Met-Ed / GPU

Metropolitan Edison Company
Post Office Box 480
Middletown, Pennsylvania 17057
717 944-4041

Writer's Direct Dial Number

February 19, 1980
TLL 059

Director of Nuclear Reactor Regulation
Attn: Mr. Jerome Saltzman, Chief
Antitrust & Indemnity Group
U. S. Nuclear Regulatory Commission
Washington, D.C. 20555

Dear Sir:

Three Mile Island Nuclear Station, Units I and II (TMI-1 and TMI-2)
Operating License Nos. DPR-50 and DPR-73
Docket Nos. 50-289 and 50-320
Price Anderson Act (Public Law 94-197)

Pursuant to our letters of December 29, 1978 (GQL 0575) and June 7, 1979, enclosed is our submission employing Alternate 5, and showing adequate cash flow for 1979 and forecast data for 1980 to meet the requirement relating to guaranteeing retrospective premiums.

1. Quarterly financial statements for the period ending September 30, 1979; such data for the last quarter is not yet available.

2. A consolidating cash flow forecast for the year 1980 accompanied by underlying assumptions.

3. A 1979 internal cash flow statement.

The cash flow forecast accompanying this letter indicates that about $21 million is expected to be generated internally by Met-Ed during 1980. This indicates that the company is fully able to meet the maximum retrospective premium requirement of the subject licenses. Such a requirement would be shared with its affiliated co-owners in the proportion of their retrospective ownership interests as follows:

	Percent	Maximum Requirement (million)
J C P & L	25	$ 5
Met-Ed	50	$ 10
Penelec	25	$ 5
		$ 20

As shown by the accompanying cash flow forecast, the company's affiliates expect to be able to generate sufficient internal cash during 1980 to be able to

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meet their respective share of the above maximum requirement.

Since certified 1979 Annual Reports for the Company and its parent will not be available until sometime in April, they will be forwarded as soon as possible at that time.

Please note our proposal in the December 29, 1979 letter to supply all relevent financial information during April of each year.

Sincerely,

JG Herbein

J. G. Herbein
Vice President
Nuclear Operations

JGH:LWH:hah

Enclosures

cc: J. T. Collins
R. H. Vollmer
R. Reid

GENERAL PUBLIC UTILITIES CORPORATION & SUBSIDIARIES
SOURCE & APPLICATION OF FUNDS - FORECAST 1980 ($ Millions)

	GPU Consolidated	Eliminations	GPU Corporation	Jersey Central	Met-Ed	Penelec
Sources of Funds						
Internal Sources						
Depreciation	$ 149		$	$ 61	$ 39	$ 49
Deferred Energy Costs	(120)			(53)	(38)	(29)
Deferred Taxes	89			29	30	30
Investment Tax Credit Net	(44)			(18)	(33)	7
Amortization of Nuclear Fuel	15			15		
Change in Working Capital & Cash Changes*	19		(45)	51	23	(10)
Total Internal Sources	$ 108		$ (45)	$ 85	$ 21	$ 47
External Sources						
Long Term Debt	$ 35		$	$	$ 5	$ 30
Preferred Stock						
Capital Contributions from GPU						
Common Stock						
Short-Term Borrowings Net	176		45	68	39	24
Total Sources of Funds	$ 319		$	$ 153	$ 65	$ 101
Application of Funds						
Construction	$ 290		$	$ 143	$ 51	$ 96
Refinancing	17			4	12	1
Sinking Fund	12			6	2	4
Total Application of Funds	$ 319		$	$ 153	$ 65	$ 101
Capitalization						
Long Term Debt	$2,182	$	$ 39	$ 890	$ 536	$ 717
Preferred Stock	515			204	140	171
Common Equity	1,411	(1,502)	1,411	701	385	416
Total	$4,108	$(1,502)	$1,450	$1,795	$1,061	$1,304
Short-Term Debts	352		94	133	125	
Total	$4,460	$(1,502)	$1,544	$1,928	$1,186	$1,304

*Includes retained earnings

12/26/79

GENERAL PUBLIC UTILITIES CORPORATION AND SUBSIDIARY COMPANIES
CASH FLOW PROJECTION - 1980
ASSUMPTIONS

(1) No base rate increases projected.

(2) Interest rate of 12% on additional long-term debt.

(3) Interest rate of 14% on short-term debt.

