power purchase agreement; and (2) $14 million of the $17 million buyout costs over a two year period, for the termination of the agreement to purchase power from the proposed 200 MW Crown/Vista project. JCP&L wrote-off the remaining $3 million of buyout costs for the Crown/Vista project in the second quarter of 1996.

In addition, the Final Settlement resolves the NJBPU's generic proceeding regarding recovery of capacity costs associated with electric power purchases from NUG projects which the Division of the Ratepayer Advocate claimed to result in a double recovery. JCP&L would not have to refund any amounts previously collected. The Final Settlement provides annual allowances for the recovery of forecasted additions to nuclear plant. The Final Settlement also provides that if JCP&L's return on equity exceeds 12.2%, excluding demand-side management and nuclear performance incentives, the excess would be used to reduce both customer rates and certain regulatory assets.

THE GPU ENERGY COMPANIES' SUPPLY PLAN

Under traditional retail regulation, supply planning in the electric utility industry is directly related to projected growth in a utility's franchise service territory. In light of retail access legislation enacted in Pennsylvania and proposed in New Jersey, the extent to which competition will affect the GPU Energy companies' supply plan remains uncertain (see Competitive Environment section). As the GPU Energy companies prepare to operate in a competitive environment, its supply planning strategy is being modified. One planning effort is focused on providing for the needs of existing retail customers who continue to receive energy supplied by the GPU Energy companies and to whom the GPU Energy companies will continue to have

an obligation to serve. The second planning effort will focus on those new customers who may choose the GPU Energy companies as their alternative supplier.

Over the next five years, the GPU Energy companies' existing franchise service territories are expected to experience an average annual growth in sales of about 1.7% (JCP&L 1.7%; Met-Ed 1.9%; Penelec 1.7%), principally due to continued economic growth and a slight increase in the number of customers. To be able to meet this growth, if necessary, actual and projected capacity and sources of energy are as follows:

	Capacity			
	1996		2001	
	MW	%	MW	%
Coal	3,024	29	2,746	25
Nuclear	1,405	13	1,405	13
Gas, hydro & oil	2,177	21	2,082	19
Contracted purchases	3,901	37	3,763	34
Uncommitted sources	-	-	1,021	9
Total	10,507	100	11,017	100

	Sources of Energy			
	1996		2001	
	GWH	%	GWH	%
Coal	18,133	36	18,581	36
Nuclear	11,439	23	10,338	20
Gas, hydro & oil	812	2	855	2
Contracted purchases	16,365	32	18,226	36
Spot market & interchange purchases	3,476	7	3,279	6
Total	50,225	100	51,279	100

In response to this competitive climate in which it is likely a major portion of the GPU Energy companies' existing customer base will be able to choose their electric generation supplier, and the surplus capacity position of nearby utilities, the GPU Energy companies' supply plan focuses increasingly on short- to intermediate-term commitments, reliance on "spot" market purchases, and avoidance of long-term firm commitments. The GPU Energy companies' present strategy includes minimizing the financial exposure associated with new long-term purchase commitments and the construction of new facilities by evaluating these options in terms of an unregulated power market. As part of this strategy, the GPU Energy companies are continually evaluating the future financial viability of their nuclear and fossil generation assets and will retire or otherwise dispose of plants that become uneconomical. The GPU Energy companies intend to take necessary actions to avoid adding new capacity which would result in costs that may exceed future market prices. In addition, the GPU Energy companies intend to continue to seek regulatory support to renegotiate or buy out contracts with NUGs where the pricing is in excess of projected market prices.

New Energy Supplies

The GPU Energy companies' supply plan includes contracted capacity from NUGs, the replacement of expiring utility purchase contracts, the construction of new peaking units, and the continued promotion of economic

energy-conservation and load-management programs. The supply plan also includes the addition of approximately 1,021 MW (JCP&L 816 MW; Met-Ed 78 MW; Penelec 127 MW) of currently uncommitted capacity.

JCP&L has constructed a 141 MW gas-fired combustion turbine at its Gilbert generating station at a cost of approximately $50 million. The facility was placed in service in July 1996.

In January 1996, JCP&L issued an all-supply source solicitation for the supply of energy and capacity to meet its forecasted needs. In October 1996, four potential suppliers were selected to provide capacity for four years, beginning in June 1999. Contract negotiations are currently in progress to provide for firm and optional purchases of capacity and energy from sources in New Jersey, Pennsylvania and New York.

The GPU Energy companies will continue to evaluate additional economic purchase opportunities as both demand and supply market conditions evolve. If warranted, the GPU Energy companies will conduct further solicitations to fill a part of their uncommitted supply needs.

Managing Nonutility Generation

The GPU Energy companies are seeking to reduce the above market costs of NUG agreements by: (1) attempting to convert must-run agreements to dispatchable agreements; (2) attempting to renegotiate prices of the agreements; (3) offering contract buyouts; and (4) initiating proceedings before federal and state agencies, and in the courts, where appropriate. In addition, the GPU Energy companies intend to avoid, to the maximum extent practicable, entering into any new NUG agreements that are not needed or not consistent with current market pricing and are supporting legislative efforts to repeal PURPA. These efforts may result in claims against GPU for substantial damages. There can, however, be no assurance as to what extent these efforts will be successful in whole or in part.

In 1996, JCP&L entered into an agreement with Freehold Cogeneration Associates (Freehold), the developer of a proposed 110 MW gas-fired cogeneration project, that terminates JCP&L's long-term obligation to purchase power from the project. JCP&L expects that the buyout will save customers $1.1 billion over the term of the power purchase contract based on the projected cost of alternative sources of energy. JCP&L has agreed to pay Freehold $125 million, of which $65 million was paid in 1996 and the remainder to be paid over a three-year period. Associated with this buyout are certain payments to third parties, which could be material in amount. As part of the Final Settlement (see Rate Matters section), JCP&L would recover buyout costs of up to $130 million, and 50% of any costs from $130 million to $140 million, over a seven-year period.

In October 1996, JCP&L was named as a defendant in a breach of contract lawsuit against Freehold brought by Nestle Beverage Company (Nestle) in New Jersey Superior Court. Nestle is seeking damages of at least $75 million for Freehold's alleged breach of the steam sales agreement and approximately $412 million in damages against JCP&L for alleged unlawful interference with that agreement. Nestle has also requested punitive damages in an unspecified amount. JCP&L believes the claims against it are without merit (see Other Commitments and Contingencies section of Note 14 to GPU's Consolidated Financial Statements).

In February 1997, Met-Ed and Penelec entered into restructured power purchase agreements with AES Power Corporation (AES) for 377 MW and 80 MW, respectively, relating to a gas-fired combined-cycle facility that AES plans to construct in Southeastern Pennsylvania. In 1996, AES purchased the interests of the developers of the proposed Altoona, Blue Mountain and York County NUG facilities and plans to construct a single fully dispatchable NUG facility. The restructured power purchase agreements, which are subject to PaPUC approval, are for an initial eight-year term, with options for extensions. Met-Ed has paid $63.5 million to terminate the power purchase agreements it had for the Blue Mountain and York County facilities. If the restructured power purchase agreements with AES are not approved by the PaPUC, Met-Ed and Penelec have agreed to pay AES up to an additional $28 million and $8.3 million, respectively. Met-Ed has received approval to recover up to $35 million in buyout costs for the proposed York County project through its ECR over three years, beginning in 1997 and intends to seek recovery of buyout costs for the Blue Mountain project.

Penelec also entered into an agreement in 1996 with the developer of a proposed 80 MW coal-fired cogeneration facility that was to be built in western Pennsylvania. Under the agreement, Penelec paid the developer $11.7 million to cancel the project and both parties agreed to attempt to negotiate a new, competitively priced power purchase agreement. In November 1996, the power purchase agreement was amended to provide for a fully dispatchable gas-fired combined-cycle cogeneration facility. The agreement, which is subject to PaPUC approval, is for an initial eight-year term, with options for extension. Penelec intends to seek recovery of the $11.7 million in buyout costs.

In December 1996, Met-Ed and Penelec requested PaPUC approval to, among other things, include their currently effective ECR in base rates including NUG buyout costs already in the ECR, effective January 1, 1997, and defer for possible future rate recovery NUG buyout costs not yet reflected in rates. In January 1997, the PaPUC issued a tentative order approving this request. For additional information, see the Competitive Environment section.

ENVIRONMENTAL MATTERS

The federal Clean Air Act Amendments of 1990 (Clean Air Act) require substantial reductions in sulfur dioxide (SO2) and nitrogen oxide (NOx) emissions by the year 2000. The GPU Energy companies plan to install and operate emission control equipment at some coal-fired facilities and switch to lower sulfur coal in conjunction with the purchase of SO2 and NOx allowances at other coal-fired facilities.

To comply with the Clean Air Act, the GPU Energy companies expect to spend up to $277 million (JCP&L $46 million; Met-Ed $117 million; Penelec $114 million) for air pollution control equipment by the year 2000, of which approximately $240 million (JCP&L $43 million; Met-Ed $95 million; Penelec $102 million) has already been spent.

In 1994, the Ozone Transport Commission (OTC), consisting of representatives of 12 northeast states (including New Jersey and Pennsylvania) and the District of Columbia, proposed reductions in NOx emissions it believes necessary to meet ambient air quality standards for ozone and the statutory deadlines set by the Clean Air Act. The GPU Energy

companies expect that the U.S. Environmental Protection Agency (EPA) will approve state implementation plans consistent with the proposal, and that as a result, they will spend an estimated $17 million (JCP&L $1 million; Met-Ed $9 million; Penelec $7 million) (included in the Clean Air Act total), beginning in 1997, to meet the 1999 seasonal reductions agreed upon by the OTC. The OTC has stated that it anticipates that additional NOx reductions will be necessary to meet the Clean Air Act's 2005 National Ambient Air Quality Standard (NAAQS) for ozone. However, the specific requirements that will have to be met at that time have not been finalized. In addition, the EPA has recently proposed changes to the NAAQS for ozone, particulate matter and regional haze. The GPU Energy companies are unable to determine what additional costs, if any, will be incurred.

In developing their least-cost plan to comply with the Clean Air Act, the GPU Energy companies will continue to evaluate major capital investments compared to participation in the SO2 and NOx emission allowance market and the use of low-sulfur fuel or retirement of facilities. These and other compliance alternatives may result in the substitution of increased operating expenses for capital costs.

For more information, see the Environmental Matters section of Note 14 to GPU's Consolidated Financial Statements.

LEGAL MATTERS - TMI-2 ACCIDENT CLAIMS

In 1996, a U.S. District Court granted a motion for summary judgment filed by GPU, Inc. and the GPU Energy companies, dismissing all of the 2,100 pending claims for alleged personal injury and punitive damages filed as a result of the TMI-2 accident in March 1979. The plaintiffs have appealed the District Court's ruling to the Court of Appeals for the Third Circuit. There can be no assurance as to the outcome of this litigation. For more information, see the Nuclear Facilities section of Note 14 to GPU's Consolidated Financial Statements.

EFFECTS OF INFLATION

As competition and deregulation accelerate, there can be no assurance as to the future recovery of increased operating expenses or utility plant investments through traditional ratemaking. As a result, the GPU Energy companies are focusing less on the ratemaking process, and are actively trying to find new ways to increase revenues, improve performance and reduce operating costs to facilitate the competitive pricing of their products and services.

ACCOUNTING MATTERS

In June 1996, the Financial Accounting Standards Board issued Financial Accounting Standard No. 125 (FAS 125), "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which is effective for transactions occurring after December 31, 1996. The accounting for the GPU Energy companies' securitization of stranded costs is expected to be covered by this statement. In February 1997, the staff of the SEC Chief Accountant's Office concluded that in applying FAS 125 with respect to several California utilities' securitization plans, the enforceable right of these utilities to recover the cost of their "stranded assets" was not a contractual right and therefore not a financial asset as defined by FAS 125. Under this basis, a utility would not be able to remove the related "stranded assets" from its balance sheet. The accounting for securitizations by other utilities will be based on specific facts and circumstances of the individual utility, including the legislation enacted in its state and the particular securitization structure.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
GPU, Inc.
Parsippany, New Jersey

We have audited the consolidated financial statements and financial statement schedule of GPU, Inc. and Subsidiary Companies as listed in the index on page F-1 of this Form 10-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of GPU, Inc. and Subsidiary Companies as of December 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

New York, New York
February 5, 1997

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CONSOLIDATED STATEMENTS OF INCOME

For The Years Ended December 31,	1996	1995	1994
	(In Thousands)		
Operating Revenues	$3,918,089	$3,804,656	$3,649,516
Operating Expenses:			
Fuel	371,396	363,211	363,834
Power purchased and interchanged	1,005,630	1,022,361	894,560
Deferral of energy costs, net	19,788	(5,902)	(29,025)
Other operation and maintenance	1,090,888	963,609	1,076,925
Depreciation and amortization	400,253	377,650	353,705
Taxes, other than income taxes	355,283	349,221	348,945
Total operating expenses	3,243,238	3,070,150	3,008,944
Operating Income Before Income Taxes	674,851	734,506	640,572
Income taxes	166,572	173,955	152,047
Operating Income	508,279	560,551	488,525
Other Income and Deductions:			
Allowance for other funds used during construct	2,249	5,113	4,712
Other income/(expense), net	28,151	216,110	(152,236)
Income taxes	(147)	(90,751)	66,369
Total other income and deductions	30,253	130,472	(81,155)
Income Before Interest Charges and Preferred Dividends	538,532	691,023	407,370
Interest Charges and Preferred Dividends:			
Interest on long-term debt	184,675	188,321	183,186
Other interest	28,809	30,364	39,227
Allowance for borrowed funds used during construction	(8,423)	(9,558)	(7,115)
Dividends on subsidiary-obligated mandatorily redeemable preferred securities	28,888	24,816	7,692
Preferred stock dividends of subsidiaries	15,519	16,945	20,692
Gain on preferred stock reacquisition	(9,288)	-	-
Total interest charges and preferred dividends	240,180	250,888	243,682
Net Income	$ 298,352	$ 440,135	$ 163,688
Earnings Per Average Common Share	$ 2.47	$ 3.79	$ 1.42
Average Common Shares Outstanding (In Thousands)	120,743	116,214	115,160
Cash Dividends Paid Per Share	$ 1.925	$ 1.86	$ 1.775

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

CONSOLIDATED BALANCE SHEETS

December 31,	(In Thousands) 1996	1995
ASSETS		
Utility Plant:		
In service, at original cost	$ 9,646,380	$9,295,630
Less, accumulated depreciation	3,704,026	3,433,240
Net utility plant in service	5,942,354	5,862,390
Construction work in progress	277,440	313,471
Other, net	168,029	193,356
Net utility plant	6,387,823	6,369,217
Other Property and Investments:		
GPU International Group investments, net	924,397	288,044
Nuclear decommissioning trusts, at market	464,011	362,957
Nuclear fuel disposal trust, at market	101,661	95,393
Other, net	51,122	39,505
Total other property and investments	1,541,191	785,899
Current Assets:		
Cash and temporary cash investments	31,604	18,422
Special deposits	47,545	14,877
Accounts receivable:		
Customers, net	270,844	278,643
Other	91,637	69,773
Unbilled revenues	114,891	128,749
Materials and supplies, at average cost or less:		
Construction and maintenance	187,130	194,769
Fuel	40,207	39,795
Deferred income taxes	32,148	20,090
Prepayments	81,168	42,746
Total current assets	897,174	807,864
Deferred Debits and Other Assets:		
Regulatory assets:		
Three Mile Island Unit 2 deferred costs	356,517	368,712
Income taxes recoverable through future rates	527,385	527,584
Nonutility generation contract buyout costs	242,481	84,132
Unamortized property losses	100,310	105,729
Other	426,579	353,551
Total regulatory assets	1,653,272	1,439,708
Deferred income taxes	332,828	330,186
Other	128,931	116,642
Total deferred debits and other assets	2,115,031	1,886,536
Total Assets	$10,941,219	$9,849,516

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

CONSOLIDATED BALANCE SHEETS

December 31,	(In Thousands) 1996	1995
LIABILITIES AND CAPITAL		
Capitalization:		
Common stock	$ 314,458	$ 314,458
Capital surplus	750,569	746,449
Retained earnings	2,068,976	2,004,072
Total	3,134,003	3,064,979
Less, reacquired common stock, at cost	86,416	90,345
Total common stockholders' equity	3,047,587	2,974,634
Cumulative preferred stock:		
With mandatory redemption	114,000	134,000
Without mandatory redemption	66,478	98,116
Subsidiary-obligated mandatorily redeemable preferred securities	330,000	330,000
Long-term debt	3,177,016	2,567,898
Total capitalization	6,735,081	6,104,648
Current Liabilities:		
Securities due within one year	178,583	131,246
Notes payable	265,547	123,890
Obligations under capital leases	143,818	159,565
Accounts payable	354,819	318,394
Taxes accrued	25,717	46,613
Deferred energy	15,559	(13,208)
Interest accrued	70,370	69,456
Other	282,193	252,306
Total current liabilities	1,336,606	1,088,262
Deferred Credits and Other Liabilities:		
Deferred income taxes	1,562,979	1,466,060
Unamortized investment tax credits	133,572	145,375
Three Mile Island Unit 2 future costs	430,508	413,031
Regulatory liabilities	89,815	97,999
Other	652,658	534,141
Total deferred credits and other liabilities	2,869,532	2,656,606
Commitments and Contingencies (Note 14)		
Total Liabilities and Capital	$10,941,219	$9,849,516

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For The Years Ended December 31,	1996	(In Thousands) 1995	1994
Balance at beginning of year	$2,004,072	$1,775,759	$1,813,490
Net income	298,352	440,135	163,688
Cash dividends declared on common stock	(235,731)	(218,288)	(207,215)
Net unrealized gain on investments	704	5,731	6,549
Net foreign currency translation gain	3,054	959	-
Other adjustments, net	(1,475)	(224)	(753)
Balance at end of year	$2,068,976	$2,004,072	$1,775,759

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Years Ended December 31,	1996	(In Thousands) 1995	1994
Operating Activities:			
Net income	$ 298,[illegible]52	$ 440,135	$ 163,688
Adjustments to reconcile income to cash provided:			
Depreciation and amortization	[illegible]	381,618	363,099
Amortization of property under capital leases	[illegible]	57,324	56,793
Equity in undistributed (earnings)/losses of affiliates	(33,981)	3,597	1,014
Three Mile Island Unit 2 costs	-	(170,005)	183,944
Voluntary enhanced retirement programs	122,739	-	126,964
Nuclear outage maintenance costs, net	(6,078)	7,407	(7,425)
Deferred income taxes and investment tax credits, net	57,144	115,278	(80,139)
Deferred energy costs, net	19,719	(6,061)	(28,463)
Accretion income	(11,610)	(12,520)	(14,855)
Allowance for other funds used during construction	(2,249)	(5,113)	(4,713)
Changes in working capital:			
Receivables	2,893	(54,993)	6,799
Materials and supplies	6,604	9,323	316
Special deposits and prepayments	(36,294)	14,401	25,696
Payables and accrued liabilities	(103,221)	(18,651)	(59,798)
Nonutility generation contract buyout costs	(120,018)	(38,499)	-
Other, net	(29,479)	(58,008)	(4,325)
Net cash provided by operating activities	642,669	665,233	728,595
Investing Activities:			
Cash construction expenditures	(403,880)	(461,860)	(585,916)
Contributions to decommissioning trusts	(40,324)	(37,541)	(33,575)
GPU International Group investments	(573,587)	(164,831)	(73,835)
Other, net	(16,251)	(3,834)	(17,429)
Net cash used for investing activities	(1,034,042)	(668,066)	(710,755)
Financing Activities:			
Issuance of long-term debt	743,596	403,655	178,787
Increase/(Decrease) in notes payable, net	141,657	(223,962)	131,574
Retirement of long-term debt	(150,763)	(192,664)	(197,232)
Capital lease principal payments	(56,217)	(50,611)	(61,002)
Issuance of common stock	-	157,545	-
Issuance of subsidiary-obligated mandatorily redeemable preferred securities	-	121,063	197,917
Redemption of preferred stock of subsidiaries	(42,347)	(6,049)	(62,763)
Dividends paid on common stock	(231,956)	(215,413)	(204,233)
Net cash provided/(required) by financing activities	403,970	(6,435)	(16,952)
Effect of exchange rate changes on cash	585	959	-
Net increase/(decrease) in cash and temporary cash investments from above activities	13,182	(8,309)	888
Cash and temporary cash investments, beginning of year	18,422	26,731	25,843
Cash and temporary cash investments, end of year	$ 31,604	$ 18,422	$ 26,731
Supplemental Disclosure:			
Interest and preferred dividends paid	$ 281,057	$ 254,906	$ 271,303
Income taxes paid	$ 153,599	$ 187,361	$ 124,274
New capital lease obligations incurred	$ 34,826	$ 54,478	$ 43,246
Common stock dividends declared but not paid	$ 58,493	$ 54,718	$ 51,843

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

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

GPU, Inc. (formerly General Public Utilities Corporation), a Pennsylvania corporation, is a holding company registered under the Public Utility Holding Company Act of 1935. GPU, Inc. does not directly operate any utility properties, but owns all the outstanding common stock of three domestic electric utilities serving customers in New Jersey -- Jersey Central Power & Light Company (JCP&L) -- and Pennsylvania -- Metropolitan Edison Company (Met-Ed) and Pennsylvania Electric Company (Penelec). In 1996, the customer service, transmission and distribution operations of these electric utilities began doing business under the name GPU Energy. JCP&L, Met-Ed and Penelec considered together are referred to as the "GPU Energy companies." The fossil-fuel and hydroelectric generating facilities owned by these utilities are operated and maintained by GPU Generation, Inc. (Genco), and the nuclear generating units are operated and maintained by GPU Nuclear, Inc. (GPUN). GPU, Inc. also owns all of the common stock of GPU International, Inc., GPU Power, Inc. and GPU Electric, Inc. These three companies (collectively, the GPU International Group) develop, own and operate generation, transmission and distribution facilities and supply businesses in the United States and in foreign countries. GPU Service, Inc. (GPUS), a service company, is also a wholly-owned subsidiary of GPU, Inc. All of these companies considered together are referred to as "GPU."

The Notes to Consolidated Financial Statements are presented below on a combined basis for all of GPU, Inc., JCP&L, Met-Ed and Penelec.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

SYSTEM OF ACCOUNTS

Certain reclassifications of prior years' data have been made to conform with the current presentation. The GPU Energy companies' accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and adopted by the Pennsylvania Public Utility Commission (PaPUC) and the New Jersey Board of Public Utilities (NJBPU), and also comply with the Securities and Exchange Commission's rules and regulations.

CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiaries. All significant intercompany transactions and accounts are eliminated in consolidation. GPU consolidates the accounts of its wholly-owned subsidiaries and any affiliates in which it has a controlling financial

interest (generally evidenced by a greater than 50% ownership interest). GPU also uses the equity method of accounting for investments in affiliates in which it has the ability to exercise significant influence. (For further information, see Note 7, GPU International Group Equity Investments.)

REGULATORY ACCOUNTING

In accordance with Statement of Financial Accounting Standards No. 71 (FAS 71), "Accounting for the Effects of Certain Types of Regulation," the consolidated financial statements reflect assets and costs in accordance with current cost-based ratemaking regulation. Continued accounting under FAS 71 requires that the following criteria be met:

a) A utility's rates for regulated services provided to its customers are established by, or are subject to approval by, an independent third-party regulator;

b) The regulated rates are designed to recover specific costs of providing the regulated services or products; and

c) In view of the demand for the regulated services and the level of competition, direct and indirect, it is reasonable to assume that rates set at levels that will recover a utility's costs can be charged to and collected from customers. This criteria requires consideration of anticipated changes in levels of demand or competition during the recovery period for any capitalized costs.

