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To The Investment Community:

The return of TMI-1 to service and the completion of retail rate cases in Pennsylvania have led to significant changes in customer charges by our three Operating Companies. This letter describes those changes, updating the material in the GPU Analyst Fact Book dated October 1, 1985.

Met-Ed and Penelec Rate Cases

In January, Metropolitan Edison Company (Met-Ed) and Pennsylvania Electric Company (Penelec) filed base rate cases with the Pennsylvania Public Utility Commission (PaPUC). Met-Ed and Penelec requested increases of $47.3 million and $55.3 million, respectively, to meet higher non-TMI related costs and to recognize TMI-1 depreciation expense prior to the unit's return to operation. On October 25 the Commission handed down decisions for both Companies.

The PaPUC order granted Met-Ed a $24.2 million increase based upon a 15.85% return on common equity and an overall return of 11.03%. The major areas of difference between Met-Ed's request and the final order are:

- Disallowance of $7 million of proposed increased O&M expense at two of the Company's coal generating stations.
- TMI-1 depreciation expense of $7 million which is being allowed in the TMI-1 rates.
- Taxes of $4 million due to a policy of using flow through accounting rather than normalization for taxes.
- About $3 million due to a return on equity of 15.85% rather than the 16.5% requested.

Penelec was granted a $38.8 million increase based on a 15.82% return on common equity and an overall return of 11.18%. The major areas of difference were:

- Sales forecast of $4 million.
- TMI-1 depreciation expense of $3 million which is being allowed in the TMI-1 rates.
- Taxes of $3 million. Due to a policy of using flow through accounting rather than normalization for taxes.

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- About $3 million due to a return on equity of 15.82% rather than the 16.25% requested.

For both Met-Ed and Penelec, the rate increases went into effect on October 25. At the same time, a $19.8 million energy cost rate decrease for Met-Ed became effective. Met-Ed had requested this change because of lower experienced fuel costs than expected. These rate changes result in increases in overall charges to customers of 0.9% for Met-Ed and 5.9% for Penelec.

The order also permits the Companies to shift TMI-2 amortization dollars to TMI-2 cleanup, thus providing for the balance of customer participation in TMI-2 cleanup funding. This had previously been tied to the return of TMI-1 to rates.

TMI-1 Rates

On October 29, TMI-1 passed the operating standard which had been established for the return of that unit to our retail rates. Notice of this fact was given to the New Jersey and Pennsylvania Commissions.

With respect to the two Pennsylvania Companies, in the recently-completed rate cases the PaPUC had reaffirmed the ratemaking treatment for TMI-1. Pursuant to this, on November 8, Met-Ed's base rates were increased by $28.7 million (including a $5.2 million tax adjustment surcharge). This base rate increase was offset by an energy cost rate decrease of $80.4 million resulting in a $51.7 million net decrease in charges to customers. In Penelec's case, base rates were increased by $25.9 million (including a $2.1 million tax adjustment surcharge). This was offset by a $38.2 million energy cost rate decrease resulting in a $12.3 million net decrease. The combined effects of the rate changes including both the rate cases and TMI-1's return was a 7.3% net decrease for Met-Ed and a 4.3% net increase for Penelec.

A summary of the requests and allowances for Met-Ed and Penelec are described on Attachments A and B.

In the case of Jersey Central Power & Light Company, the New Jersey Board of Public Utilities ordered a change in the Company's base rates and energy adjustment clause, effective November 12, 1985, to reflect the return of TMI-1 to service. Base rates were increased by $44.6 million. Contemporaneously, the energy adjustment clause was decreased by $59.5 million, resulting in a net decrease in customer charges of $14.9 million or 1%. The New Jersey Department of the Public Advocate has appealed the implementation of these rates to the Superior Court of New Jersey.

We appreciate your interest in the GPU System. Should you need further information, you are welcome to call Michael P. Morrell, Assistant Treasurer, at (201)263-6646 or me at (201)263-6130.

Sincerely,

John G. Graham
Treasurer

Attachment A

METROPOLITAN EDISON COMPANY

Retail Rate Changes Reflecting PaPUC's Order of 10/25/85
($ Millions)

	Requested	Granted
Prior to TMI-1's Return:		
Base Rates		
Non-TMI	$ 40.6	$ 24.2
TMI-1 Depreciation (1)	6.7	-
Retail Total	$ 47.3	$ 24.2
Related to TMI-1's Return:		
Base Rates		
TMI-1 Depreciation (1)	$ 6.7	$ 6.7
Other	23.6	16.8
Total	$ 30.3	$ 23.5
TMI-1 ECR Savings	(80.4)	(80.4)
Tax Adjustment Surcharge	-	5.2
Retail Total	$(50.1)	$(51.7)
Total Retail Rate Change - Prior To & Upon TMI-1's Return:		
Base Rates		
Non-TMI	$ 40.6	$ 24.2
Upon TMI-1's Return	30.3	28.7
Sub-Total	$ 70.9	$ 52.9
TMI-1 ECR Savings	(80.4)	(80.4)
Retail Total	$ (9.5)	$(27.5)

(1) If the request for TMI-1 depreciation recognition prior to the unit's return was denied, the Company requested such provision upon the unit's return.

The claim was based on a test year ending September 30, 1985. Most revenue and expense data, as well as the original cost rate base claim, are normalized to test year end. As shown below, Met-Ed's allowed overall rate of return is 11.03% reflecting a common equity return of 15.85%.

	Capitalization Millions	Capitalization Ratio	Cost Rate	Weighted Cost Rate
Long-term Debt	$410.7	44.25%	7.81%	3.46%
Preferred Stock	139.9	15.07	7.40	1.12
Common Equity	377.6	40.68	15.85	6.45
Composite	$928.2	100.00%		11.03%

Attachment B

PENNSYLVANIA ELECTRIC COMPANY

Base Rate Increase Reflecting PaPUC's Order of 10/25/85
($ Millions)

	Requested	Granted
Prior to TMI-1's Return:		
Base Rates		
Non-TMI	$ 52.2	$ 38.8
TMI-1 Depreciation (1)	3.1	-
Retail Total	$ 55.3	$ 38.8
Related to TMI-1's Return:		
Base Rates		
TMI-1 Depreciation (1)	$ 3.1	$ 3.1
Other	20.8	20.7
Total	$ 23.9	$ 23.8
TMI-1 ECR Savings	(38.2)	(38.2)
Tax Adjustment Surcharge	-	2.1
Retail Total	$(14.3)	$(12.3)
Total Retail Rate Change - Prior To & Upon TMI-1's Return:		
Base Rates		
Non-TMI	$ 52.2	$ 38.8
Upon TMI-1's Return	23.9	25.9
Sub-Total	$ 76.1	$ 64.7
TMI-1 ECR Savings	(38.2)	(38.2)
Retail Total	$ 37.9	$ 26.5

(1) If the request for TMI-1 depreciation recognition prior to the unit's return was denied, the Company requested such provisions upon the unit's return.

The claim was based on a test year ending September 30, 1985. Most revenue and expense data, as well as the original cost rate base claim, are normalized to test year end. As shown below, Penelec's allowed overall rate of return is 11.18% reflecting a common equity return of 15.82%.

	Capitalization		Cost	Weighted
	Millions	Ratio	Rate	Cost Rate
Long-Term Debt	$ 594.0	47.23%	7.99%	3.77%
Preferred Stock	157.7	12.54	8.34	1.05
Common Equity	505.9	40.23	15.82	6.36
Composite	$1257.6	100.00%		11.18%