12/26/79

GENERAL PUBLIC UTILITIES CORPORATION
1979 INTERNAL CASH FLOW STATEMENT - CONSOLIATED
($ Millions)

	1979												
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Year
Net Income After Taxes & Dividends	11.8	13.2	10.7	10.9	7.0	2.1	6.5	11.3	7.7	5.5	4.4	4.7	95.8
Less Commons Dividends	(27.5)	-	-	-	(15.3)	-	(15.3)	-	-	(15.3)	-	-	(73.4)
Retained Earnings	(15.7)	13.2	10.7	10.9	(8.3)	2.1	(8.8)	11.3	7.7	(9.8)	4.4	4.7	22.4
Adjustments:													
Depreciation & Amortization	14.9	15.8	15.4	13.0	12.1	12.3	13.1	13.2	13.1	13.3	13.1	13.2	162.5
Deferred Income Taxes & Investment Tax Credits	9.4	4.8	8.1	8.0	5.2	4.6	(4.2)	5.9	8.7	4.8	4.2	(3.4)	56.1
Allowance for Funds Used During Construction	(2.6)	(1.9)	(1.9)	(2.0)	(1.8)	(2.1)	(2.2)	(2.4)	(2.4)	(2.3)	(2.0)	(1.1)	(24.7)
Deferred Energy (1)	(6.8)	.6	(3.8)	(13.0)	(21.2)	(.4)	(2.5)	(5.6)	3.7	(4.4)	(6.9)	(9.5)	(69.8)
Other (2)	28.7	(31.6)	29.3	(27.8)	2.5	(11.4)	29.0	(9.1)	(40.0)	17.5	(.3)	62.1	48.9
Total Adjustments	43.6	(12.3)	47.1	(21.8)	(3.2)	3.0	33.2	2.0	(16.9)	28.9	8.1	61.3	173.0
Internal Cash Flow	27.9	.9	57.8	(10.9)	(11.5)	5.1	24.4	13.3	(9.2)	19.1	12.5	66.0	195.4

Percentage Ownership in Nuclear Units -	Oyster Creek	100%
	Three Mile Island Unit #1	100%
	Three Mile Island Unit #2	100%

(1) Negative represents energy costs in excess of energy revenues
(2) Includes changes in working capital

2/12/80

Quarterly Financial Statements September 30, 1979*

General Public Utilities Corporation

100 Interpace Parkway, Parsippany, N.J. 07054 • (201) 263-6500
Jersey Central Power & Light Company
Metropolitan Edison Company
Pennsylvania Electric Company

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* No provision has been made in these financial statements for any possible loss resulting from the nuclear accident at Three Mile Island Unit 2, inasmuch as the amount thereof, if any, is not determinable at present.

GENERAL PUBLIC UTILITIES CORPORATION
AND SUBSIDIARY COMPANIES

Condensed Consolidated Balance Sheets

	(In Thousands)	
	September 30, 1979	**September 30, 1978**
ASSETS:		
Utility Plant (at original cost) (Note 9):		
In service, under construction and held for future use	$4,985,764	$4,697,741
Less, accumulated depreciation (Note 1)	945,110	835,027
Net	4,040,654	3,862,714
Nuclear fuel (Note 8)	224,319	232,921
Less, accumulated amortization (Note 1)	43,163	60,214
Net Nuclear Fuel	181,156	172,707
Net Utility Plant	4,221,810	4,035,421
Excess of investments in subsidiaries over related net assets	30,805	30,805
Investments	21,165	21,156
Current Assets:		
Cash	13,235	20,797
Accounts receivable, net	129,595	114,512
Other	234,992	121,256
Totals	377,822	256,565
Deferred Debits:		
Deferred energy costs (Notes 1, 7 and 9)	151,968	96,514
Unamortized mine development costs (Note 1)	7,902	9,071
Deferred costs - nuclear accident (Note 9)	67,775	
Other (Note 9)	123,248	47,290
Totals	350,893	152,875
Total Assets	$5,002,495	$4,496,822
LIABILITIES AND CAPITAL:		
Long-Term Debt, Capital Stock and Consolidated Surplus:		
Long-Term Debt:		
First mortgage bonds	$1,827,177	$1,768,156
Debentures	233,700	239,600
Other long-term debt	54,115	60,746
Unamortized net discount on long-term debt	(4,672)	(5,813)
Totals	2,110,320	2,062,689
Non-redeemable cumulative preferred stock, including premium, net of expense	422,868	422,037
Redeemable cumulative preferred stock, net of expense	88,561	93,565
Common stock and consolidated surplus (Note 4):		
Common stock, less reacquired common stock	153,159	151,127
Consolidated capital surplus	772,538	760,266
Less, capital stock expense	17,978	17,720
Consolidated retained earnings (Note 5)	486,376	455,562
Totals	1,394,095	1,349,235
Totals	4,015,844	3,927,526
Current Liabilities:		
Securities due within one year to be refinanced	72,158	22,275
Notes payable to banks (Note 3)	229,700	42,750
Accounts payable	112,209	78,393
Other	113,748	122,055
Totals	527,815	265,473
Deferred Credits and Other Liabilities:		
Deferred income taxes (Notes 1 and 6)	278,212	180,328
Unamortized investment credits (Notes 1 and 6)	123,469	99,513
Insurance recoveries - nuclear accident (Note 9)	19,900	
Other	37,255	23,982
Totals	458,836	303,823
Commitments and Contingencies (Notes 8 and 9)		
Total Liabilities and Capital	$5,002,495	$4,496,822