In accordance with the provisions of FAS 71, the GPU Energy companies have deferred certain costs pursuant to actions of the NJBPU, PaPUC and FERC, and are recovering or expect to recover such costs in electric rates charged to customers. Regulatory assets are reflected in the Deferred Debits and Other Assets section of the Consolidated Balance Sheets, and regulatory liabilities are reflected in the Deferred Credits and Other Liabilities section of the Consolidated Balance Sheets. (For further information about regulatory assets and liabilities, see Note 14, Commitments and Contingencies.)

CURRENCY TRANSLATION

In accordance with Statement of Financial Accounting Standards No. 52 (FAS 52), "Foreign Currency Translation," balance sheet accounts of the GPU International Group's foreign operations are translated from foreign currencies into U.S. dollars at either year-end rates or historical rates, while income statement accounts are translated at the weighted average exchange rates for the relevant period. The resulting translation adjustments are not material and are included in Retained Earnings. Gains and losses resulting from foreign currency transactions are included in Net Income.

REVENUES

The GPU Energy companies recognize electric operating revenues for services rendered (including an estimate of unbilled revenues) to the end of the relevant accounting period.

DEFERRED ENERGY COSTS

Energy costs are recognized in the period in which the related energy clause revenues are billed. Through December 31, 1996, Met-Ed and Penelec recovered energy costs through the Energy Cost Rate (ECR) mechanism and deferred any differences between actual energy costs and amounts recovered. Comprehensive legislation adopted in Pennsylvania in 1996, which provides for the restructuring of the electric utility industry in the state, capped rates that can be charged to customers for generation for up to nine years. In December 1996, Met-Ed and Penelec filed a request with the PaPUC and received a tentative order, effective for all bills rendered after January 1, 1997, which allows their currently effective ECRs to be included in base rates. As a result, effective January 1, 1997, Met-Ed and Penelec will no longer defer energy costs. (For further information, see Competitive Environment, Management's Discussion and Analysis.) JCP&L continues to recover energy-related costs through the Levelized Energy Adjustment Clause (LEAC).

UTILITY PLANT

It is the policy of the GPU Energy companies to record additions to utility plant (material, labor, overhead and an allowance for funds used during construction) at cost. The cost of current repairs and minor replacements is charged to appropriate operating and maintenance expense and clearing accounts, and the cost of renewals is capitalized. The original cost of utility plant retired or otherwise disposed of is charged to accumulated depreciation.

DEPRECIATION

GPU provides for depreciation at annual rates determined and revised periodically, on the basis of studies, to be sufficient to depreciate the original cost of depreciable property over estimated remaining service lives, which are generally longer than those employed for tax purposes. These rates, on an aggregate composite basis, were as follows:

	GPU	JCP&L	Met-Ed	Penelec
1996	3.31%	3.58%	3.27%	2.82%
1995	3.22%	3.64%	3.07%	2.61%
1994	3.16%	3.62%	3.04%	2.49%

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

The Uniform System of Accounts defines AFUDC as "the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used." AFUDC is recorded as a charge to construction work in progress, and the equivalent credits are to interest charges for the pre-tax cost of borrowed funds and to other income for the allowance for other funds. While AFUDC results in an increase in utility plant and represents current earnings, it is realized in cash through depreciation or amortization allowances only when the related plant is recognized in rates. These rates, on an aggregate composite basis, were as follows:

	GPU	JCP&L	Met-Ed	Penelec
1996	6.79%	6.88%	8.11%	6.15%
1995	8.05%	8.04%	8.62%	7.78%
1994	6.45%	5.35%	7.31%	7.19%

AMORTIZATION POLICIES

Accounting for TMI-2 and Forked River Investments:

JCP&L is collecting annual revenues for the amortization of Three Mile Island Unit 2 (TMI-2) of $9.6 million. This level of revenue will be sufficient to recover the remaining investment by 2008. Met-Ed and Penelec have collected all of their TMI-2 investment attributable to retail customers. At December 31, 1996, $81 million is included in Unamortized property losses on the Consolidated Balance Sheets for JCP&L's Forked River project. JCP&L is collecting annual revenues for the amortization of this project of $11.2 million, which will be sufficient to recover its remaining investment by the year 2006. Because the GPU Energy companies have not been provided revenues for a return on the unamortized balances of the damaged TMI-2 facility and the cancelled Forked River project, these investments are being carried at their discounted present values. The related annual accretion, which represents the carrying charges that are accrued as the asset is written up from its discounted value, is recorded in Other Income/(Expense), Net on the Income Statement in accordance with Statement of Financial Accounting Standards No. 90, "Regulated Enterprises- Accounting for Abandonments and Disallowances of Plant Costs."

Nuclear Fuel:

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

At December 31, 1996, the liability of the GPU Energy companies for future contributions to the Federal Decontamination and Decommissioning Fund for the cleanup of uranium enrichment plants operated by the Federal Government amounted to $34 million (JCP&L $22 million; Met-Ed $8 million; Penelec $4 million), and was primarily reflected in Deferred Credits and Other Liabilities-Other. Annual contributions, which began in 1993, are being made over a 15-year period and are being recovered from customers. At December 31, 1996, $36 million (JCP&L $23 million; Met-Ed $9 million; Penelec $4 million) was recorded on the Consolidated Balance Sheets in Regulatory assets-Other.

Intangibles:

The GPU International Group records goodwill for any amount paid over the fair value of net assets it acquires, and other intangible assets for the right to perform management services. As of December 31, 1996 and 1995, the GPU International Group had goodwill and other intangibles, net of accumulated amortization, of approximately $24 million and $32 million, respectively. Goodwill and other intangibles are amortized on a straight-line basis over a

period of 40 years. Amortization expense, in the aggregate, amounted to $0.8 million and $0.9 million for the years ended December 31, 1996 and 1995, respectively. The GPU International Group periodically reviews projections of future cash flows from operations to assess any potential intangible impairment. An impairment, if identified, would be recorded based upon discounted projected cash flows.

Goodwill related to the GPU International Group's purchase of Midlands Electricity plc and the other investments accounted for under the equity method is discussed in Note 6, Acquisition of Midlands Electricity plc and Note 7, GPU International Group Equity Investments.

NUCLEAR OUTAGE MAINTENANCE COSTS

The GPU Energy companies accrue incremental nuclear outage maintenance costs anticipated to be incurred during scheduled nuclear plant refueling outages to provide a proper matching of revenues to expenses.

NUCLEAR FUEL DISPOSAL FEE

The GPU Energy companies are providing for estimated future disposal costs for spent nuclear fuel at Oyster Creek and Three Mile Island Unit 1 (TMI-1) in accordance with the Nuclear Waste Policy Act of 1982. The GPU Energy companies entered into contracts in 1983 with the U.S. Department of Energy (DOE) for the disposal of spent nuclear fuel. The total liability under these contracts, including interest, at December 31, 1996, all of which relates to spent nuclear fuel from nuclear generation through April 1983, amounted to $171 million (JCP&L $128 million; Met-Ed $29 million; Penelec $14 million), and is reflected in Deferred Credits and Other Liabilities - Other. As the actual liability is substantially in excess of the amount recovered to date from ratepayers, the GPU Energy companies have reflected such excess of $21.6 million (JCP&L $23.3 million; Met-Ed $(1.2) million; Penelec $(0.5) million) at December 31, 1996 in Regulatory assets - Other. The rates presently charged to customers provide for the collection of these costs, plus interest, over remaining periods of 10 years for JCP&L and Met-Ed and one year for Penelec.

The GPU Energy companies are collecting one mill per kilowatt-hour from their customers for spent nuclear fuel disposal costs resulting from nuclear generation subsequent to April 1983. These amounts are remitted quarterly to the DOE. (See Note 14, Commitments and Contingencies, for a discussion of the DOE's current inability to begin acceptance of spent nuclear fuel from the GPU Energy companies and other standard contract holders.)

INCOME TAXES

GPU files a consolidated federal income tax return. All participants are jointly and 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, deferred energy costs, decommissioning funds and discounted Forked River and TMI-2 investments, reflect the impact of temporary

differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for tax purposes. Investment tax credits (ITC) are amortized over the estimated service lives of the related facilities.

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS

The carrying amounts of Temporary cash investments, Special deposits, Securities due within one year and Notes payable on the Consolidated Balance Sheets approximate fair value due to the short period to maturity. The carrying amounts of the Nuclear decommissioning trusts and Nuclear fuel disposal trust, whose assets are invested in cash equivalents and debt and equity securities, also approximate fair value. At December 31, 1996, the Consolidated Balance Sheets included $47 million in restricted cash, related to the GPU International Group's 50% ownership interest in Empresa Guaracachi, S.A.

ENVIRONMENTAL LIABILITIES

GPU may be subject to loss contingencies resulting from environmental laws and regulations, which include obligations to mitigate the effects on the environment of the disposal or release of certain hazardous wastes and substances at various sites. GPU records liabilities (on an undiscounted basis) for hazardous waste sites where it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated and adjusts these liabilities as required to reflect changes in circumstances.

STATEMENTS OF CASH FLOWS

For the purpose of the consolidated statements of cash flows, temporary investments include all unrestricted liquid assets, such as cash deposits and debt securities, with maturities generally of three months or less.

2. SHORT-TERM BORROWING ARRANGEMENTS

At December 31, 1996 and 1995, GPU had short-term notes outstanding as follows:

Company	Facility	1996 Balance Outstanding (in millions)	1996 Weighted Avg. Rate	1995 Balance Outstanding (in millions)	1995 Weighted Avg. Rate
GPU, Inc.	Bank Lines of Credit	$ 75	5.7%	$ 72	6.0%
JCP&L	Bank Lines of Credit	32	6.5	1	6.0
Met-Ed	Bank Lines of Credit	51	5.9	22	5.6
Penelec	Bank Lines of Credit	99	6.1	27	5.9
	Commercial Paper	9	5.8	-	-
GPU International	Bank Lines of Credit	-	-	2	6.3
	Total	$266	6.0%	$124	5.9%

GPU has $527 million of credit facilities, including two Revolving Credit Agreements, as discussed below:

Under the Credit Agreement between GPU, Inc., the GPU Energy companies and a consortium of banks, total borrowings are limited to $250 million outstanding at any time and are subject to various covenants and acceleration under certain circumstances. The agreement expires May 6, 2001, and a commitment fee on the unborrowed amount of 1/8 of 1% is payable annually. Borrowing rates and a facility fee are based on the long-term debt ratings of the GPU Energy companies.

GPU International, Inc. has a separate Credit Agreement providing for borrowings (guaranteed by GPU, Inc.) through December 1997 of up to $30 million outstanding at any time, which decreases for two years thereafter. Up to $15 million may be borrowed in the form of letters of credit. An annual commitment fee of 3/8 of 1% on unborrowed amounts and a letter of credit fee of 1/2 of 1% are payable by GPU International, Inc.

3. LONG-TERM DEBT

At December 31, 1996 and 1995, long-term debt outstanding was as follows:

(in thousands)

JCP&L

First Mortgage Bonds - Series as noted (a):

	1996	1995		1996	1995
6 1/8% due 1996	$ -	$25,701	6.85% due 2006	$ 40,000	$ -
6.90% due 1997	30,000	30,000	7.90% due 2007	40,000	40,000
6 5/8% due 1997	25,874	25,874	7 1/8% due 2009	6,300	6,300
6.70% due 1997	20,000	20,000	7.10% due 2015	12,200	12,200
7 1/4% due 1998	24,191	24,191	9.20% due 2021	50,000	50,000
6.04% due 2000	40,000	40,000	8.55% due 2022	30,000	30,000
6.45% due 2001	40,000	-	8.82% due 2022	12,000	12,000
9% due 2002	50,000	50,000	8.85% due 2022	38,000	38,000
6 3/8% due 2003	150,000	150,000	8.32% due 2022	40,000	40,000
7 1/8% due 2004	160,000	160,000	7.98% due 2023	40,000	40,000
6.78% due 2005	50,000	50,000	7 1/2% due 2023	125,000	125,000
8 1/4% due 2006	50,000	50,000	8.45% due 2025	50,000	50,000
			6 3/4% due 2025	150,000	150,000

	1996	1995
Subtotal	$1,273,565	$1,219,266
Amount due within one year	(100,065)	(25,701)
Total	$1,173,500	$1,193,565
Other long-term debt (excludes amounts due within one year of $10 for 1996 and $9 for 1995)	3,048	3,058
Unamortized net discount on long-term debt	(3,457)	(3,678)
Total long-term debt	$1,173,091	$1,192,945

Met-Ed

First Mortgage Bonds - Series as noted (a):

	1996	1995		1996	1995
5 3/4% due 1996	$ -	$15,000	6.77% due 2005	$ 30,000	$ 30,000
7.47% due 1997	20,000	20,000	7.35% due 2005	20,000	20,000
9.2% due 1997	20,000	20,000	6.36% due 2006	17,000	17,000
7.05% due 1999	30,000	30,000	6.40% due 2006	33,000	33,000
6.2% due 2000	30,000	30,000	6% due 2008	8,700	8,700
9.48% due 2000	20,000	20,000	6.1% due 2021	28,500	28,500
8.05% due 2002	30,000	30,000	8.6% due 2022	30,000	30,000
6.6% due 2003	20,000	20,000	8.8% due 2022	30,000	30,000
7.22% due 2003	40,000	40,000	6.97% due 2023	30,000	30,000
9.1% due 2003	30,000	30,000	7.65% due 2023	30,000	30,000
6.34% due 2004	40,000	40,000	8.15% due 2023	60,000	60,000

	1996	1995
Subtotal	$ 597,200	$ 612,200
Amount due within one year	(40,000)	(15,000)
Total	557,200	597,200
Other long-term debt (excludes amounts due within one year of $20 for 1996 and $19 for 1995)	6,095	6,115
Unamortized net discount on long-term debt	(43)	(47)
Total long-term debt	$ 563,252	$ 603,268

(in thousands)

Penelec

First Mortgage Bonds-Series as noted (a):

	1996	1995
6 1/4% due 1996	$ -	$25,000
6.80% due 1996	-	20,000
7.45% due 1996	-	30,000
6.1/4% due 1997	26,000	26,000
7 7/8% due 1998	30,000	30,000
6.15% due 2000	30,000	30,000
6.8% due 2001	20,000	-
8.70% due 2001	30,000	30,000
7.40% due 2002	10,000	10,000
7.43% due 2002	30,000	30,000
7.92% due 2002	10,000	10,000
7.40% due 2003	10,000	10,000
6.60% due 2003	30,000	30,000
7.02% due 2003	20,000	-
7.48% due 2004	40,000	40,000
6.10% due 2004	$ 30,000	$ 30,000
6.7% due 2005	30,000	30,000
6.35% due 2006	40,000	40,000
8.05% due 2006	10,000	10,000
6 1/8% due 2007	4,110	4,110
6.55% due 2009	50,000	50,000
5.35% due 2010	12,310	12,310
5.35% due 2010	12,000	12,000
5.80% due 2020	20,000	20,000
8.33% due 2022	20,000	20,000
7.49% due 2023	30,000	30,000
8.38% due 2024	40,000	40,000
8.61% due 2025	30,000	30,000
7.53% due 2025	40,000	40,000
6.05% due 2025	25,000	25,000
Subtotal	$ 679,420	$ 714,420
Amounts due within one year	(26,000)	(75,000)
Total	$ 653,420	$ 639,420
Other long-term debt (excludes amounts due within one year of $10 for 1996 and $9 for 1995)	3,048	3,058
Unamortized net (discount)/premium on long-term debt	(9)	9
Total long-term debt	$ 656,459	$ 642,487

(a) Substantially all of the utility plant owned by the GPU Energy companies is subject to the lien of their respective mortgages.

GPU International Group

	1996	1995
Other long-term debt (excludes amounts due within one year of $2,478 for 1996 and $2,308 for 1995)	$ 749,214	$ 101,698

GPUS

	1996	1995
Other long-term debt (excludes amounts due within one year of $3,200 for 1995)	$ 35,000	$ 27,500

Total - GPU, Inc. and Subsidiary Companies

	1996	1995
First Mortgage Bonds	$2,550,185	$2,545,886
Amounts due within one year	(166,065)	(115,701)
Total	$2,384,120	$2,430,185
Other long-term debt	$ 798,922	$ 146,974
Amounts due within one year	(2,518)	(5,545)
Total	$ 796,404	$ 141,429
Unamortized net discount	(3,508)	(3,716)
Total long-term debt	$3,177,016	$2,567,898

At December 31, 1996, the GPU International Group had long-term debt outstanding of approximately $752 million (included in the table above under "Other long-term debt"). Of this amount, approximately $680 million was guaranteed by GPU, Inc. The guaranteed amount consisted of the following: £342 million (approximately U.S. $586 million at December 31, 1996) under a bank term loan facility used to fund EI UK Holdings, Inc.'s investment in Avon Energy Partners Holdings (see Note 6); A$90 million (approximately U.S. $72 million at December 31, 1996 and U.S. $68 million at December 31, 1995) through a bank term loan facility used to fund a GPU Electric, Inc. subsidiary's purchase of its interest in Solaris Power; and approximately $22 million through a bank term loan facility used to fund a GPU International, Inc. subsidiary's investment in Mid-Georgia Cogen, L.P.

For the years 1997, 1998, 1999, 2000 and 2001, GPU has long-term debt maturities for first mortgage bonds and other long-term debt as follows:

	(in millions)				
Company	1997	1998	1999	2000	2001
JCP&L	$100	$ -	$ -	$ 40	$ 40
Met-Ed	40	-	30	50	-
Penelec	26	30	-	30	50
GPU International Group	3	97	3	589	3
GPUS	-	-	-	-	35
Total	$169	$127	$ 33	$709	$128

The estimated fair value of GPU's long-term debt, as of December 31, 1996 and 1995 was as follows:

	(in thousands)			
	1996		1995	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
JCP&L	$1,173,091	$1,177,544	$1,192,945	$1,260,502
Met-Ed	563,252	567,075	603,268	644,838
Penelec	656,459	640,274	642,487	677,564
GPU International Group	749,214	742,126	101,698	101,698
GPUS	35,000	35,000	27,500	27,500
Total	$3,177,016	$3,162,019	$2,567,898	$2,712,102

The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to GPU for debt of the same remaining maturities and credit qualities.

4. SUBSIDIARY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES

JCP&L Capital, L.P., Met-Ed Capital, L.P. and Penelec Capital, L.P., are special-purpose partnerships in which a subsidiary of JCP&L, Met-Ed and Penelec, respectively, is the sole general partner. In 1995, JCP&L Capital, L.P. issued $125 million of mandatorily redeemable preferred securities (Preferred Securities) and in 1994, Met-Ed Capital, L.P. and Penelec Capital, L.P. issued $100 million and $105 million, respectively, of Preferred Securities. The proceeds were then lent to JCP&L, Met-Ed and Penelec,

respectively, which, in turn, issued their deferrable interest subordinated debentures to the partnerships. The following issues of Preferred Securities were outstanding at December 31, 1996 and 1995:

Company	Series	Issue Price	Securities Outstanding	Total (in thousands)
JCP&L Capital, L.P.	8.56%	$25	5,000,000	$125,000
Met-Ed Capital, L.P.	9.00%	$25	4,000,000	100,000
Penelec Capital, L.P.	8.75%	$25	4,200,000	105,000
Total				$330,000

The fair value of the Preferred Securities based on market price quotations at December 31, 1996 and 1995 was $337 million (JCP&L $127 million; Met-Ed $103 million; Penelec $107 million) and $347 million (JCP&L $131 million; Met-Ed $106 million; Penelec $110 million), respectively.

The Preferred Securities of JCP&L Capital, L.P. mature in 2044, while those of Met-Ed Capital, L.P. and Penelec Capital, L.P. mature in 2043. Their respective Preferred Securities are redeemable at the option of JCP&L beginning in 2000, and at the option of Met-Ed and Penelec beginning in 1999, at 100% of their principal amount, or earlier under certain limited circumstances, including the loss of the tax deduction for interest paid on the subordinated debentures. JCP&L, Met-Ed and Penelec have fully and unconditionally guaranteed payment of distributions, to the extent there is sufficient cash on hand to permit such payments and legally available funds, and payments on liquidation or redemption of their respective Preferred Securities. Distributions on the Preferred Securities (and interest on the subordinated debentures) may be deferred for up to 60 months, but JCP&L, Met-Ed and Penelec may not pay dividends on, or redeem or acquire, any of their preferred or common stock until deferred payments on their respective subordinated debentures are paid in full.

5. CAPITAL STOCK

At December 31, 1996 and 1995, GPU had the following issues of capital stock outstanding:

GPU, Inc.

Common stock, par value $2.50 a share; 350,000,000 shares authorized in both 1996 and 1995; 125,783,338 shares issued in both 1996 and 1995; and 120,611,137 and 120,423,341 shares outstanding in 1996 and 1995, respectively (a), (b), (c)

	(in thousands) 1996	1995
Common Stock	$314,458	$314,458

JCP&L

Cumulative preferred stock, without par value, 15,600,000 shares authorized, 1,615,000 and 1,815,000 shares issued and outstanding in 1996 and 1995, respectively (f):

	(in thousands) 1996	1995
Cumulative preferred stock - without mandatory redemption (g):		
4% Series, 125,000 shares, callable at $106.50 a share	$ 12,500	$ 12,500
7.88% Series E, 250,000 shares, callable at $103.65 a share	25,000	25,000
Subtotal	37,500	37,500
Premium on cumulative preferred stock	241	241
Total cumulative preferred stock - without mandatory redemption	$ 37,741	$ 37,741
Cumulative preferred stock - with mandatory redemption (d), (e), (h):		
8.48% Series I, 300,000 shares in 1996 and 500,000 shares in 1995	$ 30,000	$ 50,000
8.65% Series J, 500,000 shares	50,000	50,000
7.52% Series K, 440,000 shares	44,000	44,000
Subtotal	124,000	144,000
Amount due in one year (h)	(10,000)	(10,000)
Total cumulative preferred stock - with mandatory redemption	$114,000	$134,000
Common stock, par value $10 a share, 16,000,000 shares authorized, 15,371,270 shares issued and outstanding	$153,713	$153,713

Met-Ed

Cumulative preferred stock, without par value, 10,000,000 shares authorized, 119,475 and 233,912 shares issued and outstanding in 1996 and 1995, without mandatory redemption (f), (g), (i):

	(in thousands) 1996	1995
3.90% Series, 64,384 shares in 1996 and 117,729 shares in 1995, callable at $105.625 a share	$ 6,439	$ 11,773
4.35% Series, 22,517 shares in 1996 and 33,429 shares in 1995, callable at $104.25 a share	2,252	3,325
3.85% Series, 9,252 shares in 1996 and 29,175 shares in 1995, callable at $104.00 a share	925	2,917
3.80% Series, 7,982 shares in 1996 and 18,122 shares in 1995, callable at $104.70 a share	798	1,812
4.45% Series, 15,340 shares in 1996 and 35,637 shares in 1995, callable at $104.25 a share	1,534	3,564
Subtotal	11,948	23,391
Premium on cumulative preferred stock	108	207
Total cumulative preferred stock	$ 12,056	$ 23,598
Common stock, no par value, 900,000 shares authorized, 859,500 shares issued and outstanding	$ 66,273	$ 66,273

Penelec

Cumulative preferred stock, without par value, 11,435,000 shares authorized, 167,485 and 365,000 shares issued and outstanding in 1996 and 1995, no mandatory redemption (f), (g), (i):

	(in thousands)	
	1996	1995
4.40% Series B, 29,678 shares in 1996 and 56,810 shares in 1995, callable at $108.25 per share	$ 2,968	$ 5,681
3.70% Series C, 49,568 shares in 1996 and 97,054 shares in 1995, callable at $105.00 per share	4,957	9,705
4.05% Series D, 28,219 shares in 1996 and 63,696 shares in 1995, callable at $104.53 per share	2,822	6,370
4.70% Series E, 14,103 shares in 1996 and 28,739 shares in 1995, callable at $105.25 per share	1,410	2,874
4.50% Series F, 17,081 shares in 1996 and 42,969 shares in 1995, callable at $104.27 per share	1,708	4,297
4.60% Series G, 26,836 shares in 1996 and 75,732 shares in 1995, callable at $104.25 per share	2,684	7,573
Subtotal	16,549	36,500
Premium on cumulative preferred stock	132	277
Total cumulative preferred stock	$ 16,681	$ 36,777
Common stock, par value $20 per share, 5,400,000 shares authorized, 5,290,596 shares issued and outstanding	$105,812	$105,812

Total - GPU, Inc. and Subsidiary Companies

	(in thousands)	
	1996	1995
Cumulative preferred stock:		
With mandatory redemption	$114,000	$134,000
Without mandatory redemption	66,478	$ 98,116
Total cumulative preferred stock	$180,478	$232,116

(a) In 1995, GPU, Inc. sold five million additional shares of common stock, for net proceeds of $157.5 million. The issuance resulted in a credit to capital surplus totaling $71.9 million. No shares of common stock were reacquired in 1996, 1995 or 1994. In 1996, 1995 and 1994, under GPU Inc.'s Dividend Reinvestment Plan, capital surplus was credited $3.0 million, $2.7 million and $2.3 million, respectively, for shares sold. There were 5,172,201 and 5,359,997 reacquired shares outstanding at December 31, 1996 and 1995, respectively.