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

GENERAL PUBLIC UTILITIES CORPORATION
AND SUBSIDIARY COMPANIES

Consolidated Statements of Income

	(In Thousands)					
	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1979	1978	1979	1978	1979	1978
Operating Revenues	$383,927	$336,278	$1,104,180	$997,344	$1,433,480	$1,303,854
Operating Expenses:						
Fuel	88,163	81,928	260,174	248,670	337,589	311,191
Power purchased and interchanged, net	64,449	23,482	176,243	95,194	214,789	133,211
Deferral of energy costs, net (Notes 1 and 7)	(4,403)	2,852	(49,030)	(8,302)	(58,644)	(4,413)
Payroll	34,233	32,464	99,572	94,886	131,849	122,638
Other operation and maintenance (excluding payroll)	41,420	42,725	127,474	124,266	182,629	160,496
Depreciation (Note 1)	35,141	27,016	105,772	81,319	133,959	106,188
Taxes, other than income taxes	35,532	32,553	110,690	98,622	141,930	128,608
Totals	294,535	243,020	830,895	734,655	1,084,101	957,919
Operating Income before Income Taxes	89,392	93,258	273,285	262,689	349,379	345,935
Income Taxes (Notes 1 and 6)	16,172	26,619	59,795	73,407	70,741	94,857
Operating Income	73,220	66,639	213,490	189,282	278,638	251,078
Other Income and Deductions:						
Allowance for other funds used during construction (Note 2)	7,019	13,276	19,305	38,311	30,881	51,223
Other income, net	2,337	628	4,934	2,442	6,174	2,788
Income taxes on other income, net (Notes 1 and 6)	(1,451)	(495)	(2,736)	(1,760)	(3,436)	(2,160)
Total Other Income and Deductions	7,905	13,409	21,503	38,993	33,619	51,851
Income Before Interest Charges and Preferred Dividends	81,125	80,048	234,993	228,275	312,257	302,929
Interest Charges and Preferred Dividends:						
Interest on first mortgage bonds	37,233	33,193	105,872	97,456	139,877	128,148
Interest on debentures and other long-term debt	5,972	5,891	17,995	17,818	24,036	23,849
Other interest	7,478	1,830	14,545	4,666	14,407	6,043
Allowance for borrowed funds used during construction - credit (net of tax) (Note 2)	(4,433)	(5,916)	(12,507)	(17,130)	(17,632)	(22,608)
Income taxes attributable to the allowance for borrowed funds (Notes 2 and 6)	(1,615)	(3,941)	(4,915)	(11,358)	(8,315)	(15,120)
Preferred stock dividends of subsidiaries	10,899	10,977	32,732	32,968	43,694	43,728
Total Interest Charges and Preferred Dividends	55,534	42,034	153,722	124,420	196,067	164,040
Net Income	$ 25,591	$ 38,014	$ 81 71	$103,855	$ $116,190	$ 138,889
Earnings Per Average Share	$ .42	$ .63	$ 1.33	$ 1.73	$ 1.90	$ 2.32
Average number of shares outstanding during each period	61,264	60,275	61,203	60,030	61,096	59,926
Cash Dividends Per Share	$ .25	$ .44	$ .95	$ 1.32	$ 1.40	$ 1.76
Consolidated Statements of Retained Earnings						
Balance, beginning of period	$476,100	$444,020	$ 463,173	$430,822	$ 455,562	$ 421,995
Add, net income	25,591	38,014	81,271	103,855	116,190	138,889
Totals	501,691	482,034	544,444	534,677	571,752	560,884
Deduct, dividends on Common Stock	15,315	26,472	58,068	79,115	85,376	105,322
Balance, end of period (Note 5)	$486,376	$455,562	$ 486,376	$455,562	$ 486,376	$ 455,562

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

GENERAL PUBLIC UTILITIES CORPORATION
AND SUBSIDIARY COMPANIES

Consolidated Statements of Sources of Funds Used for Construction

	(In Thousands)					
	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1979	1978	1979	1978	1979	1978
Sources of Funds:						
Funds generated from operations:						
Net income	$25,591	$38,014	$ 81,271	$103,855	$116,190	$138,889
Add, items not requiring current cash outlay or (receipt):						
Depreciation (Note 1)	35,141	27,015	105,772	81,319	133,959	106,188
Amortization of nuclear fuel (Note 1)	4,256	5,503	17,203	17,565	21,082	24,487
Investment credits, net (Notes 1 and 6)	(1,187)	5,904	(3,586)	16,744	21,403	30,932
Deferred income taxes, net (Notes 1 and 6)	11,514	2,794	54,001	23,716	88,279	29,170
Allowance for other funds used during construction (Note 2)	(7,019)	(13,276)	(19,305)	(38,311)	(30,882)	(51,223)
Totals	68,296	65,954	235,356	204,888	350,031	278,443
Less, cash dividends on common stock	15,315	26,472	58,068	79,115	85,376	105,322
Totals	52,981	39,482	177,288	125,773	264,655	173,121
Other sources (uses):						
Deferred energy costs, net (Notes 1 and 7)	(4,403)	2,852	(49,030)	(8,302)	(58,644)	(4,413)
Changes in — cash	5,235	(2,256)	4,745	3,494	7,562	9,178
— temporary cash investments	(49,300)	17,001	(98,800)	3,089	(98,800)	4,939
— accounts receivable	15,390	(8,325)	21,194	(7,512)	(15,082)	(13,314)
— accounts payable	8,418	(5,673)	17,756	(3,674)	33,815	13,951
— inventories — materials, supplies and fuel	(5,979)	(9,871)	(25,887)	14,802	(22,406)	19,134
— interest accrued	3,066	(514)	1,776	(1,455)	3,362	(90)
— taxes accrued	(16,674)	11,565	10,474	12,679	(10,051)	16,648
Other, net	(29,450)	20,066	(60,302)	(7,661)	(46,700)	(18,173)
Totals	(73,697)	24,845	(178,074)	5,460	(206,944)	27,860
Funds from financings:						
Sale of long-term debt		50,000	106,300	154,082	106,300	202,752
Sale of preferred stock						50,000
Sale of common stock, net of expense (Note 4)	(47)	5,223	4,777	13,004	14,046	17,998
Bank borrowings, net	89,650	(22,254)	145,850	(25,275)	195,750	(87,105)
Retirement or redemption of long-term debt and preferred stock	(4,163)	(8,048)	(15,904)	(25,997)	(22,815)	(30,197)
Totals	85,440	24,921	241,023	115,814	293,281	153,448
Totals	$64,724	$89,248	$240,237	$247,047	$350,992	$354,429
Construction Expenditures:						
Utility plant	$47,648	$89,878	$198,141	$259,115	$315,839	$359,094
Nuclear fuel	24,095	12,646	61,401	26,243	66,035	46,558
Totals	71,743	102,524	259,542	285,358	381,874	405,652
Allowance for other funds used during construction (Note 2)	(7,019)	(13,276)	(19,305)	(38,311)	(30,882)	(51,223)
Totals	$64,724	$89,248	$240,237	$247,047	$350,992	$354,429

The accompanying notes are an integral pa t of the financial statements

JERSEY CENTRAL POWER & LIGHT COMPANY

Condensed Balance Sheets

	(In Thousands) September 30, 1979	September 30, 1978
ASSETS:		
Utility Plant (at original cost) (Note 9):		
In service, under construction and held for future use	$2,066,487	$1,886,574
Less, accumulated depreciation (Note 1)	357,831	315,410
Net	1,708,656	1,571,164
Nuclear fuel (Note 8)	139,571	128,430
Less, accumulated amortization (Note 1)	32,076	36,091
Net Nuclear Fuel	107,495	92,339
Net Utility Plant	1,816,151	1,663,503
Investments	366	454
Current Assets:		
Cash	7,988	846
Accounts receivable, net	64,374	48,039
Other	65,214	44,042
Totals	137,576	92,927
Deferred Debits:		
Deferred energy costs (Notes 1, 7 and 9)	81,146	41,012
Deferred costs - nuclear accident (Note 9)	16,944	
Other (Note 9)	40,633	21,444
Totals	138,723	62,456
Total Assets	$2,092,816	$1,819,340
LIABILITIES AND CAPITAL:		
Long-Term Debt, Capital Stock and Surplus:		
First mortgage bonds	$ 752,618	$ 725,195
Debentures	81,080	83,160
Other long-term debt	10,465	15,746
Unamortized net discount on long-term debt	(2,429)	(3,498)
Non-redeemable cumulative preferred stock, including premium, net of expense	161,631	161,196
Redeemable cumulative preferred stock, net of expense	41,065	43,402
Totals	1,044,430	1,025,201
Common stock and surplus:		
Common stock	153,713	153,713
Capital surplus	436,989	373,489
Retained earnings (Note 5)	48,110	28,517
Totals	638,812	555,719
Totals	1,683,242	1,580,920
Current Liabilities:		
Securities due within one year to be refinanced	35,846	16,790
Notes payable to banks (Note 3)	90,600	12,900
Accounts payable	54,173	34,608
Other	53,567	56,076
Totals	234,186	120,374
Deferred Credits and Other Liabilities:		
Deferred income taxes (Notes 1 and 6)	109,721	63,583
Unamortized investment credits (Notes 1 and 6)	50,076	43,460
Insurance recoveries - nuclear accident (Note 9)	4,975	
Other	10,616	11,003
Totals	175,388	118,046
Commitments and Contingencies (Notes 8 and 9)		
Total Liabilities and Capital	$2,092,816	$1,819,340