(b) In 1996, 1995 and 1994, pursuant to the 1990 Restricted Stock Plan, GPU, Inc. issued restricted units to officers representing rights to

receive shares of common stock, on a one-for-one basis, at the end of the vesting or restriction period. Beginning with awards in 1995, the number of shares eventually issued will vary from the number of units awarded according to the degree that GPU, Inc.'s performance goals have been met for the restriction period. The shares issuable at the end of the period could range from 0% to 200% of the originally awarded units. The units are considered common stock equivalents and therefore are reflected in the computation of earnings per share shown on the income statement. The units accrue dividend equivalents on a quarterly basis, which are invested in additional equivalent units. In 1996, 1995 and 1994, GPU, Inc. awarded to plan participants 63,206, 83,600 and 34,595 restricted units, respectively. In 1996, 1995 and 1994, GPU, Inc. issued a total of 37,253, 30,558 and 6,275 shares, respectively, from previously reacquired shares. There were 258,705 and 195,499 restricted units outstanding at December 31, 1996 and 1995, respectively.

(c) In 1996, GPU adopted Statement of Financial Accounting Standards No. 123 (FAS 123), "Accounting for Stock-Based Compensation," which establishes a fair value-based method of accounting for employee stock-based compensation. Under this method, compensation cost is measured at the grant date, based on the market price of the stock at that date, and is recognized as expense over the restricted period. FAS 123 permits companies to continue to follow the accounting prescribed by Accounting Principles Board Opinion No. 25 (APB No. 25), provided that pro forma disclosures of net income are made as if the fair value-based method of accounting had been applied. GPU has elected to continue accounting for stock-based compensation in accordance with APB No. 25, which contains provisions for subsequent adjustments to compensation cost based on market price fluctuations of the stock after the grant date. The pro forma effects on net income resulting from the application of the fair value-based method of accounting defined in FAS 123 are immaterial.

(d) The 7.52% and 8.65% Series are callable at various prices above their stated values beginning in 2002 and 2000, respectively. The 7.52% Series is to be redeemed ratably over twenty years beginning in 1998. The 8.65% Series is to be redeemed ratably over six years beginning in 2000. The 8.48% Series is not callable and is to be redeemed ratably over a five-year period which began in 1996.

(e) During 1996, JCP&L redeemed $20 million stated value of 8.48% cumulative preferred stock pursuant to mandatory and optional sinking fund provisions. JCP&L's total redemption cost was $20 million. During 1995, JCP&L repurchased in the market 60,000 shares of its 7.52% cumulative preferred stock with mandatory redemption, with a stated value of $6 million. JCP&L's total redemption cost was $6.1 million, which resulted in a $0.1 million charge to Retained Earnings.

(f) At December 31, 1996 and 1995, the GPU Energy companies were authorized to issue 37,035,000 shares of cumulative preferred stock. If dividends on any of the preferred stock are in arrears for four quarters, the holders of preferred stock, voting as a class, are entitled to elect a majority of the board of directors of that company until all dividends in arrears have been paid. A GPU Energy company may not redeem preferred

stock unless dividends on all of its preferred stock for all past quarterly dividend periods have been paid or declared and set aside for payment.

(g) The outstanding shares of preferred stock without mandator redemption are callable at various prices above their stated values. At December 31, 1996, the aggregate amount at which these shares could be called by the GPU Energy companies was $69 million (JCP&L $39 million; Met-Ed $13 million; Penelec $17 million).

(h) The outstanding shares with mandatory redemption have the following redemption requirements over the next five years: $10.0 million in 1997; $12.5 million in 1998 and 1999; and $10.8 million in 2000 and 2001. The fair value of the preferred stock with mandatory redemption, based on market price quotations at December 31, 1996 and 1995, was $123.4 million and $146.6 million, respectively.

(i) During 1996, Met-Ed and Penelec reacquired, pursuant to cash tender offers, preferred shares for a total cost of $7.7 million and $14.4 million, respectively. A reacquisition gain of $3.7 million and $5.6 million was recorded for Met-Ed and Penelec, respectively, which resulted in an increase in GPU, Inc.'s earnings per share of $0.08. During 1994, Met-Ed and Penelec redeemed their 7.68% (aggregate stated value of $35 million) and 8.36% (aggregate stated value of $25 million) cumulative preferred stock, respectively. Met-Ed's total redemption cost was $36 million, which resulted in a $1.2 million charge to Retained Earnings. Penelec's total cost of the redemption was $26 million, resulting in a $1.1 million charge to Retained Earnings.

6. ACQUISITION OF MIDLANDS ELECTRICITY PLC

In 1996, GPU, Inc. and Cinergy Corp. (Ciner ' formed Avon Energy Partners Holdings (Holdings), a 50/50 joint venture, to acquire Midlands Electricity plc (Midlands), an English regional electric company. A wholly-owned subsidiary of Holdings, Avon, purchased the outstanding shares of Midlands through a cash tender offer of £1.7 billion, or approximately U.S. $2.6 billion. GPU's 50% interest in Holdings is held by EI UK Holdings, Inc. (EI UK), a wholly-owned subsidiary of GPU Electric, Inc.

At December 31, 1996, EI UK has borrowed approximately £342 million, or approximately U.S. $586 million, through a GPU, Inc. guaranteed five-year bank term loan facility, to fund its investment in Holdings. At December 31, 1996, Holdings has borrowed approximately £1.1 billion, or approximately U.S. $1.8 billion, through a term loan and revolving credit facility to provide for the balance of the acquisition price.

Midlands supplies and distributes electricity to 2.2 million customers in England in an area with a population of five million. Midlands also owns a generation business that produces electricity domestically and internationally and a gas supply company that provides natural gas to 8,000 customers in

England. In addition, Midlands owns international generation projects and is pursuing additional international generation and transmission projects.

EI UK accounts for its 50% investment in Holdings using the equity method of accounting (see Note 7, GPU International Group Equity Investments). Accordingly, EI UK's investment is reported on the Consolidated Balance Sheets in GPU International Group investments, net, and its proportionate share of earnings from Holdings is reflected on the Consolidated Income Statements in Other Income and Deductions. EI UK has recorded its proportionate share of Holdings' income (from the Midlands' acquisition date), which is reflected in GPU's results of operations.

The acquisition of Midlands by Avon is accounted for under the purchase method of accounting. The total acquisition cost exceeds the preliminary estimated value of net assets by £1.4 billion, or approximately U.S. $2.1 billion. This excess amount is considered goodwill and is amortized to expense on a straight-line basis over 40 years.

7. GPU INTERNATIONAL GROUP EQUITY INVESTMENTS

The GPU International Group has investments in joint ventures and affiliates involved in power production, transmission and distribution in the United States and foreign countries. The GPU International Group uses the equity method of accounting for its investments in which it has the ability to exercise significant influence. Brooklyn Energy, L.P. is being accounted for under the equity method of accounting in anticipation of a reduction of the percentage to 27%. Investments accounted for under the equity method follow:

Investment	Location of Operations	Ownership Percentage
Brooklyn Energy, L.P.	Canada	75%
Avon Energy Partners Holdings (owns Midlands)	United Kingdom	50%
Solaris Power	Australia	50%
Prime Energy, L.P.	United States	50%
Onondaga Cogen, L.P.	United States	50%
Pasco Cogen, Ltd.	United States	50%
Lake Cogen, Ltd.	United States	50%
FPB Cogeneration Partners, L.P.	United States	30%
Termobarranquilla S.A.	Colombia	29%
Polsky Energy Corporation	United States & Canada	25%
Selkirk Cogeneration Partners, L.P.	United States	19%
EnviroTech Investment Fund	United States	10%
Ballard Generation Systems, Inc.	Canada	6%
Project Orange Associates, L.P.	United States	4%
OLS Power, L.P.	United States	1%

Summarized financial information for the GPU International Group's equity investments (which are not consolidated in the financial statements), including both the GPU International Group's ownership interests and the non-ownership interests, is as follows:

Balance Sheet Data (in thousands)	December 31, 1996	December 31, 1995
Current Assets	$ 1,016,730	$ 248,012
Noncurrent Assets	5,761,593	1,962,238
Current Liabilities	(1,207,038)	(220,796)
Noncurrent Liabilities	(4,080,475)	(1,693,669)
Net Assets	$ 1,490,810	$ 295,785
GPU International Group's Equity in Net Assets	$ 735,763	$ 25,341

Earnings Data (in thousands)	For the Year Ended December 31, 1996	1995
Revenues	$ 1,869,038	$ 680,617
Operating Income	$ 299,161	$ 102,817
Net Income/(Loss)	$ 70,346	$ (140)
GPU International Group's Equity in Net Income/(Loss)	$ 33,981	$ (3,597)

As of December 31, 1996 and 1995, the amount of investments accounted for under the equity method included goodwill, net of accumulated amortization, of approximately $23 million and $29 million, respectively, which is amortized to expense over periods not exceeding 40 years. Amortization expense amounted to $0.8 million for each of the years ended December 31, 1996 and 1995. In 1996, the GPU International Group recorded a net reduction of $5 million in goodwill attributed primarily to the sale of a partnership interest.

In addition, the GPU International Group's 50% ownership interest in Empresa Guaracachi, S.A., a Bolivian electric generating company, is accounted for as a consolidated entity in GPU's financial statements. The GPU International Group also has a 100% ownership interest in Mid-Georgia Cogen, L.P., a cogeneration facility under construction, which is currently accounted for as a consolidated entity in GPU's financial statements.

8. DERIVATIVE FINANCIAL INSTRUMENTS

The GPU International Group uses interest rate swap agreements as hedges to manage the risk of increases in interest rates. These swap agreements effectively convert variable-rate debt into fixed-rate debt. At December 31, 1996, these agreements covered approximately $329 million of debt and were scheduled to expire at various dates through 1998. Amounts paid and received under these agreements are recorded as adjustments to the interest expense of the underlying debt. During 1996, fixed interest expense exceeded variable-rate interest by approximately $0.6 million.

9. INCOME TAXES

As of December 31, 1996 and 1995, the Consolidated Balance Sheets reflected income taxes recoverable through future rates (primarily related to liberalized depreciation), and a regulatory liability for income taxes refundable through future rates (related to unamortized ITC), substantially due to the recognition of amounts not previously recorded with the adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" in 1993, as follows:

	(in millions)	
	1996	1995
Income Taxes Recoverable Through Future Rates:		
JCP&L	$143	$135
Met-Ed	174	179
Penelec	210	214
Total	$527	$528
Income Taxes Refundable Through Future Rates:		
JCP&L	$ 33	$ 36
Met-Ed	23	25
Penelec	32	34
Total	$ 88	$ 95

Summaries of the components of deferred taxes as of December 31, 1996 and 1995 are as follows:

GPU, Inc. and Subsidiary Companies:

(in millions)

Deferred Tax Assets

	1996	1995
Current:		
Unbilled revenue	$ 23	$ 23
Other	9	(3)
Total	$ 32	$ 20
Noncurrent:		
Unamortized ITC	$ 88	$ 95
Decommissioning	75	62
Contributions in aid of construction	24	23
Other	146	150
Total	$333	$330

Deferred Tax Liabilities

	1996	1995
Current:		
Revenue taxes	$ 12	$ 16
Noncurrent:		
Liberalized depreciation:		
previously flowed through	$ 292	$ 301
future revenue requirements	203	209
Subtotal	495	510
Liberalized depreciation	859	817
Other	209	139
Total	$1,563	$1,466

JCP&L:

(in millions)

Deferred Tax Assets

	1996	1995
Current:		
Unbilled revenue	$ 18	$ 12
Deferred energy	5	(3)
Total	$ 23	$ 9
Noncurrent:		
Unamortized ITC	$ 33	$ 36
Decommissioning	32	26
Contributions in aid of construction	19	19
Other	55	41
Total	$139	$122

Deferred Tax Liabilities

	1996	1995
Current:		
Revenue taxes	$ 12	$ 16
Noncurrent:		
Liberalized depreciation:		
previously flowed through	$ 76	$ 77
future revenue requirements	42	42
Subtotal	118	119
Liberalized depreciation	412	393
Forked River	9	11
Other	125	84
Total	$664	$607

Met-Ed:

(in millions)

Deferred Tax Assets

	1996	1995
Current:		
Unbilled revenue	$ 5	$ 6
Other	2	2
Total	$ 7	$ 8
Noncurrent:		
Unamortized ITC	$ 24	$ 25
Decommissioning	28	23
Contributions in aid of construction	2	2
Other	31	41
Total	$ 85	$ 91

Deferred Tax Liabilities

	1996	1995
Noncurrent:		
Liberalized depreciation:		
previously flowed through	$ 95	$100
future revenue requirements	73	76
Subtotal	168	176
Liberalized depreciation	185	182
Other	48	22
Total	$401	$380

Penelec:

(in millions)

Deferred Tax Assets

	1996	1995
Current:		
Unbilled revenue	$ -	$ 5
Noncurrent:		
Unamortized ITC	$ 32	$ 34
Decommissioning	15	13
Contributions in aid		-
of construction	3	3
Other	17	29
Total	$ 67	$ 79

Deferred Tax Liabilities

	1996	1995
Current:		
Deferred energy	$ -	$ 4
Noncurrent:		
Liberalized		
depreciation:		
previously flowed		
through	$119	$121
future revenue		
requirements	89	91
Subtotal	208	212
Liberalized		
depreciation	239	229
Other	26	21
Total	$473	$462

The reconciliations from net income to book income subject to tax and from the federal statutory rate to combined federal and state effective tax rates are as follows:

GPU, Inc. and Subsidiary Companies:

	(in millions) 1996	1995	1994
Net income	$298	$440	$164
Preferred stock dividends	16	17	21
Gain on preferred stock reacquisition	(9)	-	-
Income tax expense	184	265	86
Book income subject to tax	$489*	$722	$271
Federal statutory rate	35%	35%	35%
State tax, net of federal benefit	3	4	-
Other	-	(2)	(3)
Effective income tax rate	38%	37%	32%

* Includes pre-tax foreign operations income of $58 million, of which $54 million relates to equity method investments, which is reflected in Other income, net in the Consolidated Statement of Income.

Federal and state income tax expense is comprised of the following:

	(in millions)		
	1996	1995	1994
Provisions for taxes currently payable:			
Domestic	$108	$154	$162
Foreign	11	-	-
Total provision for taxes	$119	$154	$162
Deferred income taxes:			
Liberalized depreciation	27	31	31
New Jersey revenue tax	(3)	(2)	32
Deferral of energy costs	(8)	1	12
Foreign deferred taxes	7	-	-
Accretion income	5	5	11
Decommissioning	(9)	71	(76)
Voluntary Enhanced Retirement Programs (VERP)	15	24	(51)
Nonutility generation contract buyout costs	41	15	-
Other	2	(23)	(21)
Deferred income taxes, net	77	122	(62)
Amortization of ITC, net	(12)	(11)	(14)
Income tax expense	$184	$265	$ 86

The foreign taxes in the above table for 1996, which primarily relate to equity method investees, total $17 million ($10 million- Current; $7 million-Deferred), and are included in Other income, net in the Consolidated Statements of Income.

JCP&L:

The reconciliations from net income to book income subject to tax and from the federal statutory rate to combined federal and state effective tax rates are as follows:

	(in millions)		
	1996	1995	1994
Net income	$156	$199	$163
Income tax expense	74	97	85
Book income subject to tax	$230	$296	$248
Federal statutory rate	35%	35%	35%
Other	(3)	(2)	(1)
Effective income tax rate	32%	33%	34%

Federal and state income tax expense is comprised of the following:

	(in millions)		
	1996	1995	1994
Provisions for taxes currently payable	$ 70	$100	$ 50
Deferred income taxes:			
Liberalized depreciation	1	8	13
Nonutility generation contract buyout costs	22	6	-
Gain/Loss on reacquired debt	-	-	6
New Jersey revenue tax	(3)	(2)	32
Deferral of energy costs	(8)	1	9
Abandonment loss - Forked River	(4)	(4)	(5)
Nuclear outage maintenance costs	5	(6)	6
Accretion income	5	5	6
Unbilled revenue	(5)	(2)	2
Pension expense/VERP	4	3	(15)
Other	(6)	(6)	(12)
Deferred income taxes, net	11	3	42
Amortization of ITC, net	(7)	(6)	(7)
Income tax expense	$ 74	$ 97	$ 85

Met-Ed:

The reconciliations from net income to book income subject to tax and from the federal statutory rate to combined federal and state effective tax rates are as follows:

	(in millions)		
	1996	1995	1994
Net income	$ 69	$149	$ 1
Income tax expense	50	92	(9)
Book income subject to tax	$119	$241	$ (8)
Federal statutory rate	35%	35%	35%
State tax, net of federal benefit	5	6	32
Amortization of ITC	(2)	(1)	22
Other	4	(2)	20
Effective income tax rate	42%	38%	109%

Federal and state income tax expense is comprised of the following:

	(in millions)		
	1996	1995	1994
Provisions for taxes currently payable	$ 25	$ 23	$ 45
Deferred income taxes:			
Liberalized depreciation	10	10	6
Deferral of energy costs	5	-	6
Decommissioning	(3)	46	(52)
Pension expense/VERP	5	8	(15)
Unbilled revenue	-	(4)	2
Nonutility generation contract buyout costs	14	8	-
Other	(4)	3	2
Deferred income taxes, net	27	71	(51)
Amortization of ITC, net	(2)	(2)	(3)
Income tax expense	$ 50	$ 92	$ (9)

Penelec:

The reconciliations from net income to book income subject to tax and from the federal statutory rate to combined federal and state effective tax rates are as follows:

	(in millions)		
	1996	1995	1994
Net income	$ 70	$111	$32
Income tax expense	45	70	11
Book income subject to tax	$115	$181	$43
Federal statutory rate	35%	35%	35%
State tax, net of federal benefit	6	6	1
Other	(2)	(2)	(10)
Effective income tax rate	39%	39%	26%

Federal and state income tax expense is comprised of the following:

	(in millions)		
	1996	1995	1994
Provisions for taxes currently payable	$ 26	$ 28	$ 61
Deferred income taxes:			
Liberalized depreciation	8	12	12
Deferral of energy costs	-	-	(3)
Accretion income	-	-	5
Decommissioning	(1)	21	(24)
Pension expense/VERP	7	13	(21)
Unbilled revenue	5	(2)	-
Nonutility generation contract buyout costs	5	-	-
Other	(2)	1	(15)
Deferred income taxes, net	22	45	(46)
Amortization of ITC, net	(3)	(3)	(4)
Income tax expense	$ 45	$ 70	$ 11

In 1994, GPU and the Internal Revenue Service (IRS) reached an agreement to settle GPU's claim for 1986 that TMI-2 has been retired for tax purposes. The GPU Energy companies received net refunds totaling $17 million (JCP&L $4 million; Met-Ed $9 million; Penelec $4 million), which have been credited to their customers. Also in 1994, GPU received net interest from the IRS totaling $46 million (JCP&L $11.5 million; Met-Ed $23 million; Penelec $11.5 million), before income taxes, associated with the refund settlement, which was credited to income. The IRS has completed its examinations of GPU's federal income tax returns through 1992. The years 1993 through 1995 are currently being audited.

10. SUPPLEMENTARY INCOME STATEMENT INFORMATION

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

	(in millions) 1996	1995	1994
Maintenance:			
JCP&L	$120	$128	$132
Met-Ed	50	54	59
Penelec	65	71	80
Total Maintenance	$235	$253	$271
Other Taxes:			
New Jersey Unit Tax (JCP&L)	$208	$209	$204
Pennsylvania State Gross Receipts:			
Met-Ed	$ 38	$ 35	$ 32
Penelec	40	39	38
Total	$ 78	$ 74	$ 70
Real Estate and Personal Property:			
JCP&L	$ 8	$ 8	$ 7
Met-Ed	8	7	6
Penelec	9	8	8
Total	$ 25	$ 23	$ 21
Other:			
JCP&L	$ 13	$ 10	$ 20
Met-Ed	15	13	14
Penelec	16	20	20
Total	$ 44	$ 43	$ 54
Total Other Taxes	$355	$349	$349

The cost of services rendered to the GPU Energy companies by their affiliates is as follows:

	(in millions) 1996	1995	1994
JCP&L:			
Cost of services rendered by GPUN	$221	$186	$268
Cost of services rendered by GPUS	44	43	48
Cost of services rendered by Genco	85	-	-
Total	$350	$229	$316
Amount Charged to Income	$293	$183	$242
Met-Ed:			
Cost of services rendered by GPUN	$ 67	$ 81	$ 77
Cost of services Rendered by GPUS	29	27	27
Cost of services rendered by Genco	85	-	-
Total	$181	$108	$104
Amount Charged to Income	$153	$ 92	$ 87
Penelec:			
Cost of services rendered by GPUN	$ 34	$ 41	$ 40
Cost of services rendered by GPUS	31	38	40
Cost of services rendered by Genco	159	-	-
Total	$224	$ 79	$ 80
Amount Charged to Income	$181	$ 67	$ 64

For the years 1996, 1995 and 1994, JCP&L purchased $21 million, $23 million and $22 million, respectively, in energy from a cogeneration project in which an affiliate has a 50% partnership interest.

11. EMPLOYEE BENEFITS

Pension Plans

GPU maintains defined benefit pension plans covering substantially all employees. GPU's policy is to currently fund net pension costs within the deduction limits permitted by the Internal Revenue Code.

Summaries of the components of net periodic pension cost follow:

GPU, Inc. and Subsidiary Companies	(in millions) 1996	1995	1994
Service cost-benefits earned during the period	$ 36.1	$ 30.0	$ 34.8
Interest cost on projected benefit obligation	112.1	109.8	95.4
Less: Expected return on plan assets	(123.2)	(112.9)	(104.4)
Amortization	(1.1)	(1.4)	(1.4)
Net periodic pension cost	$ 23.9	$ 25.5	$ 24.4

JCP&L	1996	(in millions) 1995	1994
Service cost-benefits earned during the period	$ 8.0	$ 7.3	$ 8.8
Interest cost on projected benefit obligation	32.1	32.9	29.0
Less: Expected return on plan assets	(36.3)	(35.2)	(33.3)
Amortization	(0.3)	(0.3)	(0.5)
Net periodic pension cost	$ 3.5	$ 4.7	$ 4.0

Met-Ed	1996	(in millions) 1995	1994
Service cost-benefits earned during the period	$ 4.5	$ 4.4	$ 4.7
Interest cost on projected benefit obligation	19.6	20.2	17.7
Less: Expected return on plan assets	(21.3)	(20.3)	(19.1)
Amortization	-	(0.1)	(0.3)
Net periodic pension cost	$ 2.8	$ 4.2	$ 3.0

Penelec	1996	(in millions) 1995	1994
Service cost-benefits earned during the period	$ 6.0	$ 8.9	$ 10.2
Interest cost on projected benefit obligation	29.3	34.9	30.6
Less: Expected return on plan assets	(32.3)	(35.6)	(32.4)
Amortization	0.3	0.3	0.5
Net periodic pension cost	$ 3.3	$ 8.5	$ 8.9

The above amounts for 1996 and 1994 do not include pre-tax charges to earnings of $71 million (JCP&L $37 million; Met-Ed $17 million; Penelec $17 million) and $97 million (JCP&L $38 million; Met-Ed $26 million; Penelec $33 million), respectively, resulting from early retirement programs in both of those years. At December 31, 1996, GPU has funded the entire cost of its retirement programs.