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

JERSEY CENTRAL POWER & LIGHT COMPANY

Statements of Income

	Three Months Ended September 30, 1979	Three Months Ended September 30, 1978	Nine Months Ended September 30, 1979	Nine Months Ended September 30, 1978	Twelve Months Ended September 30, 1979	Twelve Months Ended September 30, 1978
	(In Thousands)					
Operating Revenues	$185,594	$161,747	$490,548	$451,352	$630,491	$589,582
Operating Expenses:						
Fuel	31,154	27,186	79,070	82,823	94,028	101,477
Power purchased and interchanged, net:						
Affiliates	20,653	10,018	36,376	16,022	50,796	18,287
Others	20,553	18,957	92,909	53,534	127,418	75,388
Deferral of energy costs, net (Notes 1 and 7)	484	(1,983)	(24,741)	7,426	(43,323)	13,142
Payroll	13,723	11,842	39,365	35,801	52,182	46,146
Other operation and maintenance (excluding payroll)	17,597	17,544	52,560	51,094	79,472	66,622
Depreciation (Note 1)	14,238	11,546	42,922	34,734	54,081	45,701
Taxes, other than income taxes	23,992	18,424	69,236	54,803	86,265	71,727
Totals	142,394	113,534	387,697	336,237	500,919	438,490
Operating Income before Income Taxes	43,200	48,213	102,851	115,115	129,572	151,092
Income Taxes (Notes 1 and 6)	8,746	14,264	20,226	29,587	23,116	38,549
Operating Income	34,454	33,949	82,625	85,528	106,456	112,543
Other Income and Deductions:						
Allowance for other funds used during construction (Note 2)	6,326	4,818	16,946	13,806	21,658	17,623
Other income, net	94	8	301	958	841	931
Income taxes on other income, net (Notes 1 and 6)	(144)	(77)	(191)	(718)	(418)	(796)
Total Other Income and Deductions	6,276	4,749	17,056	14,046	22,081	17,758
Income Before Interest Charges	40,730	38,698	99,681	99,574	128,537	130,301
Interest Charges:						
Interest on first mortgage bonds	16,083	14,581	45,327	43,495	59,888	57,061
Interest on debentures and other long-term debt	1,750	1,869	5,341	5,718	7,197	7,661
Other interest	3,375	188	7,227	321	7,810	568
Allowance for borrowed funds used during construction - credit (net of tax) (Note 2)	(3,701)	(2,978)	(9,852)	(8,601)	(12,553)	(11,308)
Income taxes attributable to the allowance for borrowed funds (Notes 2 and 6)	(930)	(568)	(2,462)	(1,567)	(3,077)	(2,032)
Total Interest Charges	16,577	13,092	45,581	39,366	59,265	51,950
Net Income	24,153	25,606	54,100	60,208	69,272	[illegible]
Preferred Stock Dividends	4,666	4,708	13,999	14,125	18,693	18,580
Earnings Available for Common Stock	$ 19,487	$ 20,898	$ 40,101	$ 46,083	$ 50,579	$ 59,771
Statements of Retained Earnings						
Balance, beginning of period	$ 28,637	$ 24,633	$ 20,023	$ 20,448	$ 28,517	$ 29,110
Add, net income	24,153	25,606	54,100	60,208	69,272	78,351
Totals	52,790	50,239	74,123	80,656	97,789	107,461
Deduct:						
Cash dividends on common stock		17,000	12,000	38,000	31,000	60,000
Cash dividends on cumulative preferred stock	4,680	4,722	14,013	14,139	18,679	18,944
Totals	4,680	21,722	26,013	52,139	49,679	78,944
Balance, end of period (Note 5)	$ 48,110	$ 28,517	$ 48,110	$ 28,517	$ 48,110	$ 28,517

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

JERSEY CENTRAL POWER & LIGHT COMPANY

Statements of Sources of Funds Used for Construction

	(In Thousands)					
	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1979	1978	1979	1978	1979	1978
Sources of Funds:						
Funds generated from operations:						
Net income	$24,153	$25,606	$ 54,100	$ 60,208	$ 69,272	$ 78,351
Add, items not requiring current cash outlay or (receipt):						
Depreciation (Note 1)	14,238	11,546	42,922	34,734	54,081	45,701
Amortization of nuclear fuel (Note 1)	4,255	3,370	12,213	12,550	13,760	17,249
Investment credits, net (Notes 1 and 6)	(551)	4,690	(1,628)	12,189	4,999	15,740
Deferred income taxes, net (Notes 1 and 6)	1,792	2,839	21,024	2,737	42,414	2,221
Allowance for other funds used during construction (Note 2)	(6,326)	(4,818)	(16,946)	(13,806)	(21,658)	(17,622)
Totals	37,561	43,233	111,685	108,612	162,868	141,640
Less, cash dividends — common stock		17,000	12,000	38,000	31,000	60,000
— preferred stock	4,680	4,722	14,013	14,139	18,679	18,944
Totals	32,881	21,511	85,672	56,473	113,189	62,696
Other sources (uses):						
Deferred energy costs, net (Notes 1 and 7)	484	(1,983)	(24,741)	7,426	(43,323)	13,142
Changes in — cash	3,089	(301)	(5,687)	1,219	(7,142)	3,063
— temporary cash investments	(7,000)	17,000	(7,000)	2,989	(7,000)	2,989
— accounts receivable	6,635	(2,230)	(4,665)	(1,178)	(16,335)	(1,821)
— accounts payable	(511)	(1,969)	4,116	(2,398)	19,564	11,343
— inventories — materials, supplies and fuel	(598)	(2,166)	(9,040)	2,479	(11,555)	(778)
— interest accrued	511	(2,090)	452	(3,163)	2,987	(2,365)
— taxes accrued	(20,571)	554	12,169	14,734	(6,799)	17,044
Other, net	(8,941)	1,965	(18,014)	(1,635)	(10,000)	(5,002)
Totals	(26,902)	8,780	(52,410)	20,473	(79,603)	37,615
Funds from financings:						
Sale of long-term debt			56,300	50,382	56,300	50,382
Sale of preferred stock						50,000
Bank borrowings, net	30,600	12,900	36,500	12,900	77,700	(22,200)
Retirement or redemption of long-term debt and preferred stock	(2,022)	(1,677)	(11,710)	(11,810)	(18,420)	(14,930)
Cash contributions from General Public Utilities Corporation parent company		10,000	29,500	10,000	63,500	30,000
Totals	28,578	21,223	110,590	61,472	179,080	93,252
Totals	$34,557	$51,514	$143,852	$138,418	$212,666	$193,563
Construction Expenditures:						
Utility plant	$27,961	$51,840	$125,424	$139,275	$196,434	$186,851
Nuclear fuel	12,922	4,492	35,374	12,949	37,890	24,334
Totals	40,883	56,332	160,798	152,224	234,324	211,185
Allowance for other funds used during construction (Note 2)	(6,326)	(4,818)	(16,946)	(13,806)	(21,658)	(17,622)
Totals	$34,557	$51,514	$143,852	$138,418	$212,666	$193,563

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

METROPOLITAN EDISON COMPANY AND SUBSIDIARY COMPANY

Condensed Consolidated Balance Sheets

	(In Thousands) September 30, 1979	(In Thousands) September 30, 1978
ASSETS:		
Utility Plant (at original cost)(Note 9):		
In service, under construction and held for future use	$1,313,484	$1,273,240
Less, accumulated depreciation (Note 1)	234,468	203,892
Net	1,079,016	1,069,348
Nuclear fuel (Note 8)	55,980	69,308
Less, accumulated amortization (Note 1)	7,399	16,073
Net Nuclear Fuel	48,581	53,235
Net Utility Plant	1,127,597	1,122,583
Investments	659	665
Current Assets:		
Cash	1,258	2,583
Accounts receivable, net	43,885	23,449
Other	40,953	35,285
Totals	86,096	61,317
Deferred Debits:		
Deferred energy costs (Notes 1, 7 and 9)	56,765	26,710
Deferred costs - nuclear accident (Note 9)	33,887	
Other (Note 9)	49,964	7,454
Totals	140,616	34,164
Total Assets	$1,354,968	$1,218,729
LIABILITIES AND CAPITAL:		
Long-Term Debt, Capital Stock and Consolidated Surplus:		
First mortgage bonds	$ 455,773	$ 463,018
Debentures	82,580	84,560
Unamortized net discount on long-term debt	(1,598)	(1,649)
Non-redeemable cumulative preferred stock, including premium	139,874	139,874
Totals	676,629	685,803
Common stock and consolidated surplus:		
Common stock	66,273	66,273
Consolidated capital surplus	280,524	280,524
Consolidated retained earnings (Note 5)	31,533	34,782
Totals	378,330	381,579
Totals	1,054,959	1,067,382
Current Liabilities:		
Debt due within one year	7,764	362
Notes payable to banks (Note 3)	88,200	24,150
Accounts payable	32,350	17,107
Other	15,900	24,398
Totals	144,214	66,017
Deferred Credits and Other Liabilities:		
Deferred income taxes (Notes 1 and 6)	99,303	59,899
Unamortized investment credits (Notes 1 and 6)	32,535	21,073
Insurance recoveries - nuclear accident (Note 9)	9,950	
Other	14,007	4,358
Totals	155,795	85,330
Commitments and Contingencies (Note 8 and 9)		
Total Liabilities and Capital	$1,354,968	$1,218,729