The actual return on the plans' assets for the years 1996, 1995 and 1994 resulted in gains as follows:

Company	1996	(in millions) 1995	1994
JCP&L	$ 66.0	$101.3	$ 4.4
Met-Ed	39.6	59.4	2.5
Penelec	53.5	100.3	4.2
Other	69.9	61.0	2.7
Total	$229.0	$322.0	$ 13.8

The funded status of the plans and related assumptions at December 31, 1996 and 1995 were as follows:

GPU, Inc. and Subsidiary Companies	(in millions) 1996	1995
Accumulated benefit obligation (ABO):		
Vested benefits	$ 1,338.5	$ 1,172.8
Nonvested benefits	137.8	133.7
Total ABO	1,476.3	1,306.5
Effect of future compensation levels	215.1	237.7
Projected benefit obligation (PBO)	$ 1,691.4	$ 1,544.2
Plan assets at fair value	$ 1,801.8	$ 1,596.1
PBO	(1,691.4)	(1,544.2)
Plan assets in excess of PBO	110.4	51.9
Less: Unrecognized net gain	(143.8)	(64.9)
Unrecognized prior service cost	5.7	5.2
Unrecognized net transition asset	(3.0)	(5.8)
Adjustment required to recognize minimum liability	(3.8)	(0.2)
Accrued pension liability	$ (34.5)	$ (13.8)

JCP&L	(in millions) 1996	1995
ABO:		
Vested benefits	$ 391.9	$ 359.8
Nonvested benefits	27.8	30.4
Total ABO	419.7	390.2
Effect of future compensation levels	53.8	69.9
PBO	$ 473.5	$ 460.1
Plan assets at fair value	$ 514.5	$ 494.4
PBO	(473.5)	(460.1)
Plan assets in excess of PBO	41.0	34.3
Less: Unrecognized net gain	(45.7)	(32.2)
Unrecognized prior service cost	2.2	2.4
Unrecognized net transition asset	(1.5)	(2.1)
(Accrued) prepaid pension cost	$ (4.0)	$ 2.4

Met-Ed	(in millions) 1996	1995
ABO:		
Vested benefits	$ 240.7	$ 220.9
Nonvested benefits	24.4	24.0
Total ABO	265.1	244.9
Effect of future compensation levels	37.4	42.4
PBO	$ 302.5	$ 287.3
Plan assets at fair value	$ 309.9	$ 293.1
PBO	(302.5)	(287.3)
Plan assets in excess of PBO	7.4	5.8
Less: Unrecognized net gain	(7.1)	(7.6)
Unrecognized prior service cost	2.8	3.5
Unrecognized net transition asset	(0.6)	(1.3)
Adjustment required to recognize minimum liability	(0.4)	-
Prepaid pension cost	$ 2.1	$ 0.4

Penelec	(in millions) 1996	1995
ABO:		
Vested benefits	$ 303.6	$ 364.4
Nonvested benefits	24.3	44.1
Total ABO	327.9	408.5
Effect of future compensation levels	39.1	73.3
PBO	$ 367.0	$ 481.8
Plan assets at fair value	$ 411.8	$ 496.8
PBO	(367.0)	(481.8)
Plan assets in excess of PBO	44.8	15.0
Less: Unrecognized net gain	(35.2)	(18.8)
Unrecognized prior service cost	3.4	3.8
Unrecognized net transition obligation	2.1	3.0
Prepaid pension cost	$ 15.1	$ 3.0
Principal actuarial assumptions (%):		
Annual long-term rate of return on plan assets	8.5	8.5
Discount rate	7.5	7.5
Annual increase in compensation levels	5.5	5.5

In 1996, the PBO increased by $92 million (JCP&L $28 million; Met-Ed $16 million; Penelec $14 million; Other $34 million) as a result of the VERP. The assets of the plans are held in a Master Trust and generally invested in common stocks and fixed income securities. The unrecognized net gain represents actual experience different from that assumed, which is deferred and not included in the determination of pension cost until it exceeds certain levels. Both the unrecognized prior service cost resulting from retroactive changes in benefits and the unrecognized net transition asset/obligation arising out of the adoption of Statement of Financial Accounting Standards No. 87 (FAS 87), "Employers' Accounting for Pensions," are being amortized to pension cost over the average remaining service periods for covered employees.

At December 31, 1996, 1995 and 1994, GPU had accumulated pension obligations in excess of amounts accrued; as a result, additional minimum liabilities in the amounts of $2.2 million (Met-Ed $0.3 million; GPUS $1.8 million; Genco $0.1 million), $0.1 million (GPUS) and $0.7 million (GPUS), respectively, net of deferred income taxes of $1.6 million (Met-Ed $0.2 million; GPUS $1.3 million; Genco $0.1 million), $0.1 million (GPUS) and $0.5 million (GPUS), respectively, are reflected as reductions in Retained Earnings in accordance with FAS 87.

Savings Plans

GPU also maintains savings plans for substantially all employees. These plans provide for employee contributions up to specified limits. GPU's savings plans provide for various levels of matching contributions. The matching contributions for GPU were as follows:

	(in millions)		
Company	1996	1995	1994
JCP&L	$ 2.8	$ 3.2	$ 2.4
Met-Ed	3.2	2.7	2.2
Penelec	1.4	2.5	3.0
Other	6.7	5.0	5.1
Total	$ 14.1	$ 13.4	$ 12.7

Postretirement Benefits Other Than Pensions

GPU provides certain retiree health care and life insurance benefits for substantially all employees who reach retirement age while working for GPU. Health care benefits are administered by various organizations. A portion of the costs are borne by the participants. Effective January 1, 1993, GPU adopted Statement of Financial Accounting Standards No. 106 (FAS 106), "Employers' Accounting for Postretirement Benefits Other Than Pensions." FAS 106 requires that the estimated cost of these benefits, which are primarily for health care, be accrued during the employee's active working career. GPU has elected to amortize the unfunded transition obligation existing at January 1, 1993 over a period of 20 years. The unrecognized net loss represents actual experience different from that assumed, which is deferred and not included in the determination of postretirement benefit cost until it exceeds certain levels. The unrecognized prior service cost resulting from retroactive changes in benefits is being amortized to postretirement benefit cost over the average remaining service periods for covered employees.

Summaries of the components of the net periodic postretirement benefit cost for 1996, 1995 and 1994 follows:

GPU, Inc. and Subsidiary Companies	(in millions) 1996	1995	1994
Service cost-benefits attributed to service during the period	$ 14.3	$ 13.4	$ 14.6
Interest cost on the accumulated postretirement benefit obligation	45.7	43.4	37.0
Expected return on plan assets	(13.8)	(11.0)	(7.0)
Amortization of transition obligation	17.4	17.4	18.1
Other amortization, net	2.9	1.3	2.1
Net periodic postretirement benefit cost	66.5	64.5	64.8
Less, deferred for future recovery	(18.2)	(15.0)	(15.8)
Postretirement benefit cost, net of deferrals	$ 48.3	$ 49.5	$ 49.0

The above amounts for 1996 and 1994 do not include pre-tax charges to earnings of $52 million and $30 million, respectively, relating to early retirement programs in both of those years. At December 31, 1996, GPU has funded the entire cost of its retirement programs.

JCP&L	(in millions) 1996	1995	1994
Service cost-benefits attributed to service during the period	$ 2.8	$ 3.0	$ 3.3
Interest cost on the accumulated postretirement benefit obligation	11.4	11.2	9.4
Expected return on plan assets	(2.8)	(2.3)	(1.7)
Amortization of transition obligation	4.8	5.0	5.2
Other amortization, net	0.7	0.5	0.4
Net periodic postretirement benefit cost	16.9	17.4	16.6
Less, deferred for future recovery	(4.4)	(4.0)	(7.8)
Postretirement benefit cost, net of deferrals	$ 12.5	$ 13.4	$ 8.8

The above amounts for 1996 and 1994 do not include pre-tax charges to earnings of $26 million and $9 million, respectively, relating to early retirement programs in both of those years. The amount deferred for future recovery does not include $7.2 million of allocated postretirement benefit costs from affiliates for 1996.

Met-Ed	(in millions) 1996	1995	1994
Service cost-benefits attributed to service during the period	$ 1.9	$ 2.0	$ 2.3
Interest cost on the accumulated postretirement benefit obligation	8.6	8.3	7.1
Expected return on plan assets	(1.6)	(1.4)	(1.2)
Amortization of transition obligation	3.2	3.4	3.4
Other amortization, net	0.7	0.3	0.5
Net periodic postretirement benefit cost	12.8	12.6	12.1
Less, deferred for future recovery	(4.1)	(5.6)	(8.3)
Postretirement benefit cost, net of deferrals	$ 8.7	$ 7.0	$ 3.8

The above amounts for 1996 and 1994 do not include a pre-tax charge to earnings of $13 million and $9 million, respectively, relating to early retirement programs in both of those years. The amount deferred for future recovery does not include $2.5 million of allocated postretirement benefit costs from affiliates for 1996.

Penelec	(in millions) 1996	1995	1994
Service cost-benefits attributed to service during the period	$ 2.7	$ 4.3	$ 4.6
Interest cost on the accumulated postretirement benefit obligation	14.1	15.6	13.4
Expected return on plan assets	(4.6)	(4.3)	(2.3)
Amortization of transition obligation	5.4	6.2	6.5
Other amortization, net	0.9	0.5	0.8
Net periodic postretirement benefit cost	18.5	22.3	23.0
Net write-off	-	1.3	9.0
Postretirement benefit cost	$ 18.5	$ 23.6	$ 32.0

The above amounts for 1996 and 1994 do not include a pre-tax charge to earnings of $13 million and $12 million, respectively, relating to early retirement programs in both of those years.

The actual return on the plans' assets for the years 1996, 1995 and 1994 resulted in gains as follows:

Company	(in millions) 1996	1995	1994
JCP&L	$ 8.0	$ 5.7	$ 0.6
Met-Ed	3.6	3.3	0.4
Penelec	14.7	11.1	0.8
Other	12.3	7.8	0.5
Total	$ 38.6	$ 27.9	$ 2.3

The funded status of the plans at December 31, 1996 and 1995, was as follows:

GPU, Inc. and Subsidiary Companies	(in millions) 1996	1995
Accumulated Postretirement Benefit Obligation:		
Retirees	$ 452.7	$ 361.6
Fully eligible active plan participants	17.1	32.4
Other active plan participants	236.2	232.4
Total accumulated postretirement benefit obligation (APBO)	$ 706.0	$ 626.4
APBO	$(706.0)	$(626.4)
Plan assets at fair value	303.6	191.3
APBO in excess of plan assets	(402.4)	(435.1)
Less: Unrecognized net loss	56.6	65.0
Unrecognized prior service cost	1.9	2.3
Unrecognized transition obligation	268.6	295.9
Accrued postretirement benefit liability	$ (75.3)	$ (71.9)

JCP&L	(in millions) 1996	1995
APBO:		
Retirees	$ 120.2	$ 89.2
Fully eligible active plan participants	7.7	18.9
Other active plan participants	52.0	53.4
Total APBO	$ 179.9	$ 161.5
APBO	$(179.9)	$(161.5)
Plan assets at fair value	70.7	39.7
APBO in excess of plan assets	(109.2)	(121.8)
Less: Unrecognized net loss	14.1	12.9
Unrecognized transition obligation	74.4	85.3
Accrued postretirement benefit liability	$ (20.7)	$ (23.6)

Met-Ed	(in millions) 1996	1995
APBO:		
Retirees	$ 84.7	$ 80.2
Fully eligible active plan participants	2.1	3.5
Other active plan participants	37.4	39.2
Total APBO	$ 124.2	$ 122.9
APBO	$(124.2)	$(122.9)
Plan assets at fair value	34.7	21.9
APBO in excess of plan assets	(89.5)	(101.0)
Less: Unrecognized net loss	19.6	17.7
Unrecognized transition obligation	44.7	57.4
Accrued postretirement benefit liability	$ (25.2)	$ (25.9)

Penelec	(in millions) 1996	1995
APBO:		
Retirees	$ 145.5	$ 139.7
Fully eligible active plan participants	3.7	6.0
Other active plan participants	54.8	79.6
Total APBO	$ 204.0	$ 225.3
APBO	$(204.0)	$(225.3)
Plan assets at fair value	95.6	75.3
APBO in excess of plan assets	(108.4)	(150.0)
Less: Unrecognized net loss	13.2	25.0
Unrecognized prior service cost	1.6	2.3
Unrecognized transition obligation	83.2	106.1
Accrued postretirement benefit liability	$ (10.4)	$ (16.6)
Principal actuarial assumptions (%):		
Annual long-term rate of return on plan assets	8.5	8.5
Discount rate	7.5	7.5

GPU intends to continue funding amounts for postretirement benefits with an independent trustee, as deemed appropriate from time to time. The plan assets include equities and fixed income securities.

In 1996, the APBO increased by $45 million (JCP&L $15 million; Met-Ed $8 million; Penelec $8 million; Other $14 million) as a result of the VERP. The APBO was determined by application of the terms of the medical and life insurance plans, including the effects of established maximums on covered costs, together with relevant actuarial assumptions and health-care cost trend rates of 11% for those not eligible for Medicare and 8% for those eligible for Medicare, then decreasing gradually to 6% in 2000 and thereafter. These costs also reflect the implementation of a cost cap of 6% for individuals who retire after December 31, 1995 and reach age 65. The effect of a 1% annual increase in these assumed cost trend rates would increase the APBO by approximately $60 million (JCP&L $14 million; Met-Ed $10 million; Penelec $16 million; Other $20 million) as of December 31, 1996 and the aggregate of the service and interest cost components of net periodic postretirement health-care cost by approximately $5 million (JCP&L $1 million; Met-Ed $1 million; Penelec $2 million; Other $1 million).

In JCP&L's 1993 base rate proceeding, the NJBPU allowed JCP&L to collect $3 million annually of the incremental postretirement benefit costs, charged to expense, recognized as a result of FAS 106. Based on the final order and in accordance with Emerging Issues Task Force (EITF) Issue 92-12, "Accounting for OPEB Costs by Rate-Regulated Enterprises," JCP&L is deferring the amounts above that level. A Stipulation of Final Settlement (Final Settlement), pending before the NJBPU, would allow JCP&L to recover and amortize the deferred balance at December 31, 1997 over a fifteen-year period. In addition, the Final Settlement would allow JCP&L to recover current amounts accrued pursuant to FAS 106, including amortization of the transition obligation. (See discussion of the Final Settlement in Rate Matters, Management's Discussion and Analysis.) In January 1997, the NJBPU issued a generic order providing certain options for recovery of postretirement costs. This generic order would affect JCP&L only if the Final Settlement is not

approved. Met-Ed is deferring the incremental postretirement benefit costs, charged to expense, associated with the adoption of FAS 106 and in accordance with EITF Issue 92-12, as authorized by the PaPUC in its 1993 base rate order.

In 1994, the Pennsylvania Commonwealth Court reversed a PaPUC order that allowed a nonaffiliated utility, outside a base rate proceeding, to defer certain incremental postretirement benefit costs for future recovery from customers. As a result of the Court's decision, in 1994, Penelec determined that its FAS 106 costs, including costs deferred since January 1993, were not likely to be recovered and charged $18.8 million to expense. In addition, $4 million of Penelec's unrecognized transition obligation resulting from employees who elected to participate in the VERP was also written off in 1994. In 1996 and 1995, Penelec recorded charges to income of approximately $12 million and $9 million, respectively, which represent continued amortization of the transition obligation along with current accruals of FAS 106 expense for active employees.

12. JOINTLY OWNED STATIONS

Each participant in a jointly owned station finances its portion of the investment and charges its share of operating expenses to the appropriate expense accounts. The GPU Energy companies participated with nonaffiliated utilities in the following jointly owned stations at December 31, 1996:

			Balance (in millions)	
Station	Owner	% Ownership	Investment	Accumulated Depreciation
Homer City	Penelec	50	$453.7	$157.3
Conemaugh	Met-Ed	16.45	146.1	40.7
Keystone	JCP&L	16.67	90.3	22.5
Yards Creek	JCP&L	50	29.9	6.5
Seneca	Penelec	20	16.0	5.1

13. LEASES

GPU's capital leases consist primarily of leases for nuclear fuel. Nuclear fuel capital leases at December 31, 1996 totaled $139 million (JCP&L $95 million; Met-Ed $29 million; Penelec $15 million), net of amortization of $208 million (JCP&L $124 million; Met-Ed $56 million; Penelec $28 million). Nuclear fuel capital leases at December 31, 1995 totaled $152 million (JCP&L $88 million; Met-Ed $43 million; Penelec $21 million), net of amortization of $160 million (JCP&L $98 million; Met-Ed $41 million; Penelec $21 million). The recording of capital leases has no effect on net income because all leases, for ratemaking purposes, are considered operating leases.

The GPU Energy companies have nuclear fuel lease agreements with nonaffiliated fuel trusts. In 1995, the GPU Energy companies refinanced the Oyster Creek and TMI-1 nuclear fuel leases to provide for aggregate borrowings of up to $210 million ($100 million for Oyster Creek and $110 million for TMI-1) outstanding at any one time. Reductions in nuclear fuel financing costs are expected through the new credit facilities. It is contemplated that when consumed, portions of the presently leased material will be replaced by additional leased material. The GPU Energy companies are responsible for the disposal costs of nuclear fuel leased under these agreements. These nuclear fuel leases have initial terms of three years expiring in November 1998, and are renewable annually thereafter at the lender's option for a period up to 20 years. Subject to certain conditions of termination, the GPU Energy companies are required to purchase all nuclear fuel then under lease at a price that will allow the lessor to recover its net investment. Lease expense consists of an amount designed to amortize the cost of the nuclear fuel as consumed plus interest costs. For the years ended December 31, 1996, 1995 and 1994, these amounts were as follows:

Company	1996 (in millions)	1995	1994
JCP&L	$ 32	$ 35	$ 28
Met-Ed	16	15	15
Penelec	8	7	7
Total	$ 56	$ 57	$ 50

JCP&L and Met-Ed have sold and leased back substantially all of their respective ownership interests in the Merrill Creek Reservoir project. The minimum lease payments under these operating leases, which have remaining terms of 36 years, average approximately $3 million annually for each company.

14. COMMITMENTS AND CONTINGENCIES

NUCLEAR FACILITIES

The GPU Energy companies have made investments in three major nuclear projects--TMI-1 and Oyster Creek, both of which are operating generation facilities, and TMI-2, which was damaged during a 1979 accident. TMI-1 and TMI-2 are jointly owned by JCP&L, Met-Ed and Penelec in the percentages of 25%, 50% and 25%, respectively. Oyster Creek is owned by JCP&L. At December 31, 1996 and December 31, 1995, the GPU Energy companies' net investment in TMI-1 and Oyster Creek, including nuclear fuel, was as follows:

1996	Net Investment (in millions) TMI-1	Oyster Creek
JCP&L	$154	$766
Met-Ed	297	-
Penelec	146	-
Total	$597	$766

1995	Net Investment (in millions) TMI-1	Oyster Creek
JCP&L	$166	$782
Met-Ed	318	-
Penelec	156	-
Total	$640	$782

The GPU Energy companies' net investment in TMI-2 at December 31, 1996 and 1995 was $90 million and $95 million, respectively (JCP&L $81 million and $85 million, respectively; Met-Ed $1 million and $2 million, respectively; Penelec $8 million in both years). JCP&L is collecting revenues for TMI-2 on a basis which provides for the recovery of its remaining investment in the plant by 2008. Met-Ed and Penelec are collecting revenues for TMI-2 related to their wholesale customers.

Costs associated with the operation, maintenance and retirement of nuclear plants have continued to be significant and less predictable than costs associated with other sources of generation, in large part due to changing regulatory requirements, safety standards, availability of nuclear waste disposal facilities and experience gained in the construction and operation of nuclear facilities. The GPU Energy companies may also incur costs and experience reduced output at their nuclear plants because of the prevailing design criteria at the time of construction and the age of the plants' systems and equipment. In addition, for economic or other reasons, operation of these plants for the full term of their operating licenses cannot be assured. Also, not all risks associated with the ownership or operation of nuclear facilities may be adequately insured or insurable. Consequently, the recovery of costs associated with nuclear projects, including replacement power, any unamortized investment at the end of each plant's useful life (whether scheduled or premature), the carrying costs of that investment and retirement costs, is not assured. (See the Competition and the Changing Regulatory Environment section.)

TMI-2:

The 1979 TMI-2 accident resulted in significant damage to, and contamination of, the plant and a release of radioactivity to the environment. A cleanup program was completed in 1990, and after receiving Nuclear Regulatory Commission (NRC) approval, TMI-2 entered into long-term monitored storage in 1993.

As a result of the accident and its aftermath, individual claims for alleged personal injury (including claims for punitive damages), which are material in amount, have been asserted against GPU, Inc. and the GPU Energy companies. Approximately 2,100 of such claims were filed in the United States District Court for the Middle District of Pennsylvania. Some of the claims also seek recovery for injuries from alleged emissions of radioactivity before and after the accident.

At the time of the TMI-2 accident, as provided for in the Price-Anderson Act, the GPU Energy companies had (a) primary financial protection in the form of insurance policies with groups of insurance companies providing an aggregate of $140 million of primary coverage, (b) secondary financial

protection in the form of private liability insurance under an industry retrospective rating plan providing for up to an aggregate of $335 million in premium charges under such plan, and (c) an indemnity agreement with the NRC for up to $85 million, bringing their total financial protection up to an aggregate of $560 million. Under the secondary level, the GPU Energy companies are subject to a retrospective premium charge of up to $5 million per reactor, or a total of $15 million (JCP&L $7.5 million; Met-Ed $5 million; Penelec $2.5 million).

In October 1995, the U.S. Court of Appeals for the Third Circuit ruled that the Price-Anderson Act provides coverage under its primary and secondary levels for punitive as well as compensatory damages, but that punitive damages could not be recovered against the Federal Government under the third level of financial protection. In so doing, the Court of Appeals referred to the "finite fund" (the $560 million of financial protection under the Price-Anderson Act) to which plaintiffs must resort to get compensatory as well as punitive damages.

The Court of Appeals also ruled that the standard of care owed by the defendants to a plaintiff was determined by the specific level of radiation which was released into the environment, as measured at the site boundary, rather than as measured at the specific site where the plaintiff was located at the time of the accident (as the defendants proposed). The Court of Appeals also held that each plaintiff still must demonstrate exposure to radiation released during the TMI-2 accident and that such exposure had resulted in injuries. In 1996, the U.S. Supreme Court denied petitions filed by GPU, Inc. and the GPU Energy companies to review the Court of Appeals' rulings.

In June 1996, the District Court granted a motion for summary judgment filed by GPU, Inc. and the GPU Energy companies, and dismissed all of the 2,100 pending claims. The Court ruled that there was no evidence which created a genuine issue of material fact warranting submission of plaintiffs' claims to a jury. The plaintiffs have appealed the District Court's ruling to the Court of Appeals for the Third Circuit. There can be no assurance as to the outcome of this litigation.

Based on the above, GPU, Inc. and the GPU Energy companies believe that any liability to which they might be subject by reason of the TMI-2 accident will not exceed their financial protection under the Price-Anderson Act.

NUCLEAR PLANT RETIREMENT COSTS

Retirement costs for nuclear plants include decommissioning the radiological portions of the plants and the cost of removal of nonradiological structures and materials. As described in the Nuclear Fuel Disposal Fee section of Note 1, the disposal of spent nuclear fuel is covered separately by contracts with the DOE.

In 1990, the GPU Energy companies submitted a report, in compliance with NRC regulations, setting forth a funding plan (employing the external sinking fund method) for the decommissioning of their nuclear reactors. Under this plan, the GPU Energy companies intend to complete the funding for Oyster Creek and TMI-1 by the end of the plants' license terms, 2009 and 2014,

respectively. The TMI-2 funding completion date is 2014, consistent with TMI-2's remaining in long-term storage and being decommissioned at the same time as TMI-1. Based on NRC studies, a comparable funding target was developed for TMI-2 which took the accident into account. Under the NRC regulations, the funding targets (in 1996 dollars) are as follows:

	(in millions)		
	TMI-1	TMI-2	Oyster Creek
JCP&L	$ 43	$ 67	$221
Met-Ed	85	135	-
Penelec	42	68	-
	$170	$270	$221

The funding targets, while not considered cost estimates, are reference levels designed to assure that licensees demonstrate adequate financial responsibility for decommissioning. While the NRC regulations address activities related to the removal of the radiological portions of the plants, they do not establish residual radioactivity limits nor do they address costs related to the removal of nonradiological structures and materials.

In 1995, a consultant to GPUN performed site-specific studies of the TMI site, including both Units 1 and 2, and of Oyster Creek, that considered various decommissioning methods and estimated the cost of decommissioning the radiological portions and the cost of removal of the nonradiological portions of each plant, using the prompt removal/dismantlement method. GPUN management has reviewed the methodology and assumptions used in these studies, is in agreement with them, and believes the results are reasonable. The retirement cost estimates under the site-specific studies are as follows (in 1996 dollars):

	(in millions)		
GPU	TMI-1	TMI-2	Oyster Creek
Radiological decommissioning	$311	$378	$366
Nonradiological cost of removal	77	36 *	35
Total	$388	$414	$401

* Net of $6.5 million spent as of December 31, 1996.

	(in millions)		
JCP&L	TMI-1	TMI-2	Oyster Creek
Radiological decommissioning	$ 78	$ 95	$366
Nonradiological cost of removal	19	9 *	35
Total	$ 97	$104	$401

* Net of $1.6 million spent as of December 31, 1996.

Met-Ed	(in millions) TMI-1	TMI-2
Radiological decommissioning	$155	$189
Nonradiological cost of removal	39	18 *
Total	$194	$207

* Net of $3.3 million spent as of December 31, 1996.

Penelec	(in millions) TMI-1	TMI-2
Radiological decommissioning	$ 78	$ 94
Nonradiological cost of removal	19	9 *
Total	$ 97	$103

* Net of $1.6 million spent as of December 31, 1996.

The ultimate cost of retiring the GPU Energy companies' nuclear facilities may be different from the cost estimates contained in these site-specific studies. Such costs are subject to (a) the escalation of various cost elements (for reasons including, but not limited to, general inflation), (b) the further development of regulatory requirements governing decommissioning, (c) the technology available at the time of decommissioning, and (d) the availability of nuclear waste disposal facilities.

The GPU Energy companies charge to depreciation expense and accrue retirement costs based on amounts being collected from customers. Currently, the GPU Energy companies are collecting retirement costs which are less than the retirement cost estimates in the 1995 site-specific studies, and they do not intend to increase these accruals until increased collections from customers are obtained. Customer collections are contributed to external trust funds. These deposits, including the related earnings, are classified as Nuclear Decommissioning Trusts on the Balance Sheets. Accounting for retirement costs may change based upon the Financial Accounting Standards Board (FASB) Exposure Draft discussed below.

The FASB has issued an Exposure Draft titled "Accounting for Certain Liabilities Related to Closure or Removal of Long-Lived Assets," which includes nuclear plant retirement costs. If the Exposure Draft is adopted, Oyster Creek and TMI-1 future retirement costs would have to be recognized as a liability immediately, rather than the current industry practice of accruing these costs in accumulated depreciation over the life of the plants. A regulatory asset for amounts probable of recovery through rates would also be established. Any amounts not probable of recovery through rates would have to be charged to expense. For TMI-2, a liability has already been recognized, based on the 1995 site-specific study (in 1996 dollars) since the plant is no longer operating (see TMI-2). The effective date of this accounting change could be as early as January 1, 1998.

TMI-1 and Oyster Creek:

The NJBPU has granted JCP&L annual revenues for TMI-1 and Oyster Creek retirement costs of $2.5 million and $13.5 million, respectively. These annual revenues are based on both the NRC funding targets for radiological decommissioning costs and a site-specific study which was performed in 1988 for nonradiological costs of removal. The Final Settlement pending before the NJBPU would allow for JCP&L's future collection of retirement costs to increase annually to $5.2 million and $22.5 million for TMI-1 and Oyster Creek, respectively, beginning in 1998, based on the 1995 site-specific study estimates. (See discussion of Final Settlement in Rate Matters, Management's Discussion and Analysis.)

The PaPUC has granted Met-Ed annual revenues for TMI-1 retirement costs of $8.5 million based on both the NRC funding target for radiological decommissioning costs and the 1988 site-specific study for nonradiological costs of removal. The PaPUC also granted Penelec annual revenues of $4.2 million for its share of TMI-1 retirement costs, on a basis consistent with that granted Met-Ed.

The amounts charged to depreciation expense in 1996 and the provisions for the future expenditure of these funds, which have been made in accumulated depreciation, are as follows:

(in millions)	TMI-1	Oyster Creek
Amount expensed in 1996:		
JCP&L	$ 2	$ 13
Met-Ed	9	-
Penelec	4	-
	$ 15	$ 13

(in millions)	TMI-1	Oyster Creek
Accumulated depreciation provision at December 31, 1996:		
JCP&L	$ 30	$174
Met-Ed	50	-
Penelec	21	-
	$101	$174

Management believes that any TMI-1 and Oyster Creek retirement costs, in excess of those currently recognized for ratemaking purposes, should be recoverable under the current ratemaking process.

TMI-2:

The estimated liabilities for TMI-2 future retirement costs (reflected as Three Mile Island Unit 2 future costs on the Consolidated Balance Sheets) as of December 31, are as follows:

(in millions)

	GPU	JCP&L	Met-Ed	Penelec
1996	$431	$108	$215	$108
1995	$413	$103	$207	$103

These amounts are based upon the 1995 site-specific study estimates (in 1996 and 1995 dollars, respectively) discussed above and an estimate for remaining incremental monitored storage costs of $17 million (JCP&L $4 million; Met-Ed $8 million; Penelec $5 million) for 1996 and $18 million (JCP&L $4 million; Met-Ed $9 million; Penelec $5 million) for 1995, as a result of TMI-2's entering long-term monitored storage in 1993. The GPU Energy companies are incurring annual incremental monitored storage costs of approximately $1 million (JCP&L $250 thousand; Met-Ed $500 thousand; Penelec $250 thousand).

Offsetting the $431 million liability at December 31, 1996 is $266 million (JCP&L $45 million; Met-Ed $143 million; Penelec $78 million) which is probable of recovery from customers and included in Three Mile Island Unit 2 deferred costs on the Consolidated Balance Sheets, and $181 million (JCP&L $72 million; Met-Ed $78 million; Penelec $31 million) in trust funds for TMI-2 and included in Nuclear decommissioning trusts on the Consolidated Balance Sheets. Earnings on trust fund deposits are included in amounts shown on the Consolidated Balance Sheets under Three Mile Island Unit 2 deferred costs. TMI-2 decommissioning costs charged to depreciation expense in 1996 amounted to $14 million (JCP&L $3 million; Met-Ed $10 million; Penelec $1 million).

The NJBPU and PaPUC have granted JCP&L and Met-Ed, respectively, TMI-2 decommissioning revenues for the NRC funding target and allowances for the cost of removal of nonradiological structures and materials. In addition, JCP&L is recovering its share of TMI-2's incremental monitored storage costs. The Final Settlement pending before the NJBPU would adjust JCP&L's future revenues for retirement costs based on the 1995 site-specific study estimates, beginning in 1998. Based on Met-Ed's rate order, Penelec has recorded a regulatory asset for that portion of such costs which it believes to be probable of recovery.

At December 31, 1996 the accident-related portion of TMI-2 radiological decommissioning costs is considered to be $67 million (JCP&L $17 million, Met-Ed $34 million; Penelec $16 million), which is the difference between the 1995 TMI-1 and TMI-2 site-specific study estimates (in 1996 dollars). In connection with rate case resolutions at the time, JCP&L, Met-Ed and Penelec made contributions to irrevocable external trusts relating to their shares of the accident-related portions of the decommissioning liability. In 1990, JCP&L contributed $15 million and in 1991, Met-Ed and Penelec contributed $40 million and $20 million, respectively, to irrevocable external trusts. These contributions were not recovered from customers and have been expensed. The GPU Energy companies will not pursue recovery from customers for any of these amounts contributed in excess of the $67 million accident-related portion referred to above.

JCP&L intends to seek recovery for any increases in TMI-2 retirement costs, and Met-Ed and Penelec intend to seek recovery for any increases in the nonaccident-related portion of such costs, but recognize that recovery cannot be assured.

INSURANCE

GPU has insurance (subject to retentions and deductibles) for its operations and facilities including coverage for property damage, liability to employees and third parties, and loss of use and occupancy (primarily incremental replacement power costs). There is no assurance that GPU will maintain all existing insurance coverages. Losses or liabilities that are not completely insured, unless allowed to be recovered through ratemaking, could have a material adverse effect on the financial position of GPU.

The decontamination liability, premature decommissioning and property damage insurance coverage for the TMI station and for Oyster Creek totals \$2.7 billion per site. In accordance with NRC regulations, these insurance policies generally require that proceeds first be used for stabilization of the reactors and then to pay for decontamination and debris removal expenses. Any remaining amounts available under the policies may then be used for repair and restoration costs and decommissioning costs. Consequently, there can be no assurance that in the event of a nuclear incident, property damage insurance proceeds would be available for the repair and restoration of that station.

The Price-Anderson Act limits GPU's liability to third parties for a nuclear incident at one of its sites to approximately \$8.9 billion. Coverage for the first \$200 million of such liability is provided by private insurance. The remaining coverage, or secondary financial protection, is provided by retrospective premiums payable by all nuclear reactor owners. Under secondary financial protection, a nuclear incident at any licensed nuclear power reactor in the country, including those owned by the GPU Energy companies, could result in assessments of up to \$79 million per incident for each of the GPU Energy companies' two operating reactors, subject to an annual maximum payment of \$10 million per incident per reactor. In addition to the retrospective premiums payable under Price-Anderson, the GPU Energy companies are also subject to retrospective premium assessments of up to \$54 million (JCP&L \$32 million; Met-Ed \$15 million; Penelec \$7 million) in any one year under insurance policies applicable to nuclear operations and facilities.

The GPU Energy companies have insurance coverage for incremental replacement power costs resulting from an accident-related outage at their nuclear plants. Coverage commences after the first 21 weeks of the outage and continues for three years beginning at \$1.8 million for Oyster Creek and \$2.6 million for TMI-1 per week for the first year, decreasing to 80% of such amounts for years two and three.

COMPETITION AND THE CHANGING REGULATORY ENVIRONMENT

The Emerging Competitive Market and Stranded Costs:

The combination of the current market price of electricity being below that of utility-owned generation and purchase power commitments, as well as the ability of some customers to choose their energy suppliers has created the potential for stranded costs in the electric utility industry. These stranded costs, while recoverable in a regulated environment, are at risk in a deregulated and competitive environment. The GPU Energy companies estimate that their total potential above market costs relating to power purchase

commitments, above market generation costs, generating plant decommissioning costs and regulatory assets at year end 1998, on a present value basis, could range from $4.5 billion to $8 billion (JCP&L $2.5 billion to $4 billion; Met-Ed $1 billion to $2 billion; Penelec $1 billion to $2 billion). The estimate is subject to significant uncertainties including the future market price of both electricity and other competitive energy sources, as well as the timing of when these above market costs become stranded due to customers choosing another supplier. The restructuring legislation in Pennsylvania and the proposed restructuring plan in New Jersey provide mechanisms for utilities to recover, subject to regulatory approval, their above market costs. These regulatory recovery mechanisms in Pennsylvania and New Jersey will differ, but should allow for the recovery of non-mitigable above market costs through either distribution charges or separate nonbypassable charges to customers.

In 1996, FERC issued Order 888, which permits electric utilities to recover their legitimate and verifiable stranded costs incurred when a wholesale customer purchases power from another supplier using the utility's transmission system. In addition, Pennsylvania adopted comprehensive legislation in 1996 which provides for the restructuring of the electric utility industry and will permit utilities the opportunity to recover their prudently incurred stranded costs through a PaPUC-approved competitive transition charge, subject to certain conditions, including that utilities attempt to mitigate these costs. In 1997, the NJBPU released Phase II of the New Jersey Energy Master Plan (NJEMP), which proposes that New Jersey electric utilities should have an opportunity to recover their stranded costs associated with generating capacity commitments and caused by electric retail competition, provided that they attempt to mitigate these costs. There can be no assurance as to the extent that stranded costs will be recoverable. The inability of the GPU Energy companies to recover their stranded costs in whole or in part could result in the recording of liabilities for above market nonutility generation (NUG) costs and writedowns of uneconomic generation plant and regulatory assets recorded in accordance with FAS 71. Decommissioning costs, for which a liability and corresponding regulatory asset is recorded for amounts recoverable from customers, could also be subject to writedowns. The inability to recover these stranded costs would have a material adverse effect on GPU's results of operations. (See additional discussion of stranded costs in Competitive Environment, Management's Discussion and Analysis).

<u>Nonutility Generation Agreements</u>:

Pursuant to the requirements of the federal Public Utility Regulatory Policies Act (PURPA) and state regulatory directives, the GPU Energy companies have entered into power purchase agreements with NUGs for the purchase of energy and capacity for periods of up to 26 years (JCP&L 25 years; Met-Ed 26 years; Penelec 25 years). The following table shows actual payments from 1994 through 1996, and estimated payments from 1997 through 2001.

Payments Under NUG Agreements
(in Millions)

	Total	JCP&L	Met-Ed	Penelec
* 1994	$528	$304	$101	$123
* 1995	670	381	131	158
* 1996	739	370	177	192
1997	672	336	146	190
1998	691	340	152	199
1999	706	344	152	210
2000	804	347	196	261
2001	873	353	225	295

* Actual. The 1996 amounts are reflected in the rates currently being charged by the GPU Energy companies.

While a few of these facilities are dispatchable, most are must-run and generally obligate the GPU Energy companies to purchase, at the contract price, the output up to the contract limits. As of December 31, 1996, facilities covered by these agreements having 1,631 MW (JCP&L 891 MW; Met-Ed 340 MW; Penelec 400 MW) of capacity were in service.

The emerging competitive generation market has created uncertainty regarding the forecasting of the companies' energy supply needs, which has caused the GPU Energy companies to change their supply strategy to seek shorter-term agreements offering more flexibility. The cost of near- to intermediate-term (i.e., one to four years) energy supply from generation facilities now in service is currently and is expected to continue to be priced below the costs of new supply sources, at least for some time. The projected cost of energy from new generation supply sources has also decreased due to improvements in power plant technologies and lower forecasted fuel prices. As a result of these developments, the rates under virtually all of the GPU Energy companies' NUG agreements for facilities currently in operation are substantially in excess of current and projected prices from alternative sources.

The GPU Energy companies are seeking to reduce the above market costs of these NUG agreements by: (1) attempting to convert must-run agreements to dispatchable agreements; (2) attempting to renegotiate prices of the agreements; (3) offering contract buyouts (see Managing Nonutility Generation, Management's Discussion and Analysis); and (4) initiating proceedings before federal and state agencies, and in the courts, where appropriate. In addition, the GPU Energy companies intend to avoid, to the maximum extent practicable, entering into any new NUG agreements that are not needed or not consistent with current market pricing, and are supporting legislative efforts to repeal PURPA. These efforts may result in claims against GPU for substantial damages. There can be no assurance as to the extent these efforts will be successful in whole or in part.

From 1997 through 2002, JCP&L has contracts to purchase between 5,100 GWH and 5,200 GWH of electric generation per year at prices which are estimated to escalate approximately 1.2% annually on a unit cost (cents/KWH) basis during this period. From 2003 through 2008, JCP&L has contracts to purchase between 4,700 GWH and 5,100 GWH of electric generation per year at an average annual

cost of $369 million. The prices during this period are estimated to escalate approximately 1.5% annually. After 2008, when major contracts begin to expire, purchases steadily decline to approximately 865 GWH in 2014. The contract unit cost is estimated to escalate approximately 4.0% annually from 2009 through 2014, with a total average annual cost of $193 million during this period. All of JCP&L's contracts will have expired by the end of 2017. During this entire period, the NUG fuel mix averages approximately 95% natural gas.

From 1997 through 1999, Met-Ed has contracts to purchase between 2,000 GWH and 2,100 GWH of electric generation per year at prices which are estimated to escalate approximately 0.6% annually on a unit cost basis during this period. From 2000 through 2008, Met-Ed has contracts to purchase between 2,900 GWH and 4,300 GWH of electric generation per year at an average annual cost of $241 million. The prices during this period are estimated to escalate approximately 2.5% annually on a unit cost basis. From 2009 through 2012, Met-Ed is forecast to purchase between 1,500 GWH and 1,900 GWH of electric generation per year at an average annual cost of $169 million. During this period, the prices are estimated to escalate approximately 3.4% annually on a unit cost basis. After 2012, Met-Ed's remaining contracts expire rapidly through 2015; thereafter, they remain constant until the expiration of the last contract in 2020. During this entire period, the NUG fuel mix averages approximately 50% to 75% coal/waste coal.

From 1997 through 2000, Penelec has contracts to purchase between 3,000 GWH and 4,000 GWH of electric generation per year at prices which are estimated to escalate approximately 1.4% annually on a unit cost basis during this period. From 2001 through 2008, Penelec has contracts to purchase between 3,900 GWH and 5,000 GWH of electric generation per year at an average annual cost of $297 million. The prices during this period are estimated to escalate approximately 1.5% annually on a unit cost basis. From 2009 through 2017, purchases decline from approximately 3,000 GWH to approximately 1,500 GWH in 2017. The contract unit cost is estimated to escalate approximately 3.4% annually from 2009 through 2017, with a total average annual cost of $211 million during this period. After 2017, Penelec's remaining contracts expire rapidly through 2020. During this entire period, the NUG fuel mix averages approximately 65% to 95% coal/waste coal.

This discussion of "Nonutility Generation Agreements" contains estimates which are based on current knowledge and expectations of the outcome of future events. The estimates are subject to significant uncertainties, including changes in fuel prices, improvements in technology, the changing regulatory environment and the deregulation of the electric utility industry.

The GPU Energy companies have been granted recovery of their NUG costs (including certain buyout costs) from customers by the PaPUC and NJBPU and expect to continue to pursue such recovery. Although the recently enacted legislation in Pennsylvania and the NJEMP in New Jersey both include provisions for the recovery of costs under NUG agreements and certain NUG buyout costs, there can be no assurance that the GPU Energy companies will continue to be able to recover similar costs which may be incurred in the future. (See Competitive Environment, Management's Discussion and Analysis for additional discussion.)

Regulatory Assets and Liabilities:

Regulatory assets and liabilities, as reflected in the December 31, 1996 and 1995 Consolidated Balance Sheets in accordance with the provisions of FAS 71, were as follows:

GPU	Assets (in thousands)	
	December 31, 1996	December 31, 1995
Income taxes recoverable through future rates	$ 527,385	$ 527,584
TMI-2 deferred costs	356,517	368,712
Nonutility generation contract buyout costs	242,481	84,132
Unamortized property losses	100,310	105,729
Other postretirement benefits	76,569	58,362
Manufactured gas plant (MGP) remediation	49,596	29,608
N.J. unit tax	45,877	51,518
Unamortized loss on reacquired debt	45,378	50,198
Load and demand-side management programs	40,770	48,071
N.J. low-level radwaste disposal	37,525	21,778
DOE enrichment facility decommissioning	36,352	38,519
Nuclear fuel disposal fee	21,552	21,946
Environmental remediation (non-MGP sites)	20,864	-
Storm damage	20,226	18,294
Other	31,870	15,257
Total	$1,653,272	$1,439,708

	Liabilities (in thousands)	
	December 31, 1996	December 31, 1995
Income taxes refundable through future rates	$ 87,735	$ 94,931
Other	2,080	3,068
Total	$ 89,815	$ 97,999

JCP&L

	Assets (in thousands) December 31, 1996	Assets (in thousands) December 31, 1995
Income taxes recoverable through future rates	$ 142,726	$ 134,787
TMI-2 deferred costs	126,448	138,472
Nonutility generation contract buyout costs	139,000	17,482
Unamortized property losses	94,767	100,176
Other postretirement benefits	44,024	32,390
Manufactured gas plant (MGP) remediation	49,596	29,608
N.J. unit tax	45,877	51,518
Unamortized loss on reacquired debt	31,469	34,285
Load and demand-side management programs	40,770	48,071
N.J. low-level radwaste disposal	37,525	21,778
DOE enrichment facility decommissioning	23,150	24,503
Nuclear fuel disposal fee	23,319	23,165
Environmental remediation (non-MGP sites)	698	-
Storm damage	20,226	18,294
Other	9,966	10,199
Total	$ 829,561	$ 684,728

	Liabilities (in thousands) December 31, 1996	Liabilities (in thousands) December 31, 1995
Income taxes refundable through future rates	$ 32,567	$ 36,343
Other	683	1,254
Total	$ 33,250	$ 37,597

Met-Ed

	Assets (in thousands) December 31, 1996	Assets (in thousands) December 31, 1995
Income taxes recoverable through future rates	$ 174,636	$ 178,513
TMI-2 deferred costs	144,782	149,004
Nonutility generation contract buyout costs	86,781	66,650
Unamortized property losses	3,113	3,273
Other postretirement benefits	32,545	25,972
Unamortized loss on reacquired debt	6,336	6,945
DOE enrichment facility decommissioning	8,801	9,344
Nuclear fuel disposal fee	(1,282)	(1,025)
Environmental remediation (non-MGP sites)	2,575	-
Other	4,096	1,299
Total	$ 462,383	$ 439,975

	Liabilities (in thousands) December 31, 1996	Liabilities (in thousands) December 31, 1995
Income taxes refundable through future rates	$ 23,486	$ 24,765
Other	2,495	1,696
Total	$ 25,981	$ 26,461

Penelec

	Assets (in thousands)	
	December 31, 1996	December 31, 1995
Income taxes recoverable through future rates	$ 210,023	$ 214,284
TMI-2 deferred costs	85,287	81,236
Nonutility generation contract buyout costs	16,700	-
Unamortized property losses	2,430	2,280
Other postretirement benefits	-	-
Unamortized loss on reacquired debt	7,686	8,968
DOE enrichment facility decommissioning	4,401	4,672
Nuclear fuel disposal fee	(485)	(194)
Environmental remediation (non-MGP sites)	17,591	-
Other	18,805	3,759
Total	$ 362,438	$ 315,005

	Liabilities (in thousands)	
	December 31, 1996	December 31, 1995
Income taxes refundable through future rates	$ 31,682	$ 33,823
Other	12	118
Total	$ 31,694	$ 33,941

Income taxes recoverable/refundable through future rates: Represents amounts deferred due to the implementation of FAS 109, "Accounting for Income Taxes," in 1993.