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

METROPOLITAN EDISON COMPANY AND SUBSIDIARY COMPANY

Consolidated Statements of Income

	(In Thousands)					
	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1979	1978	1979	1978	1979	1978
Operating Revenues	$85,846	$76,237	$250,525	$231,525	$329,580	$303,566
Operating Expenses:						
Fuel	15,730	21,109	56,253	64,825	75,302	84,803
Power purchased and interchanged, net:						
Affiliates	216	(2,614)	(1,013)	(4,024)	(4,721)	(7,547)
Others	31,334	2,956	62,047	20,853	66,421	23,913
Deferral of energy costs, net (Notes 1 and 7)	(12,849)	1,074	(33,544)	(13,478)	(30,055)	(13,045)
Payroll	8,783	8,553	25,481	25,352	33,899	32,792
Other operation and maintenance (excluding payroll)	9,734	9,150	31,415	29,479	43,266	38,369
Depreciation (Note 1)	9,370	6,095	28,263	18,178	35,570	24,014
Taxes, other than income taxes	4,484	6,263	16,711	19,278	22,723	25,034
Totals	66,802	52,586	185,613	160,463	242,405	208,333
Operating Income before Income Taxes	19,044	23,651	64,912	71,062	87,175	95,233
Income Taxes (Notes 1 and 6)	1,087	7,768	10,192	22,951	14,703	30,353
Operating Income	17,957	15,883	54,720	48,111	72,472	64,880
Other Income and Deductions:						
Allowance for other funds used during construction (Note 2)	235	5,701	908	16,350	5,440	21,481
Other income, net	238	9	673	4	746	(111)
Income taxes on other income, net (Notes 1 and 6)	(87)	(7)	(291)	(15)	(304)	44
Total Other Income and Deductions	386	5,703	1,290	16,339	5,882	21,414
Income Before Interest Charges	18,343	21,586	56,010	64,450	78,354	86,294
Interest Charges:						
Interest on first mortgage bonds	8,816	7,745	26,447	23,144	35,263	30,699
Interest on debentures	1,655	1,670	4,976	5,068	6,638	6,770
Other interest	2,377	1,481	4,644	3,102	5,361	3,749
Allowance for borrowed funds used during construction - credit (net of tax) (Note 2)	(456)	(1,812)	(1,775)	(5,195)	(3,245)	(6,539)
Income taxes attributable to the allowance for borrowed funds (Notes 2 and 6)	(389)	(2,080)	(1,512)	(5,967)	(3,202)	(7,602)
Total Interest Charges	12,003	7,004	32,780	20,152	40,815	27,077
Net Income	6,340	14,582	23,230	44,298	37,539	59,217
Preferred Stock Dividends	2,573	2,573	7,717	7,717	10,289	10,289
Earnings Available for Common Stock	$ 3,767	$12,009	$ 15,513	$ 36,581	$27,250	$ 48,928
Consolidated Statements of Retained Earnings						
Balance, beginning of period	$27,766	$30,773	$ 23,020	$ 22,701	$34,783	$ 23,854
Add, net income	6,340	14,582	23,230	44,298	37,539	59,217
Totals	34,106	45,355	46,250	66,999	72,322	83,071
Deduct:						
Cash dividends on common stock		8,000	7,000	24,500	30,500	38,000
Cash dividends on cumulative preferred stock	2,573	2,573	7,717	7,717	10,289	10,289
Totals	2,573	10,573	14,717	32,217	40,789	48,289
Balance, end of period (Note 5)	$31,533	$34,782	$ 31,533	$ 34,782	$31,533	$ 34,782

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

METROPOLITAN EDISON COMPANY AND SUBSIDIARY COMPANY

Consolidated Statements of Sources of Funds Used for Construction

	(In Thousands)					
	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1979	1978	1979	1978	1979	1978
Sources of Funds:						
Funds generated from operations:						
Net income	$ 6,340	$14,582	$23,230	$44,298	$37,539	$59,217
Add, items not requiring current cash outlay or (receipt):						
Depreciation (Note 1)	9,370	6,095	28,263	18,178	35,570	24,014
Amortization of nuclear fuel (Note 1)		1,422	3,340	3,345	4,897	4,827
Investment credits, net (Notes 1 and 6)	(271)	235	(897)	1,306	11,128	3,376
Deferred income taxes, net (Notes 1 and 6)	11,650	1,398	28,527	13,448	35,546	15,397
Allowance for other funds used during construction (Note 2)	(235)	(5,701)	(908)	(16,350)	(5,440)	(21,481)
Totals	27,054	18,031	81,555	64,225	119,240	85,350
Less, cash dividends — common stock		8,000	7,000	24,500	30,500	38,000
— preferred stock	2,573	2,573	7,717	7,717	10,289	10,289
Totals	24,481	7,458	66,838	32,008	78,451	37,061
Other sources (uses):						
Deferred energy costs, net (Notes 1 and 7)	(12,849)	1,074	(33,544)	(13,478)	(30,055)	(13,045)
Changes in — cash	(225)	754	5,145	2,071	1,325	7,318
— temporary cash investments	(2,100)		(4,600)		(4,600)	
— accounts receivable	(7,029)	(4,700)	(8,210)	(4,076)	(20,437)	(2,432)
— accounts payable	4,808	(2,790)	14,165	2,818	15,243	3,607
— inventories — materials, supplies and fuel	(4,215)	(4,448)	(4,630)	1,283	(4,714)	6,023
— interest accrued	(4,408)	(3,309)	(4,637)	(2,524)	(426)	1,231
— taxes accrued	(465)	6,374	(2,732)	(7,211)	(4,088)	(1,167)
Other, net	(25,322)	7,864	(35,847)	(5,104)	(34,991)	(6,553)
Totals	(51,805)	819	(74,890)	(26,221)	(82,743)	(5,018)
Funds from financings:						
Sale of long-term debt		50,000		58,700		93,700
Bank borrowings, net	42,750	(34,700)	52,700	(7,100)	64,050	(44,650)
Retirement or redemption of long-term debt	(1,520)	(5,420)	(1,641)	(5,540)	(1,822)	(6,000)
Totals	41,230	9,880	51,059	46,060	62,228	43,050
Totals	$13,906	$18,157	$43,007	$51,847	$57,936	$75,093
Construction Expenditures:						
Utility plant	$ 6,717	$18,487	$26,625	$59,433	$44,648	$81,977
Nuclear fuel	7,424	5,371	17,290	8,764	18,728	14,597
Totals	14,141	23,858	43,915	68,197	63,376	96,574
Allowance for other funds used during construction (Note 2)	(235)	(5,701)	(908)	(16,350)	(5,440)	(21,481)
Totals	$13,906	$18,157	$43,007	$51,847	$57,936	$75,093