TMI-2 deferred costs: Represents costs that are recoverable through rates for the GPU Energy companies' remaining investment in the plant and fuel core, radiological decommissioning and the cost of removal of nonradiological structures and materials in accordance with the 1995 site-specific study (in 1996 dollars) and JCP&L's share of long-term monitored storage costs. For additional information, see TMI-2 Future Costs.

Nonutility generation contract buyout costs: Represents amounts incurred for terminating power purchase contracts with NUGs, for which rate recovery has been granted or is probable (see Managing Nonutility Generation, in Management's Discussion and Analysis).

Unamortized property losses: Consists mainly of costs associated with JCP&L's Forked River project, which are included in rates.

Other postretirement benefits: Includes costs associated with the adoption of FAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which are deferred in accordance with Emerging Issues Task Force Issue 92-12, "Accounting for OPEB Costs by Rate-Regulated Enterprises."

Manufactured gas plant remediation: Consists of costs which are probable of recovery, with interest, associated with the investigation and remediation of several gas manufacturing plants. For additional information, see the Environmental Matters section.

N.J. unit tax: Represents certain state taxes, with interest, for which JCP&L received NJBPU approval in 1993 to recover over a ten-year period.

Unamortized loss on reacquired debt: Represents premiums and expenses incurred in the early redemption of long-term debt. In accordance with FERC regulations, reacquired debt costs are amortized over the remaining original life of the retired debt.

Load and demand-side management (DSM) programs: Consists of load management costs and other DSM program expenditures that are currently being recovered, with interest, through JCP&L's retail base rates. Also includes provisions for lost revenues between base rate cases and performance incentives.

N.J. low-level radwaste disposal: Represents the estimated assessment for the siting of a disposal facility for low-level waste from Oyster Creek, less amortization, as allowed in JCP&L's rates.

DOE enrichment facility decommissioning: Represents payments to the DOE over a 15-year period beginning in 1994. For additional information, see Note 1, Summary of Significant Accounting Policies.

Nuclear fuel disposal fee: Represents amounts recoverable through rates for estimated future disposal costs for spent nuclear fuel at Oyster Creek and TMI-1 in accordance with the Nuclear Waste Policy Act of 1982.

Environmental remediation: Represents amounts related to the remediation of Penelec's Seward station property and various ash disposal sites for all three GPU Energy companies (see the Environmental Matters section).

Storm damage: Relates to incremental noncapital costs associated with various storms in the JCP&L service territory that are not recoverable through insurance. These amounts were deferred based upon past rate recovery precedent. An annual amortization amount is included in JCP&L's retail base rates and is charged to expense.

Amounts related to the decommissioning of TMI-1 and Oyster Creek, which are not included in Regulatory Assets on the Balance Sheet, are separately disclosed in the Nuclear Plant Retirement Costs section.

Accounting Matters:

Statement of Financial Accounting Standards No. 101, "Regulated Enterprises- Accounting for the Discontinuation of Application of FASB Statement No. 71", applies when a utility fails to continue to meet the provisions of FAS 71. (See Regulatory Accounting under Note 1 and Regulatory Assets and Liabilities above.) Although the GPU Energy companies continue to be subject to cost-based ratemaking regulation, in the event that either all or a portion of their operations are no longer subject to FAS 71 provisions, the related regulatory assets, net of regulatory liabilities, would have to be written off and charged to expense. In addition, any above market costs of power purchase commitments would have to be expensed, and additional depreciation expense would have to be recorded for any differences created by the use of a regulated depreciation method that is different from that which would have been used under generally accepted accounting principles for enterprises in general. The experience gained from the deregulation of the

telecommunications industry indicates that substantial write-offs may result with the discontinuation of FAS 71. At this time, GPU is unable to determine when and to what extent FAS 71 will no longer be applicable.

In 1995, the FASB issued Statement of Financial Accounting Standards No. 121 (FAS 121), "Accounting for the Impairment of Long-Lived Assets," which requires that regulatory assets meet the recovery criteria of FAS 71 on an ongoing basis in order to avoid a writedown. In addition, FAS 121 requires that long-lived assets, identifiable intangibles, capital leases and goodwill be reviewed for impairment whenever events occur or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. FAS 121 also requires the recognition of impairment losses when the carrying amounts of those assets are greater than the estimated cash flows expected to be generated from the use and eventual disposition of the assets. The effects of FAS 121 have not been material to GPU's results of operations. However, as GPU enters a more competitive environment, some assets could be subject to impairment, thereby necessitating writedowns, which could have a material adverse effect on GPU's results of operations and financial condition.

ENVIRONMENTAL MATTERS

As a result of existing and proposed legislation and regulations, and ongoing legal proceedings dealing with environmental matters, including but not limited to acid rain, water quality, ambient air quality, global warming, electromagnetic fields, and storage and disposal of hazardous and/or toxic wastes, GPU may be required to incur substantial additional costs to construct new equipment, modify or replace existing and proposed equipment, remediate, decommission or cleanup waste disposal and other sites currently or formerly used by it, including formerly owned manufactured gas plants, coal mine refuse piles and generation facilities. With regard to electromagnetic fields, GPU may be required to postpone or cancel the installation of, or replace or modify, utility plant, the costs of which could be material.

To comply with the federal Clean Air Act Amendments of 1990 (Clean Air Act), the GPU Energy companies expect to spend up to $277 million for air pollution control equipment by the year 2000 (JCP&L $46 million; Met-Ed $117 million; Penelec $114 million), of which approximately $240 million has already been spent (JCP&L $43 million; Met-Ed $95 million; Penelec $102 million). In developing their least-cost plan to comply with the Clean Air Act, the GPU Energy companies will continue to evaluate major capital investments compared to participation in the sulfur dioxide (SO_2) emission allowance market, the expected nitrogen oxide (NO_x) emissions trading market and the use of low-sulfur fuel or retirement of facilities. In 1994, the Ozone Transport Commission (OTC), consisting of representatives of 12 northeast states (including New Jersey and Pennsylvania) and the District of Columbia, proposed reductions in NO_x emissions it believes necessary to meet ambient air quality standards for ozone and the statutory deadlines set by the Clean Air Act. The GPU Energy companies expect that the U.S. Environmental Protection Agency (EPA) will approve state implementation plans consistent with the proposal, and that as a result, they will spend an estimated $17 million (included in the Clean Air Act total), beginning in 1997, to meet the 1999 seasonal reductions agreed upon by the OTC (JCP&L $1 million; Met-Ed $9 million; Penelec $7 million). The OTC has stated that it anticipates that additional NO_x reductions will be necessary to meet the Clean Air Act's 2005

National Ambient Air Quality Standard (NAAQS) for ozone. However, the specific requirements that will have to be met at that time have not been finalized. In addition, the EPA has recently proposed changes to the NAAQS for ozone, particulate matter and regional haze. The GPU Energy companies are unable to determine what additional costs, if any, will be incurred.

GPU has been formally notified by the EPA and state environmental authorities that it is among the potentially responsible parties (PRPs) who may be jointly and severally liable to pay for the costs associated with the investigation and remediation at hazardous and/or toxic waste sites in the following number of instances (in some cases, more than one company is named for a given site):

JCP&L	MET-ED	PENELEC	GPUN	GPU INC.	TOTAL
5	4	2	1	1	10

In addition, certain of the GPU companies have been requested to participate in the remediation or supply information to the EPA and state environmental authorities on several other sites for which they have not been formally named as PRPs, although the EPA and state authorities may nevertheless consider them as PRPs. Certain of the GPU companies have also been named in lawsuits requesting damages for hazardous and/or toxic substances allegedly released into the environment. The ultimate cost of remediation will depend upon changing circumstances as site investigations continue, including (a) the existing technology required for site cleanup, (b) the remedial action plan chosen and (c) the extent of site contamination and the portion attributed to the GPU companies involved.

Pursuant to federal environmental monitoring requirements, Penelec has reported to the Pennsylvania Department of Environmental Protection (PaDEP) that contaminants from coal mine refuse piles were identified in storm water run-off at Penelec's Seward station property. Penelec signed a modified Consent Order, which became effective December 1996, that establishes a schedule for long-term remediation, based on future operating scenarios, including reboilering the station using fluidized bed combustion technology. Penelec currently estimates that the remediation of the Seward station property will range from $12 to $25 million and has recorded a liability of $12 million at December 31, 1996. These cost estimates are subject to uncertainties based on continuing discussions with the PaDEP as to the method of remediation, the extent of remediation required and available cleanup technologies. Penelec will seek, and expects, recovery of these remediation costs in its restructuring plan to be filed with the PaPUC (see Competitive Environment, Management's Discussion and Analysis), and has recorded a corresponding regulatory asset of approximately $12 million at December 31, 1996.

The GPU Energy companies are required to submit applications for re-permitting seven operating ash disposal sites to the PaDEP by July 1997, including projected site closure procedures and related cost estimates. Applications have been filed with the PaDEP for five of these sites. The cost estimates for the closure of these five sites range from approximately $9 million to $14 million, and a liability of $9 million (JCP&L $1 million; Met-Ed $2 million; Penelec $6 million) is reflected in the Consolidated Balance Sheet at December 31, 1996. JCP&L's share of these costs is deferred based on

past rate recovery precedent, and Penelec and Met-Ed expect recovery through their restructuring plans to be filed with the PaPUC (see Competitive Environment, Management's Discussion and Analysis). As a result, a regulatory asset of $9 million is reflected in the Consolidated Balance Sheet at December 31, 1996.

JCP&L has entered into agreements with the New Jersey Department of Environmental Protection (NJDEP) for the investigation and remediation of 17 formerly owned manufactured gas plant (MGP) sites. JCP&L has also entered into various cost-sharing agreements with other utilities for most of the sites. As of December 31, 1996, JCP&L has spent approximately $23 million in connection with the cleanup of these sites. In addition, JCP&L has recorded an estimated environmental liability of $45 million relating to expected future costs of these sites (as well as two other properties). This estimated liability is based upon ongoing site investigations and remediation efforts, which generally involve capping the sites and pumping and treatment of ground water. Moreover, the cost to clean up these sites could be materially in excess of $45 million due to significant uncertainties, including changes in acceptable remediation methods and technologies.

In 1994, the NJBPU approved a mechanism similar to JCP&L's LEAC for the recovery of future MGP remediation costs. However, the NJBPU has also directed that recovery of MGP remediation costs cease until such expenditures equaled the funds already collected from customers. At December 31, 1996, JCP&L had recorded on its Balance Sheet a regulatory asset of $49.6 million, which included approximately $45 million related to expected future costs discussed above and approximately $4 million for remediation expenditures in excess of collections from customers (including interest) (see Regulatory Assets and Liabilities). JCP&L is continuing to defer these remediation expenditures and accrue interest as previously authorized by the NJBPU, and is continuing to defer estimated future remediation costs. JCP&L has requested the establishment of an adjustment clause for the recovery of future remediation costs in its Remediation Adjustment Clause (RAC) filing, which is currently under NJBPU review. The Final Settlement pending before the NJBPU would allow JCP&L to continue its accounting treatment for remediation costs and would also provide for the RAC proceeding to remain open for future review.

JCP&L is pursuing reimbursement from its insurance carriers for remediation costs already spent and for future estimated costs. In 1994, JCP&L filed a complaint with the Superior Court of New Jersey against several of its insurance carriers, relative to these MGP sites. Pretrial discovery has begun in this case.

OTHER COMMITMENTS AND CONTINGENCIES

GPU International Group:

At December 31, 1996, the GPU International Group had investments totaling approximately $787 million in facilities located in foreign countries. Although management attempts to mitigate the risk of investing in certain foreign countries by securing political risk insurance, the GPU International Group faces additional risks inherent to operating in such

locations, including foreign currency fluctuations (see GPU International Group in Management's Discussion and Analysis).

At December 31, 1996, GPU, Inc.'s aggregate investment in the GPU International Group was $211 million; GPU, Inc. has also guaranteed up to an additional $893 million of GPU International Group obligations. Of this amount, $680 million is included in Long-term debt in the Consolidated Balance Sheet at December 31, 1996 (see Note 3, Long-Term Debt); $30 million relates to a GPU International, Inc. revolving credit agreement (see Note 2, Short-Term Borrowing Arrangements); and $183 million relates to various other obligations of the GPU International Group.

Niagara Mohawk Power Corporation (NIMO) has filed with the New York Public Service Commission a proposed restructuring plan that it claims may be needed to avoid seeking reorganization under Chapter XI of the Bankruptcy Code. GPU International, Inc. has ownership interests, with an aggregate book value of approximately $36 million, in three NUG projects which have long-term power purchase agreements with NIMO. In August 1996, NIMO proposed to buy out or restructure 44 of its NUG power purchase agreements, including those for the three GPU International, Inc. projects. GPU International, Inc., in conjunction with the other NUG developers, is discussing the proposal with NIMO. There can be no assurance as to the outcome of this matter.

NIMO has also initiated an action in federal court seeking to invalidate numerous NUG contracts, including those for the GPU International, Inc. projects. GPU International, Inc. has filed motions to dismiss the complaint. There can be no assurance as to the outcome of these proceedings.

The Labour Party in the United Kingdom has proposed a windfall tax on privatized utilities and other companies as part of its election campaign platform. General elections in the United Kingdom are required to be held no later than May 1997. If the Labour Party wins the general election, and the tax is enacted as currently proposed, a charge to Midlands' earnings, which is estimated to range from $110 million to $350 million (GPU's 50% share being $55 million to $175 million), would be recorded in 1997, perhaps as early as the second quarter. Due to the fact that (1) the Labour Party may not win the election; (2) the windfall tax may not be enacted as currently proposed; (3) the amount of the proposed tax may change; and (4) the Labour Party may change its current platform, there is no certainty that this tax, if levied, would be enacted as currently proposed.

<u>Other</u>:

In 1996, 493 bargaining employees (JCP&L 265; Met-Ed 90; Penelec 133; Other 5) and 347 nonbargaining employees (JCP&L 76; Met-Ed 73; Penelec 32; Other 166) accepted voluntary enhanced retirement programs, resulting in an 8% reduction in GPU's total workforce and a third quarter pre-tax charge to earnings of $122.7 million (JCP&L $62.9 million; Met-Ed $26.2 million; Penelec $33.6 million). The charges for these programs are included in Other Operation and Maintenance on the Income Statement.

GPU's construction programs, for which substantial commitments have been incurred and which extend over several years, contemplate expenditures of $402 million during 1997 (JCP&L $185 million; Met-Ed $90 million; Penelec $120 million; Other $7 million). As a consequence of reliability, licensing,

environmental and other requirements, additions to utility plant may be required relatively late in their expected service lives. If such additions are made, current depreciation allowance methodology may not make adequate provision for the recovery of such investments during their remaining lives.

The GPU Energy companies have entered into long-term contracts with nonaffiliated mining companies for the purchase of coal for certain generating stations in which they have ownership interests. The contracts, which expire at various dates between 1997 and 2004, require the purchase of either fixed or minimum amounts of the stations' coal requirements. The price of the coal under the contracts is based on adjustments of indexed cost components. One of Penelec's contracts for the Homer City station also includes a provision for the payment of postretirement benefit costs. The GPU Energy companies' share of the cost of coal purchased under these agreements is expected to aggregate $133 million for 1997 (JCP&L $23 million; Met-Ed $29 million; Penelec $81 million).

JCP&L has entered into agreements with other utilities to purchase capacity and energy for various periods through 2004. These agreements will provide for up to 745 MW in 1997, declining to 527 MW in 1999 and 345 MW in 2004. Payments pursuant to these agreements are estimated to be $145 million in 1997, $128 million in 1998, $104 million in 1999, $84 million in 2000 and $99 million in 2001.

In October 1996, JCP&L was named as a defendant in a breach of contract lawsuit against Freehold Cogeneration Associates (Freehold) brought by Nestle Beverage Company (Nestle) in the New Jersey Superior Court. The lawsuit relates to the April 1996 agreement under which JCP&L agreed to buy out the power purchase agreement for the proposed 110 MW Freehold cogeneration project. Nestle is seeking damages of at least $75 million for Freehold's alleged breach of its steam sales agreement with Nestle and approximately $412 million in damages against JCP&L for alleged unlawful interference with that agreement. Nestle has also requested punitive damages in an unspecified amount. JCP&L believes the claims against it are without merit. There can be no assurance as to the outcome of this matter.

In 1993, the NJBPU instituted a generic proceeding to respond to contentions of the Division of the Ratepayer Advocate that by permitting utilities to recover NUG capacity costs through the LEAC, an excess or "double" recovery may result when combined with the recovery of the utilities' embedded capacity costs through their base rates. In 1994, the NJBPU ruled that LEAC periods after March 1991 were open for further investigation. JCP&L estimates that the potential refund liability through February 1997, the end of the most recent LEAC period, is $45 million. The Final Settlement which is now pending before the NJBPU would resolve all remaining issues in this proceeding. (See Rate Matters in Management's Discussion and Analysis).

In accordance with the Nuclear Waste Policy Act of 1982 (NWPA), the GPU Energy companies have entered into contracts with, and have been paying fees to, the DOE for the future disposal of spent nuclear fuel in a repository or interim storage facility. In December 1996, the DOE notified the GPU Energy companies and other standard contract holders that it will be unable to begin acceptance of spent nuclear fuel for disposal by 1998, as mandated by the NWPA. The DOE has requested recommendations for handling the delay. In January 1997, the GPU Energy companies, along with other electric utilities

and state agencies, petitioned the U.S. Court of Appeals to, among other things, permit utilities to cease payments into the Federal Nuclear Waste Fund until the DOE complies with the NWPA. The DOE's inability to accept spent nuclear fuel by 1998 could have a material impact on GPU's results of operations, as additional costs may be incurred to build and maintain interim on-site storage at Oyster Creek. TMI-1 has sufficient on-site storage capacity to accommodate spent nuclear fuel through the end of its licensed life. There can be no assurance as to the outcome of this matter.

New Jersey and Connecticut have established the Northeast Compact, to construct a low-level radioactive waste disposal facility in New Jersey, which should commence operation by the end of 2003. GPUN's total share of the cost for developing, constructing, and licensing the facility is estimated to be $58 million, which will be paid through 2002. Through December 1996, $6 million has been paid. As a result, at December 31, 1996, a liability of $52 million is reflected on the Consolidated Balance Sheet. JCP&L is recovering these costs from customers, and a regulatory asset has also been recorded. (See the Regulatory Assets and Liabilities section.)

JCP&L's two operating nuclear units are subject to the NJBPU's annual nuclear performance standard. Operation of these units at an aggregate annual generating capacity factor below 65% or above 75% would trigger a charge or credit based on replacement energy costs. At current cost levels, the maximum annual effect on net income of the performance standard charge at a 40% capacity factor would be approximately $11.7 million before tax. While a capacity factor below 40% would generate no specific monetary charge, it would require the issue to be brought before the NJBPU for review. The annual measurement period, which begins in March of each year, coincides with that used for the LEAC.

Many of GPU's computer systems must be modified due to certain programming limitations in recognizing dates beyond 1999. GPU currently estimates that it will cost approximately $20 million to $35 million to modify these systems. These costs will be expensed as incurred.

As of December 31, 1996, approximately 52% of GPU's workforce was represented by unions for collective bargaining purposes. In 1996, JCP&L entered into a new collective bargaining agreement, which expires in 1999. Met-Ed and Penelec's collective bargaining agreements expire in 1997 and 1998, respectively.

During the normal course of the operation of its businesses, in addition to the matters described above, GPU is from time to time involved in disputes, claims and, in some cases, as a defendant in litigation in which compensatory and punitive damages are sought by the public, customers, contractors, vendors and other suppliers of equipment and services and by employees alleging unlawful employment practices. While management does not expect that the outcome of these matters will have a material effect on the GPU's financial position or results of operations, there can be no assurance that this will continue to be the case.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In Thousands)

Column A	Column B	Column C Additions		Column D	Column E
Description	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts	Deductions	Balance at End of Period
Year ended December 31, 1996					
Allowance for doubtful accounts	$8,182	$17,501	$5,304(a)	$22,327(b)	$8,660
Allowance for inventory obsolescence	3,373	650	2,207(e)	3,974(c)	2,256
Year ended December 31, 1995					
Allowance for doubtful accounts	$7,430	$14,634	$5,789(a)	$19,671(b)	$8,182
Allowance for inventory obsolescence	4,923	-	-	1,550(c)	3,373
Year ended December 31, 1994					
Allowance for doubtful accounts	$7,361	$14,105	$5,031(a)	$19,067(b)	$7,430
Allowance for inventory obsolescence	5,681	-	814(d)	1,572(c)	4,923

(a) Recovery of accounts previously written off.

(b) Accounts receivable written off.

(c) Inventory written off.

(d) Sale of inventory previously written off by Met-Ed ($466) and reestablishment of zero value inventory by JCP&L ($348).

(e) Sale of inventory previously written off by Met-Ed ($4) and JCP&L ($4) and reestablishment of zero value inventory by JCP&L ($2,199).

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JERSEY CENTRAL POWER & LIGHT COMPANY

1996 SUPPLEMENTARY DATA, FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

SEE PAGE F-6 FOR COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND PAGE F-45 FOR COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

COMPANY STATISTICS

For The Years Ended December 31,	1996	1995	1994	1993	1992	1991
Capacity at Company Peak (in MW):						
Company owned	2,850	2,749	2,765	2,839	2,826	2,836
Contracted	2,497	2,462	2,403	2,033	2,364	1,995
Total capacity (a)	5,347	5,211	5,168	4,872	5,190	4,831
Hourly Peak Load (in MW):						
Summer peak	4,130	4,554	4,292	4,564	4,149	4,376
Winter peak	3,173	3,260	3,242	3,129	3,135	3,222
Reserve at company peak (%)	29.5	14.4	20.4	6.7	25.1	10.4
Load factor (%) (b)	53.9	47.1	50.8	49.1	51.7	49.3
Sources of Energy (in thousands of MWH):						
Coal	2,105	1,929	1,738	1,983	1,985	1,926
Nuclear	6,114	6,791	5,275	6,151	6,259	4,362
Gas, hydro & oil	535	861	757	460	270	1,066
Net generation	8,754	9,581	7,770	8,594	8,514	7,354
Utility purchases and interchange	6,608	6,304	6,966	7,253	7,173	9,498
Nonutility purchases	5,439	5,850	4,920	4,820	5,274	3,579
Total sources of energy	20,801	21,735	19,656	20,667	20,961	20,431
Company use, line loss, etc	(2,127)	(1,749)	(1,405)	(2,026)	(2,075)	(1,799)
Total electric energy sales	18,674	19,986	18,251	18,641	18,886	18,632
Fuel Expense (in millions):						
Coal	$ 30	$ 26	$26	$28	$26	$ 28
Nuclear	40	44	35	42	41	32
Gas & oil	31	31	34	29	18	41
Total	$101	$101	$95	$99	$85	$101
Power Purchased and Interchanged (in millions):						
Utility purchases and interchange	$246	$279	$295	$310	$325	$390
Nonutility purchases	370	382	304	292	316	216
Total	$616	$661	$599	$602	$641	$606
Electric Energy Sales (in thousands of MWH):						
Residential	7,266	7,112	7,094	6,983	6,568	6,757
Commercial	6,829	6,611	6,586	6,474	6,207	6,243
Industrial	3,497	3,562	3,673	3,689	3,723	3,816
Other	78	77	76	369	389	383
Sales to customers	17,670	17,362	17,429	17,515	16,887	17,199
Sales to other utilities	1,004	2,624	822	1,126	1,999	1,433
Total	18,674	19,986	18,251	18,641	18,886	18,632
Operating Revenues (in millions):						
Residential	$ 895	$ 881	$ 855	$ 835	$ 735	$ 750
Commercial	775	742	721	699	630	620
Industrial	311	315	322	321	306	309
Other	21	21	21	40	40	39
Sales to customers	2,002	1,959	1,919	1,895	1,711	1,718
Sales to other utilities	35	62	19	31	53	45
Total electric energy sales	2,037	2,021	1,938	1,926	1,764	1,763
Other revenues	21	15	15	10	10	10
Total	$2,058	$2,036	$1,953	$1,936	$1,774	$1,773
Price per KWH (in cents):						
Residential	12.40	12.31	12.06	11.90	11.15	11.11
Commercial	11.38	11.20	10.92	10.78	10.08	9.93
Industrial	8.92	8.45	8.78	8.70	8.20	8.08
Total sales to customers	11.38	11.24	11.00	10.80	10.09	9.99
Total electric energy sales	10.96	10.08	10.61	10.31	9.30	9.47
Kilowatt-hour Sales per Residential Customer	8,637	8,559	8,690	8,669	8,264	8,585
Customers at Year-End (in thousands)	954	940	924	911	897	887

(a) Summer ratings at December 31, 1996 of owned and contracted capacity were 2,718 MW and 2,226 MW, respectively.
(b) The ratio of the average hourly load in kilowatts supplied during the year to the peak load occurring during the year.

Jersey Central Power & Light Company and Subsidiary Company

SELECTED FINANCIAL DATA

For the Years Ended December 31,	(In Thousands) 1996*	1995	1994**	1993	1992	1991***
Operating revenues	$2,057,918	$2,035,928	$1,952,425	$1,935,909	$1,774,071	$1,773,219
Other operation and maintenance expense	556,086	475,448	526,623	460,128	424,285	433,562
Net income	156,303	199,089	162,841	158,344	117,361	153,523
Earnings available for common stock	143,231	184,632	148,046	141,534	96,757	134,083
Net utility plant in service	2,717,056	2,641,565	2,620,212	2,558,160	2,429,756	2,365,987
Total assets	4,709,919	4,456,389	4,336,640	4,269,155	3,886,904	3,695,645
Long-term debt	1,173,091	1,192,945	1,168,444	1,215,674	1,116,930	1,022,903
Long-term obligations under capital leases	933	2,402	4,362	6,966	4,645	5,471
Company-obligated mandatorily redeemable preferred securities	125,000	125,000	-	-	-	-
Cumulative preferred stock with mandatory redemption	114,000	134,000	150,000	150,000	150,000	100,000
Capital expenditures	199,823	217,805	243,878	197,059	218,874	241,774
Return on average common equity	9.5%	13.1%	11.2%	11.1%	8.0%	11.9%
Number of employees	2,538	3,111	3,077	3,447	3,434	3,466

* Results for 1996 reflect a decrease in earnings of $39.4 million (after-tax) for costs related to voluntary enhanced retirement programs.

** Results for 1994 reflect a net decrease in earnings of $23.0 million (after-tax) due to charges for costs related to early retirement programs ($30.4 million); and net interest income from refunds of previously paid federal income taxes related to the tax retirement of TMI-2 ($7.4 million).

*** Results for 1991 reflect an increase in earnings of $27.1 million (after-tax) for an accounting change recognizing unbilled revenues and a decrease in earnings of $5.7 million (after-tax) for estimated TMI-2 costs.

QUARTERLY FINANCIAL DATA (UNAUDITED)

In Thousands	First Quarter 1996	First Quarter 1995	Second Quarter 1996	Second Quarter 1995
Operating revenues	$529,274	$468,034	$475,884	$453,081
Operating income	77,361	57,227	67,750	61,834
Net income	54,496	36,211	40,381	36,796
Earnings available for common stock	50,910	32,512	37,219	33,210

In Thousands	Third Quarter 1996*	Third Quarter 1995	Fourth Quarter 1996	Fourth Quarter 1995
Operating revenues	$578,274	$625,479	$474,486	$489,334
Operating income	53,452	119,457	58,743	52,702
Net income	27,519	95,447	33,907	30,635
Earnings available for common stock	24,357	91,861	30,745	27,049

* Results for the third quarter of 1996 reflect charges of $39.4 million (after-tax) for costs related to voluntary enhanced retirement programs.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Jersey Central Power & Light Company
Reading, Pennsylvania

We have audited the consolidated financial statements and financial statement schedule of Jersey Central Power & Light Company and Subsidiary Company as listed in the index on page F-1 of this Form 10-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Jersey Central Power & Light Company and Subsidiary Company as of December 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

New York, New York
February 5, 1997

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CONSOLIDATED STATEMENTS OF INCOME

For The Years Ended December 31,	1996	(In Thousands) 1995	1994
Operating Revenues	$2,057,918	$2,035,928	$1,952,425
Operating Expenses:			
Fuel	101,357	101,110	94,503
Power purchased and interchanged:			
Affiliates	27,058	17,950	18,661
Others	589,396	642,858	579,948
Deferral of energy and capacity costs, net	19,441	(5,949)	(19,448)
Other operation and maintenance	556,086	475,448	526,623
Depreciation and amortization	207,309	194,976	191,042
Taxes, other than income taxes	228,885	226,994	231,070
Total operating expenses	1,729,532	1,653,387	1,622,399
Operating Income Before Income Taxes	328,386	382,541	330,026
Income taxes	71,080	91,321	75,748
Operating Income	257,306	291,220	254,278
Other Income and Deductions:			
Allowance for other funds used during construction	1,536	1,803	893
Other income/(expense), net	7,202	14,889	21,995
Income taxes	(3,357)	(5,905)	(9,372)
Total other income and deductions	5,381	10,787	13,516
Income Before Interest Charges and Dividends on Preferred Securities	262,687	302,007	267,794
Interest Charges and Dividends on Preferred Securities:			
Interest on long-term debt	89,648	92,602	93,477
Other interest	11,147	9,709	14,726
Allowance for borrowed funds used during construction	(5,111)	(6,021)	(3,250)
Dividends on company-obligated mandatorily redeemable preferred securities	10,700	6,628	-
Total interest charges and dividends on preferred securities	106,384	102,918	104,953
Net Income	156,303	199,089	162,841
Preferred stock dividends	13,072	14,457	14,795
Earnings Available for Common Stock	$ 143,231	$ 184,632	$ 148,046

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

CONSOLIDATED BALANCE SHEETS

December 31,	(In Thousands) 1996	1995
ASSETS		
Utility Plant:		
In service, at original cost	$4,528,676	$4,311,458
Less, accumulated depreciation	1,811,620	1,669,893
Net utility plant in service	2,717,056	2,641,565
Construction work in progress	106,512	157,885
Other, net	111,116	111,023
Net utility plant	2,934,684	2,910,473
Other Property and Investments:		
Nuclear decommissioning trusts, at market	278,342	225,200
Nuclear fuel disposal trust, at market	101,661	95,393
Other, net	8,305	7,218
Total other property and investments	388,308	327,811
Current Assets:		
Cash and temporary cash investments	1,321	922
Special deposits	6,939	7,358
Accounts receivable:		
Customers, net	135,655	150,002
Other	33,228	21,912
Unbilled revenues	56,522	66,389
Materials and supplies, at average cost or less:		
Construction and maintenance	92,761	95,949
Fuel	19,257	18,693
Deferred income taxes	22,509	8,842
Prepayments	21,150	20,869
Total current assets	389,342	390,936
Deferred Debits and Other Assets:		
Regulatory assets:		
Income taxes recoverable through future rates	142,726	134,787
Nonutility generation contract buyout costs	139,000	17,482
Three Mile Island Unit 2 deferred costs	126,448	138,472
Unamortized property losses	94,767	100,176
Other	326,620	293,811
Total regulatory assets	829,561	684,728
Deferred income taxes	138,903	122,082
Other	29,121	20,359
Total deferred debits and other assets	997,585	827,169
Total Assets	$4,709,919	$4,456,389

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

CONSOLIDATED BALANCE SHEETS

December 31,	1996	1995
	(In Thousands)	
LIABILITIES AND CAPITAL		
Capitalization:		
Common stock	$ 153,713	$ 153,713
Capital surplus	510,769	510,769
Retained earnings	825,001	816,770
Total common stockholder's equity	1,489,483	1,481,252
Cumulative preferred stock:		
With mandatory redemption	114,000	134,000
Without mandatory redemption	37,741	37,741
Company-obligated mandatorily redeemable preferred securities	125,000	125,000
Long-term debt	1,173,091	1,192,945
Total capitalization	2,939,315	2,970,938
Current Liabilities:		
Securities due within one year	110,075	35,710
Notes payable	31,800	800
Obligations under capital leases	96,150	90,329
Accounts payable:		
Affiliates	71,761	31,885
Other	94,258	111,225
Taxes accrued	2,063	10,516
Deferred energy credits/(costs)	15,559	(5,290)
Interest accrued	28,350	28,718
Other	80,195	71,769
Total current liabilities	530,211	375,662
Deferred Credits and Other Liabilities:		
Deferred income taxes	664,440	607,188
Unamortized investment tax credits	59,893	66,874
Three Mile Island Unit 2 future costs	107,652	103,271
Nuclear fuel disposal fee	127,543	121,121
Regulatory liabilities	33,250	37,597
Other	247,615	173,738
Total deferred credits and other liabilities	1,240,393	1,109,789
Commitments and Contingencies (Note 14)		
Total Liabilities and Capital	$4,709,919	$4,456,389

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

Jersey Central Power & Light Company and Subsidiary Company

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the Years Ended December 31,	(In Thousands) 1996	1995	1994
Balance at beginning of year	$ 816,770	$ 772,240	$ 724,194
Net income	156,303	199,089	162,841
Total	973,073	971,329	887,035
Cash dividends on capital stock:			
Cumulative preferred stock (at the annual rates indicated below):			
4% Series ($4.00 a share)	(500)	(500)	(500)
7.88% Series E ($7.88 a share)	(1,970)	(1,970)	(1,970)
8.48% Series I ($8.48 a share)	(2,968)	(4,240)	(4,240)
8.65% Series J ($8.65 a share)	(4,325)	(4,325)	(4,325)
7.52% Series K ($7.52 a share)	(3,309)	(3,422)	(3,760)
Common stock (not declared on a per share basis)	(135,000)	(140,000)	(100,000)
Total	(148,072)	(154,457)	(114,795)
Other adjustments, net	-	(102)	-
Balance at end of year	$ 825,001	$ 816,770	$ 772,240

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Years Ended December 31,	1996	(In Thousands) 1995	1994
Operating Activities:			
Net income	$ 156,303	$ 199,089	$ 162,841
Adjustments to reconcile income to cash provided:			
Depreciation and amortization	217,225	212,609	209,823
Amortization of property under capital leases	28,339	31,963	27,876
Voluntary enhanced retirement programs	62,909	-	46,862
Nuclear outage maintenance costs, net	(15,392)	16,239	(16,182)
Deferred income taxes and investment tax credits, net	4,056	(3,264)	35,426
Deferred energy and capacity costs, net	19,436	(6,511)	(19,166)
Accretion income	(11,610)	(12,520)	(13,541)
Allowance for other funds used during construction	(1,536)	(1,803)	(893)
Changes in working capital:			
Receivables	12,897	(35,318)	24,579
Materials and supplies	2,624	(2,642)	1,221
Special deposits and prepayments	138	22,261	20,282
Payables and accrued liabilities	(62,157)	(47,634)	(103,485)
Nonutility generation contract buyout costs	(65,000)	(17,000)	-
Other, net	(6,334)	(12,816)	(19,537)
Net cash provided by operating activities	341,898	342,653	356,106
Investing Activities:			
Cash construction expenditures	(199,823)	(217,805)	(243,878)
Contributions to decommissioning trusts	(18,004)	(18,793)	(17,237)
Other, net	(10,253)	(7,114)	(15,417)
Net cash used for investing activities	(228,080)	(243,712)	(276,532)
Financing Activities:			
Issuance of long-term debt	79,550	49,625	-
Increase/(Decrease) in notes payable, net	31,000	(109,700)	110,500
Retirement of long-term debt	(25,710)	(47,439)	(60,008)
Capital lease principal payments	(29,763)	(26,991)	(31,531)
Issuance of company-obligated mandatorily redeemable preferred securities	-	121,063	-
Redemption of preferred stock	(20,000)	(6,049)	-
Dividends paid on preferred stock	(13,496)	(14,569)	(14,795)
Dividends paid on common stock	(135,000)	(140,000)	(100,000)
Contribution from parent corporation	-	75,000	-
Net cash required by financing activities	(113,419)	(99,060)	(95,834)
Net increase/(decrease) in cash and temporary cash investments from above activities	399	(119)	(16,260)
Cash and temporary cash investments, beginning of year	922	1,041	17,301
Cash and temporary cash investments, end of year	$ 1,321	$ 922	$ 1,041
Supplemental Disclosure:			
Interest paid	$ 106,264	$ 106,673	$ 109,094
Income taxes paid	$ 90,960	$ 93,662	$ 44,619
New capital lease obligations incurred	$ 32,694	$ 18,264	$ 37,699

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

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In Thousands)

Column A	Column B	Column C Additions		Column D	Column E
Description	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts	Deductions	Balance at End of Period
Year ended December 31, 1996					
Allowance for doubtful accounts	$1,958	$5,080	$1,680(a)	$7,048(b)	$1,670
Allowance for inventory obsolescence	197	-	4(e) 2,199(d)	2,194(c)	206
Year ended December 31, 1995					
Allowance for doubtful accounts	$1,359	$5,076	$2,480(a)	$6,957(b)	$1,958
Allowance for inventory obsolescence	348	-	-	151(c)	197
Year ended December 31, 1994					
Allowance for doubtful accounts	$1,143	$5,447	$1,972(a)	$7,203(b)	$1,359
Allowance for inventory obsolescence	-	-	348(d)	-	348

(a) Recovery of accounts previously written off.

(b) Accounts receivable written off.

(c) Inventory written off.

(d) Reestablishment of zero value inventory.

(e) Sale of inventory previously written off.

METROPOLITAN EDISON COMPANY

1996 SUPPLEMENTARY DATA, FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

SEE PAGE F-6 FOR COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND PAGE F-45 FOR COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

COMPANY STATISTICS

For The Years Ended December 31,	1996	1995	1994	1993	1992	1991
Capacity at Company Peak (in MW):						
Company owned	1,705	1,604	1,602	1,602	1,602	1,613
Contracted	853	492	499	676	609	677
Total capacity (a)	2,558	2,096	2,101	2,278	2,211	2,290
Hourly Peak Load (in MW):						
Summer peak	2,017	2,186	2,000	1,944	1,845	1,978
Winter peak	2,114	2,012	1,954	1,940	1,834	1,842
Reserve at company peak (%)	21.0	(4.1)	5.1	17.2	19.8	15.8
Load factor (%) (b)	66.3	61.4	66.6	67.2	67.6	63.2
Sources of Energy (in thousands of MWH):						
Coal	4,760	4,334	4,547	4,283	4,809	4,829
Nuclear	3,550	3,194	3,294	2,975	3,460	2,824
Gas, hydro & oil	182	253	194	42	64	85
Net generation	8,492	7,781	8,035	7,300	8,333	7,738
Utility purchases and interchange	2,021	3,087	2,295	3,398	3,319	3,477
Nonutility purchases	2,406	2,066	1,654	1,623	1,333	1,135
Total sources of energy	12,919	12,934	11,984	12,321	12,985	12,350
Company use, line loss, etc	(718)	(856)	(660)	(884)	(479)	(982)
Total electric energy sales	12,201	12,078	11,324	11,437	12,506	11,368
Fuel Expense (in millions):						
Coal	$69	$61	$71	$64	$72	$ 88
Nuclear	20	20	20	16	19	19
Gas & oil	5	6	3	2	2	2
Total	$94	$87	$94	$82	$93	$109
Power Purchased and Interchanged (in millions):						
Utility purchases and interchange	$ 54	$ 84	$ 80	$108	$105	$122
Nonutility purchases	177	131	101	95	78	66
Total	$231	$215	$181	$203	$183	$188
Electric Energy Sales (in thousands of MWH):						
Residential	4,135	3,925	3,921	3,800	3,567	3,542
Commercial	3,144	3,011	2,921	2,794	2,638	2,618
Industrial	4,033	3,957	3,861	3,664	3,589	3,502
Other	213	209	211	284	329	320
Sales to customers	11,525	11,102	10,914	10,542	10,123	9,982
Sales to other utilities	676	976	410	895	2,383	1,386
Total	12,201	12,078	11,324	11,437	12,506	11,368
Operating Revenues (in millions):						
Residential	$365	$339	$327	$322	$306	$301
Commercial	247	229	215	209	201	197
Industrial	243	228	215	207	213	209
Other	14	13	12	18	22	21
Sales to customers	869	809	769	756	742	728
Sales to other utilities	20	26	12	27	63	45
Total electric energy sales	889	835	781	783	805	773
Other revenues	21	20	20	18	17	15
Total	$910	$855	$801	$801	$822	$788
Price per KWH (in cents):						
Residential	8.90	8.54	8.39	8.42	8.60	8.45
Commercial	7.88	7.54	7.38	7.46	7.63	7.51
Industrial	6.04	5.74	5.55	5.68	5.95	5.96
Total sales to customers	7.58	7.23	7.07	7.16	7.34	7.27
Total electric energy sales	7.33	6.86	6.92	6.83	6.45	6.78
Kilowatt-hour Sales per Residential Customer	10,012	9,609	9,741	9,573	9,139	9,203
Customers at Year-End (in thousands)	470	465	458	451	445	437

(a) Winter ratings at December 31, 1996 of owned and contracted capacity were 1,705 MW and 823 MW, respectively.
(b) The ratio of the average hourly load in kilowatts supplied during the year to the peak load occurring during the year.

SELECTED FINANCIAL DATA

For the Years Ended December 31,	1996*	1995**	1994*** (In Thousands)	1993	1992	1991****
Operating revenues	$ 910,408	$ 854,674	$ 801,303	$ 801,487	$ 821,823	$ 788,462
Other operation and maintenance expense	249,993	229,559	258,656	210,822	208,756	224,315
Net income	69,067	148,540	731	77,875	73,077	62,341
Earnings available for common stock	71,845	147,596	(2,229)	70,915	62,788	52,052
Net utility plant in service	1,455,702	1,477,030	1,437,250	1,361,409	1,290,628	1,226,436
Total assets	2,472,978	2,437,165	2,236,279	2,172,543	1,811,689	1,726,388
Long-term debt	563,252	603,268	529,783	546,319	496,440	386,404
Long-term obligations under capital leases	380	1,032	2,174	3,557	2,643	2,555
Company-obligated mandatorily redeemable preferred securities	100,000	100,000	100,000	-	-	-
Capital expenditures	76,660	112,554	159,717	142,380	130,641	121,840
Return on average common equity	10.3%	23.5%	(0.4%)	12.2%	11.8%	9.4%
Number of employees	2,093	2,166	2,000	2,322	2,328	2,322

* Results for 1996 reflect a decrease in earnings of $15.4 million (after tax) for costs related to voluntary enhanced retirement programs.

** Results for 1995 reflect the reversal of $72.8 million (after-tax) of certain future TMI-2 retirement costs written off in 1994. The reversal of this write-off resulted from a 1995 Pennsylvania Supreme Court decision that overturned a 1994 lower court order, and restored a 1993 PaPUC order allowing for the recovery of such costs. Partially offsetting this increase was a charge to income of $5.7 million (after-tax) of TMI-2 monitored storage costs deemed not probable of recovery through ratemaking.

*** Results for 1994 reflect a net decrease in earnings of $79.9 million (after-tax) due to a write-off of certain future TMI-2 retirement costs ($72.8 million); charges for costs related to early retirement programs ($20.1 million); and net interest income from refunds of previously paid federal income taxes related to the tax retirement of TMI-2 ($13.0 million).

**** Results for 1991 reflect an increase in earnings of $14.9 million (after-tax) for an accounting change recognizing unbilled revenues and a decrease in earnings of $33.5 million (after-tax) for estimated TMI-2 costs.

QUARTERLY FINANCIAL DATA (UNAUDITED)

	First Quarter		Second Quarter	
In Thousands	1996	1995	1996	1995
Operating revenues	$237,688	$205,749	$207,058	$190,342
Operating income	38,392	31,155	31,129	28,335
Net income	24,037	16,384	16,806	12,617
Earnings available for common stock	23,801	16,148	16,570	12,381

	Third Quarter		Fourth Quarter	
In Thousands	1996*	1995**	1996	1995
Operating revenues	$243,077	$241,664	$222,585	$216,919
Operating income	23,575	35,121	33,804	37,194
Net income	8,382	97,391	19,842	22,148
Earnings available for common stock	8,146	97,155	23,328	21,912

* Results for the third quarter of 1996 reflect charges of $15.4 million (after-tax) for costs related to voluntary enhanced retirement programs.

** Results for the third quarter of 1995 reflect the reversal of $72.8 million (after-tax) of certain future TMI-2 retirement costs written off in the second quarter of 1994. The reversal of this write-off resulted from a 1995 Pennsylvania Supreme Court decision that overturned a 1994 lower court order, and restored a 1993 PaPUC order allowing for the recovery of such costs. Partially offsetting this increase was a charge to income of $5.7 million (after-tax) of TMI-2 monitored storage costs deemed not probable of recovery through ratemaking.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Metropolitan Edison Company
Reading, Pennsylvania

We have audited the consolidated financial statements and financial statement schedule of Metropolitan Edison Company and Subsidiary Companies as listed in the index on page F-1 of this Form 10-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Metropolitan Edison Company and Subsidiary Companies as of December 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

New York, New York
February 5, 1997

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CONSOLIDATED STATEMENTS OF INCOME

For The Years Ended December 31,	1996	(In Thousands) 1995	1994
Operating Revenues	$910,408	$854,674	$801,303
Operating Expenses:			
Fuel	93,881	87,477	94,260
Power purchased and interchanged:			
Affiliates	20,724	31,411	17,834
Others	209,831	184,319	162,693
Deferral of energy costs, net	(448)	(1,041)	(15,518)
Other operation and maintenance	249,993	229,559	258,656
Depreciation and amortization	98,364	99,588	86,063
Taxes, other than income taxes	61,319	54,870	51,817
Total operating expenses	733,664	686,183	655,805
Operating Income Before Income Taxes	176,744	168,491	145,498
Income taxes	49,844	36,686	34,002
Operating Income	126,900	131,805	111,496
Other Income and Deductions:			
Allowance for other funds used during construction	540	1,304	1,978
Other income/(expense), net	1,220	129,660	(98,953)
Income taxes	(489)	(55,364)	42,748
Total other income and deductions	1,271	75,600	(54,227)
Income Before Interest Charges and Dividends on Preferred Securities	128,171	207,405	57,269
Interest Charges and Dividends on Preferred Securities:			
Interest on long-term debt	45,373	45,844	43,270
Other interest	5,436	5,147	11,937
Allowance for borrowed funds used during construction	(705)	(1,126)	(1,869)
Dividends on company-obligated mandatorily redeemable preferred securities	9,000	9,000	3,200
Total interest charges and dividends on preferred securities	59,104	58,865	56,538
Net Income	69,067	148,540	731
Preferred stock dividends	944	944	2,960
Gain on preferred stock reacquisition	3,722	-	-
Earnings/(Loss) Available for Common Stock	$ 71,845	$147,596	$ (2,229)

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

CONSOLIDATED BALANCE SHEETS

December 31,	(In Thousands) 1996	1995
ASSETS		
Utility Plant:		
In service, at original cost	$2,297,100	$2,240,951
Less, accumulated depreciation	841,398	763,921
Net utility plant in service	1,455,702	1,477,030
Construction work in progress	98,171	83,353
Other, net	31,000	45,587
Net utility plant	1,584,873	1,605,970
Other Property and Investments:		
Nuclear decommissioning trusts, at market	131,475	95,317
Other, net	11,261	9,899
Total other property and investments	142,736	105,216
Current Assets:		
Cash and temporary cash investments	1,901	1,810
Special deposits	1,052	1,256
Accounts receivable:		
Customers, net	61,522	60,739
Other	17,368	22,151
Unbilled revenues	27,019	31,509
Materials and supplies, at average cost or less:		
Construction and maintenance	39,739	39,337
Fuel	11,026	9,817
Deferred income taxes	7,073	7,868
Prepayments	17,254	6,549
Total current assets	183,954	181,036
Deferred Debits and Other Assets:		
Regulatory assets:		
Income taxes recoverable through future rates	174,636	178,513
Three Mile Island Unit 2 deferred costs	144,782	149,004
Nonutility generation contract buyout costs	86,781	66,650
Other	56,184	45,808
Total regulatory assets	462,383	439,975
Deferred income taxes	85,169	91,356
Other	13,863	13,612
Total deferred debits and other assets	561,415	544,943
Total Assets	$2,472,978	$2,437,165

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

CONSOLIDATED BALANCE SHEETS

December 31,	(In Thousands) 1996	1995
LIABILITIES AND CAPITAL		
Capitalization:		
Common stock	$ 66,273	$ 66,273
Capital surplus	370,200	370,200
Retained earnings	264,044	248,434
Total common stockholder's equity	700,517	684,907
Cumulative preferred stock	12,056	23,598
Company-obligated mandatorily redeemable preferred securities	100,000	100,000
Long-term debt	563,252	603,268
Total capitalization	1,375,825	1,411,773
Current Liabilities:		
Securities due within one year	40,020	15,019
Notes payable	50,667	22,390
Obligations under capital leases	29,964	43,600
Accounts payable:		
Affiliates	27,556	10,559
Other	89,857	91,538
Taxes accrued	11,222	19,615
Deferred energy credits	-	1,417
Interest accrued	18,279	19,359
Other	45,825	40,635
Total current liabilities	313,390	264,132
Deferred Credits and Other Liabilities:		
Deferred income taxes	401,104	380,135
Three Mile Island Unit 2 future costs	215,204	206,489
Unamortized investment tax credits	31,584	33,387
Nuclear fuel disposal fee	28,811	27,360
Regulatory liabilities	25,981	26,461
Other	81,079	87,428
Total deferred credits and other liabilities	783,763	761,260
Commitments and Contingencies (Note 14)		
Total Liabilities and Capital	$2,472,978	$2,437,165

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the Years Ended December 31,	(In Thousands) 1996	1995	1994
Balance at beginning of year	$ 248,434	$ 190,742	$ 229,677
Net income	69,067	148,540	731
Total	317,501	339,282	230,408
Cash dividends on capital stock:			
Cumulative preferred stock (at the annual rates indicated below):			
3.90% Series ($3.90 a share)	(459)	(459)	(459)
4.35% Series ($4.35 a share)	(145)	(145)	(145)
3.85% Series ($3.85 a share)	(112)	(112)	(112)
3.80% Series ($3.80 a share)	(69)	(69)	(69)
4.45% Series ($4.45 a share)	(159)	(159)	(159)
7.68% Series G ($7.68 a share)	-	-	(2,016)
Common stock (not declared on a per share basis)	(60,000)	(95,000)	(35,000)
Total	(60,944)	(95,944)	(37,960)
Net unrealized gain/(loss) on investments	4,027	5,119	(489)
Gain on preferred stock reacquisition	3,722	-	-
Other adjustments, net	(262)	(23)	(1,217)
Balance at end of year	$ 264,044	$ 248,434	$ 190,742

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Years Ended December 31,	1996	1995	1994
		(In Thousands)	
Operating Activities:			
Net income	$ 69,067	$ 148,540	$ 731
Adjustments to reconcile income to cash provided:			
Depreciation and amortization	104,820	84,848	80,501
Amortization of property under capital leases	15,704	13,667	14,795
Three Mile Island Unit 2 costs	-	(118,209)	127,640
Voluntary enhanced retirement programs	26,204	-	35,246
Nuclear outage maintenance costs, net	6,215	(5,931)	5,895
Deferred income taxes and investment tax credits, net	25,168	68,827	(53,993)
Deferred energy costs, net	(448)	(1,041)	(15,518)
Accretion income	-	-	(1,114)
Allowance for other funds used during construction	(540)	(1,304)	(1,978)
Changes in working capital:			
Receivables	8,490	(19,130)	5,498
Materials and supplies	(1,611)	7,053	944
Special deposits and prepayments	(10,501)	1,615	(4,593)
Payables and accrued liabilities	(17,714)	11,478	28,364
Nonutility generation contract buyout costs	(43,318)	(21,499)	-
Other, net	(15,964)	(36,318)	7,753
Net cash provided by operating activities	165,572	132,596	230,171
Investing Activities:			
Cash construction expenditures	(76,660)	(112,554)	(159,717)
Contributions to decommissioning trusts	(17,057)	(13,485)	(10,633)
Other, net	(1,087)	(300)	79
Net cash used for investing activities	(94,804)	(126,339)	(170,271)
Financing Activities:			
Issuance of long-term debt	-	87,911	49,687
Increase/(Decrease) in notes payable, net	28,277	22,390	(81,600)
Retirement of long-term debt	(15,019)	(40,519)	(26,016)
Capital lease principal payments	(15,171)	(12,531)	(15,168)
Issuance of company-obligated mandatorily redeemable preferred securities	-	-	96,732
Redemption of preferred stock	(7,820)	-	(36,595)
Dividends paid on preferred stock	(944)	(944)	(3,632)
Dividends paid on common stock	(60,000)	(95,000)	(35,000)
Contribution from parent corporation	-	25,000	-
Net cash required by financing activities	(70,677)	(13,693)	(51,592)
Net increase/(decrease) in cash and temporary cash investments from above activities	91	(7,436)	8,308
Cash and temporary cash investments, beginning of year	1,810	9,246	938
Cash and temporary cash investments, end of year	$ 1,901	$ 1,810	$ 9,246
Supplemental Disclosure:			
Interest paid	$ 59,697	$ 57,606	$ 77,636
Income taxes paid	$ 39,278	$ 47,343	$ 15,179
New capital lease obligations incurred	$ 1,417	$ 22,316	$ 3,1[illegible]

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

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In Thousands)

Column A	Column B	Column C Additions		Column D	Column E
Description	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts	Deductions	Balance at End of Period
Year ended December 31, 1996					
Allowance for doubtful accounts	$3,072	$6,460	$1,651(a)	$8,011(b)	$3,172
Allowance for inventory obsolescence	3,176	-	4(c)	1,316(d)	1,864
Year ended December 31, 1995					
Allowance for doubtful accounts	$4,889	$3,040	$1,793(a)	$6,650(b)	$3,072
Allowance for inventory obsolescence	4,575	-	-	1,399(d)	3,176
Year ended December 31, 1994					
Allowance for doubtful accounts	$4,889	$5,525	$1,573(a)	$7,098(b)	$4,889
Allowance for inventory obsolescence	5,681	-	466(c)	1,572(d)	4,575

(a) Recovery of accounts previously written off.

(b) Accounts receivable written off.

(c) Sale of inventory previously written off.

(d) Inventory written off.

PENNSYLVANIA ELECTRIC COMPANY

1996 SUPPLEMENTARY DATA, FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

SEE PAGE F-6 FOR COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND PAGE F-45 FOR COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

COMPANY STATISTICS

For The Years Ended December 31	1996	1995	1994	1993	1992	1991
Capacity at Company Peak (in MW):						
Company owned	2,365	2,365	2,369	2,369	2,371	2,512
Contracted	782	868	778	636	418	224
Total capacity (a)	3,147	3,233	3,147	3,005	2,789	2,736
Hourly Peak Load (in MW):						
Summer peak	2,410	2,495	2,309	2,208	2,140	2,153
Winter peak	2,574	2,589	2,514	2,342	2,355	2,325
Reserve at company peak (%)	22.3	24.9	25.2	28.3	18.4	17.7
Load factor (%) (b)	71.1	67.6	69.4	70.5	69.3	70.6
Sources of Energy (in thousands of MWH):						
Coal	11,268	11,237	10,263	10,703	11,329	11,187
Nuclear	1,775	1,597	1,647	1,488	1,730	1,412
Gas, hydro & oil	95	(95)	120	73	75	36
Net generation	13,138	12,739	12,030	12,264	13,134	12,635
Utility purchases and interchange	2,268	3,071	2,468	2,219	2,723	2,197
Nonutility purchases	3,201	2,796	2,236	1,940	1,463	1,220
Total sources of energy	18,607	18,606	16,734	16,423	17,320	16,052
Company use, line loss, etc	(2,932)	(2,751)	(2,248)	(2,256)	(2,289)	(1,992)
Total electric energy sales	15,675	15,855	14,486	14,167	15,031	14,060
Fuel Expense (in millions):						
Coal	$164	$164	$163	$174	$168	$169
Nuclear	10	10	10	8	9	9
Gas & oil	2	1	2	1	1	1
Total	$176	$175	$175	$183	$178	$179
Power Purchased and Interchanged (in millions):						
Utility purchases and interchange	$ 18	$ 43	$ 35	$ 31	$ 51	$ 45
Nonutility purchases	192	158	123	104	77	61
Total	$210	$201	$158	$135	$128	$106
Electric Energy Sales (in thousands of MWH):						
Residential	3,897	3,765	3,773	3,715	3,590	3,553
Commercial	4,04[illegible]	3,922	3,794	3,651	3,488	3,475
Industrial	[illegible],5[illegible]3	4,463	4,449	4,346	4,589	4,718
Other	814	857	958	568	585	666
Sales to customers	13,318	13,007	12,974	12,280	12,252	12,412
Sales to other utilities	2,357	2,848	1,512	1,887	2,779	1,648
Total	15,675	15,855	14,486	14,167	15,031	14,060
Operating Revenues (in millions):						
Residential	$ 339	$322	$321	$308	$298	$290
Commercial	302	287	279	261	248	244
Industrial	249	237	237	227	233	236
Other	36	39	45	31	27	32
Sales to customers	926	885	882	827	806	802
Sales to other utilities	53	68	36	52	62	43
Total electric energy sales	979	953	918	879	868	845
Other revenues	41	28	27	29	28	21
Total	$1,020	$981	$945	$908	$896	$866
Price per KWH (in cents):						
Residential	8.70	8.52	8.51	8.30	8.27	8.16
Commercial	7.48	7.29	7.34	7.17	7.11	7.01
Industrial	5.44	5.33	5.32	5.24	5.08	4.99
Total sales to customers	6.95	6.79	6.80	6.74	6.58	6.46
Total electric energy sales	6.24	6.00	6.34	6.21	5.77	6.00
Kilowatt-hour Sales per Residential Customer	7,857	7,620	7,678	7,607	7,393	7,369
Customers at Year-End (in thousands)	573	571	567	563	559	555

(a) Winter ratings at December 31, 1996 of owned and contracted capacity were 2,365 MW and 866 MW, respectively.
(b) The ratio of the average hourly load in kilowatts supplied during the year to the peak load occurring during the [illegible]

Pennsylvania Electric Company and Subsidiary Companies

SELECTED FINANCIAL DATA

For the Years Ended December 31,	1996*	1995**	1994***	1993	1992	1991****
	(In Thousands)					
Operating revenues	$1,019,645	$ 981,329	$ 944,744	$ 908,280	$ 896,337	$ 865,552
Other operation and maintenance expense	293,868	266,347	294,316	241,252	226,179	234,648
Net income	69,809	111,010	31,799	95,728	99,744	106,595
Earnings available for common stock	73,872	109,466	28,862	90,741	94,080	100,406
Net utility plant in service	1,715,670	1,692,850	1,621,818	1,542,276	1,473,293	1,419,726
Total assets	2,535,065	2,473,570	2,381,054	2,301,340	1,C92,715	1,862,249
Long-term debt	656,459	642,487	616,490	524,491	582,647	542,392
Long-term obligations under capital leases	4,129	5,277	6,741	7,745	7,691	8,260
Company-obligated mandatorily redeemable preferred securities	105,000	105,000	105,000	-	-	-
Capital expenditures	114,672	130,512	174,464	150,252	110,629	101,328
Return on average common equity	10.0%	15.8%	4.2%	13.5%	14.5%	15.1%
Number of employees	2,071	2,665	3,031	3,539	3,551	3,537

* Results for 1996 reflect a decrease in earnings of $19.7 million (after-tax) due to charges related to voluntary enhanced retirement programs ($33.6 million).

** Results for 1995 reflect a the reversal of $32.1 million (after-tax) of certain TMI-2 retirement costs written off in 1994. The reversal of this write-off resulted from a 1995 Pennsylvania Supreme Court decision that overturned a 1994 lower court order, and restored a 1993 PaPUC order allowing for the recovery of such costs. Partially offsetting this increase was a charge to income of $2.7 million (after-tax) of TMI-2 monitored storage costs deemed not probable of recovery through ratemaking.

*** Results for 1994 reflect a net decrease in earnings of $61.8 million (after-tax) due to a write-off of certain future TMI-2 retirement costs ($32.1 million); charges for costs related to early retirement programs ($25.6 million); a write-off of postretirement benefit costs believed not probable of recovery in rates ($10.6 million); and net interest income from refunds of previously paid federal income taxes related to the tax retirement of TMI-2 ($6.5 million).

**** Results for 1991 reflect an increase in earnings of $16.2 million (after-tax) for an accounting change recognizing unbilled revenues and a decrease in earnings of $16.8 million (after-tax) for estimated TMI-2 costs.

QUARTERLY FINANCIAL DATA (UNAUDITED)

	First Quarter		Second Quarter	
In Thousands	1996	1995	1996	1995
Operating revenues	$269,329	$253,412	$246,788	$238,451
Operating income	46,660	46,110	37,508	37,218
Net income	30,515	30,566	21,609	20,276
Earnings available for common stock	30,129	30,180	21,223	19,890

	Third Quarter		Fourth Quarter	
In Thousands	1996*	1995**	1996	1995
Operating revenues	$256,143	$249,234	$247,385	$240,232
Operating income	19,230	30,911	30,311	27,822
Net income	2,865	50,015	14,820	10,153
Earnings available for common stock	2,479	49,629	20,041	9,767

* Results for the third quarter of 1996 reflect charges of $19.7 million (after-tax) for costs related to voluntary enhanced retirement programs.

** Results for the third quarter of 1995 reflect the reversal of $32.1 million (after-tax) of certain future TMI-2 retirement costs written off in the second quarter of 1994. The reversal of this write-off resulted from a 1995 Pennsylvania Supreme Court decision that overturned a 1994 lower court order, and restored a 1993 PaPUC order allowing for the recovery of such costs. Partially offsetting this increase was a charge to income of $2.7 million (after-tax) of TMI-2 monitored storage costs deemed not probable of recovery through ratemaking.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Pennsylvania Electric Company
Reading, Pennsylvania

We have audited the consolidated financial statements and financial statement schedule of Pennsylvania Electric Company and Subsidiary Companies as listed in the index on page F-1 of this Form 10-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pennsylvania Electric Company and Subsidiary Companies as of December 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

New York, New York
February 5, 1997

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CONSOLIDATED STATEMENTS OF INCOME

For The Years Ended December 31,	1996	(In Thousands) 1995	1994
Operating Revenues	$1,019,645	$981,329	$944,744
Operating Expenses:			
Fuel	176,158	174,624	175,071
Power purchased and interchanged:			
Affiliates	3,529	5,927	6,310
Others	206,403	195,184	151,919
Deferral of energy costs, net	795	1,088	5,941
Other operation and maintenance	293,868	266,347	294,316
Depreciation and amortization	94,580	83,086	76,600
Taxes, other than income taxes	64,955	67,064	66,058
Total operating expenses	840,288	793,320	776,215
Operating Income Before Income Taxes	179,357	188,009	168,529
Income taxes	45,648	45,948	42,297
Operating Income	133,709	142,061	126,232
Other Income and Deductions:			
Allowance for other funds used during construction	173	2,006	1,841
Other income/(expense), net	(825)	56,454	(71,287)
Income taxes	99	(24,431)	31,369
Total other income and deductions	(553)	34,029	(38,077)
Income Before Interest Charges and Dividends on Preferred Securities	133,156	176,090	88,155
Interest Charges and Dividends on Preferred Securities			
Interest on long-term debt	49,654	49,875	46,439
Other interest	7,112	8,428	7,421
Allowance for borrowed funds used during construction	(2,607)	(2,411)	(1,996)
Dividends on company-obligated mandatorily redeemable preferred securities	9,188	9,188	4,492
Total interest charges and dividends on preferred securities	63,347	65,080	56,356
Net Income	69,809	111,010	31,799
Preferred stock dividends	1,503	1,544	2,937
Gain on preferred stock reacquisition	5,566	-	-
Earnings Available for Common Stock	$ 73,872	$109,466	$ 28,862

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

CONSOLIDATED BALANCE SHEETS

December 31,	(In Thousands) 1996	1995
ASSETS		
Utility Plant:		
In service, at original cost	$2,738,223	$2,667,842
Less, accumulated depreciation	1,022,553	974,992
Net utility plant in service	1,715,670	1,692,850
Construction work in progress	72,757	72,233
Other, net	22,910	30,876
Net utility plant	1,811,337	1,795,959
Other Property and Investments:		
Nuclear decommissioning trusts, at market	54,194	42,440
Other, net	7,271	6,545
Total other property and investments	61,465	48,985
Current Assets:		
Cash and temporary cash investments	-	1,367
Special deposits	2,348	2,718
Accounts receivable:		
Customers, net	73,190	67,454
Other	15,151	29,033
Unbilled revenues	31,350	30,851
Materials and supplies, at average cost or less:		
Construction and maintenance	49,007	53,237
Fuel	9,924	11,285
Deferred energy costs	-	9,335
Deferred income taxes	-	4,602
Prepayments	36,930	10,328
Total current assets	217,900	220,210
Deferred Debits and Other Assets:		
Regulatory assets:		
Three Mile Island Unit 2 deferred costs	85,287	81,236
Income taxes recoverable through future rates	210,023	214,284
Other	67,128	19,485
Total regulatory assets	362,438	315,005
Deferred income taxes	67,099	78,754
Other	14,826	14,657
Total deferred debits and other assets	444,363	408,416
Total Assets	$2,535,065	$2,473,570

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

CONSOLIDATED BALANCE SHEETS

December 31,	(In Thousands) 1996	1995
LIABILITIES AND CAPITAL		
Capitalization:		
Common stock	$ 105,812	$ 105,812
Capital surplus	285,486	285,486
Retained earnings	363,702	327,814
Total common stockholder's equity	755,000	719,112
Cumulative preferred stock	16,681	36,777
Company-obligated mandatorily redeemable preferred securities	105,000	105,000
Long-term debt	656,459	642,487
Total capitalization	1,533,140	1,503,376
Current Liabilities:		
Securities due within one year	26,010	75,009
Notes payable	107,680	27,100
Obligations under capital leases	15,881	22,751
Accounts payable:		
Affiliates	20,432	13,806
Other	53,424	66,687
Taxes accrued	11,223	16,019
Interest accrued	19,192	19,567
Vacations accrued	5,172	9,976
Other	12,052	19,448
Total current liabilities	271,066	270,363
Deferred Credits and Other Liabilities:		
Deferred income taxes	473,268	462,354
Unamortized investment tax credits	4[illegible],095	45,114
Three Mile Island Unit 2 future costs	107,652	103,271
Nuclear fuel disposal fee	14,406	13,680
Regulatory liabilities	31,694	33,941
Other	61,744	41,471
Total deferred credits and other liabilities	730,859	699,831
Commitments and Contingencies (Note 14)		
Total Liabilities and Capital	$2,535,065	$2,473,570

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the Years Ended December 31,	1996	(In Thousands) 1995	1994
Balance at beginning of year	$ 327,814	$ 290,786	$ 328,290
Net income	69,809	111,010	31,799
Total	397,623	401,796	360,089
Cash dividends on capital stock:			
Cumulative preferred stock (at the annual rates indicated below):			
4.40% Series B ($4.40 a share)	(244)	(250)	(250)
3.70% Series C ($3.70 a share)	(351)	(359)	(359)
4.05% Series D ($4.05 a share)	(251)	(258)	(258)
4.70% Series E ($4.70 a share)	(132)	(135)	(135)
4.50% Series F ($4.50 a share)	(188)	(193)	(193)
4.60% Series G ($4.60 a share)	(337)	(349)	(349)
8.36% Series H ($8.36 a share)	-	-	(1,393)
Common stock (not declared on a per share basis)	(40,000)	(75,000)	(65,000)
Total	(41,503)	(76,544)	(67,937)
Gain on preferred stock reacquisition	5,566	-	-
Net unrealized gain / (loss) on investments	2,014	2,593	(278)
Other adjustments, net	2	(31)	(1,088)
Balance at end of year	$ 363,702	$ 327,814	$ 290,786

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Years Ended December 31,	1996	(In Thousands) 1995	1994
Operating Activities:			
Net income	$ 69,809	$ 111,010	$ 31,799
Adjustments to reconcile income to cash provided:			
Depreciation and amortization	89,021	77,635	69,615
Amortization of property under capital leases	8,733	7,777	8,553
Three Mile Island Unit 2 costs	-	(51,796)	56,304
Voluntary enhanced retirement programs	33,626	-	44,856
Nuclear outage maintenance costs, net	3,099	(2,901)	2,862
Deferred income taxes and investment tax credits, net	19,208	42,514	(50,451)
Deferred energy costs, net	731	1,491	6,221
Accretion income	-	-	(200)
Allowance for other funds used during construction	(173)	(2,006)	(1,842)
Changes in working capital:			
Receivables	7,648	(7,713)	(15,945)
Materials and supplies	5,591	4,912	(1,849)
Special deposits and prepayments	(26,232)	(5,078)	1,644
Payables and accrued liabilities	(52,958)	8,241	(12,804)
Nonutility generation contract buyout costs	(11,700)	-	-
Other, net	(7,746)	1,178	12,803
Net cash provided by operating activities	138,657	185,264	151,566
Investing Activities:			
Cash construction expenditures	(114,672)	(130,512)	(174,464)
Contributions to decommissioning trusts	(5,263)	(5,263)	(5,705)
Other, net	(684)	(323)	134
Net cash used for investing activities	(120,619)	(136,098)	(180,035)
Financing Activities:			
Issuance of long-term debt	39,513	197,997	129,100
Increase/(Decrease) in notes payable, net	80,580	(83,952)	8,774
Retirement of long-term debt	(75,009)	(99,319)	(108,008)
Capital lease principal payments	(8,418)	(7,172)	(8,734)
Issuance of company-obligated mandatorily redeemable preferred securities	-	-	101,185
Redemption of preferred stock	(14,527)	-	(26,168)
Dividends paid on preferred stock	(1,544)	(1,544)	(3,111)
Dividends paid on common stock	(40,000)	(75,000)	(65,000)
Contribution from parent corporation	-	20,000	-
Net cash required by financing activities	(19,405)	(48,990)	28,038
Net decrease in cash and temporary cash investments from above activities	(1,367)	176	(431)
Cash and temporary cash investments, beginning of year	1,367	1,191	1,622
Cash and temporary cash investments, end of year	$ -	$ 1,367	$ 1,191
Supplemental Disclosure:			
Interest paid	$ 63,162	$ 60,524	$ 55,221
Income taxes paid	$ 43,098	$ 43,685	$ 59,881
New capital lease obligations incurred	$ 715	$ 11,160	$ 2,400

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

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In Thousands)

Column A	Column B	Column C Additions		Column D	Column E
Description	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts	Deductions	Balance at End of Period
Year ended December 31, 1996					
Allowance for doubtful accounts	$3,152	$5,961	$1,973(a)	$7,268(b)	$3,818
Allowance for inventory obsolescence	-	650	-	464(c)	186
Year ended December 31, 1995					
Allowance for doubtful accounts	$1,182	$6,518	$1,516(a)	$6,064(b)	$3,152
Allowance for inventory obsolescence	-	-	-	-	-
Year ended December 31, 1994					
Allowance for doubtful accounts	$1,329	$3,133	$1,486(a)	$4,766(b)	$1,182
Allowance for inventory obsolescence	-	-	-	-	-

(a) Recovery of accounts previously written off.

(b) Accounts receivable written off.

(c) Inventory written off.