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

PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

Condensed Consolidated Balance Sheets

	(In Thousands) September 30, 1979	September 30, 1978
ASSETS:		
Utility Plant (at original cost) (Note 9):		
In service, under construction and held for future use	$1,579,264	$1,522,404
Less, accumulated depreciation (Note 1)	350,664	314,152
Net	1,228,600	1,208,252
Nuclear fuel	28,768	35,183
Less, accumulated amortization (Note 1)	3,687	8,050
Net Nuclear Fuel	25,081	27,133
Net Utility Plant	1,253,681	1,235,385
Investments	20,140	20,037
Current Assets:		
Cash	2,963	11,687
Accounts receivable, net	47,117	44,323
Other	129,169	41,764
Totals	179,249	97,774
Deferred Debits:		
Deferred energy costs (Notes 1, 7 and 9)	14,057	28,792
Unamortized mine development costs (Note 1)	7,902	9,071
Deferred costs - nuclear accident (Note 9)	16,944	
Other (Note 9)	30,067	14,862
Totals	68,970	52,725
Total Assets	$1,522,040	$1,405,921
LIABILITIES AND CAPITAL:		
Long-Term Debt, Capital Stock and Consolidated Surplus:		
First mortgage bonds	$ 618,786	$ 579,944
Debentures	70,040	71,880
Unamortized net discount on long-term debt	(644)	(666)
Non-redeemable cumulative preferred stock, including premium, net of expense	121,363	120,968
Redeemable cumulative preferred stock, net of expense	47,496	50,163
Totals	857,041	822,289
Common stock and consolidated surplus:		
Common stock	105,812	105,812
Consolidated capital surplus	266,530	266,530
Consolidated retained earnings (Note 5)	54,652	33,758
Totals	426,994	406,100
Totals	1,284,035	1,228,389
Current Liabilities:		
Securities due within one year to be refinanced	15,648	2,373
Notes payable to banks (Note 3)		5,500
Accounts payable	34,339	29,725
Other	61,212	40,025
Totals	111,199	77,623
Deferred Credits and Other Liabilities:		
Deferred income taxes (Notes 1 and 6)	68,896	56,846
Unamortized investment credits (Notes 1 and 6)	40,858	34,980
Insurance recoveries - nuclear accident (Note 9)	4,975	
Other	12,077	8,083
Totals	126,806	99,909
Commitments and Contingencies (Notes 8 and 9)		
Total Liabilities and Capital	$1,522,040	$1,405,921

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

PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

Consolidated Statements of Income

	(In Thousands)					
	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1979	1978	1979	1978	1979	1978
Operating Revenues	$113,991	$99,928	$367,599	$319,957	$479,396	$418,102
Operating Expenses:						
Fuel	41,279	33,633	124,851	101,021	168,259	124,912
Power purchased and interchanged, net:						
Affiliates	(20,869)	(7,404)	(35,363)	(11,998)	(46,075)	(10,740)
Others	12,562	1,569	21,287	20,807	20,950	33,909
Deferral of energy costs, net (Notes 1 and 7)	7,961	3,763	9,255	(2,249)	14,734	(4,510)
Payroll	11,726	12,069	34,726	33,733	45,768	43,700
Other operation and maintenance (excluding payroll)	14,790	16,962	45,730	47,192	63,010	60,281
Depreciation (Note 1)	11,535	9,377	34,587	28,408	44,307	36,474
Taxes, other than income taxes	6,990	7,759	24,518	24,220	32,612	31,376
Totals	85,974	77,728	259,591	241,134	343,565	315,402
Operating Income before Income Taxes	28,017	22,200	108,008	78,823	135,831	102,700
Income Taxes (Notes 1 and 6)	6,337	4,587	29,376	20,869	32,923	25,956
Operating Income	21,680	17,613	78,632	57,954	102,908	76,744
Other Income and Deductions:						
Allowance for other funds used during construction (Note 2)	456	2,755	1,450	8,154	3,784	12,120
Other income, net	2,008	611	3,961	1,480	4,587	1,971
Income taxes on other income, net (Notes 1 and 6)	(1,219)	(411)	(2,253)	(1,027)	(2,714)	(1,409)
Total Other Income and Deductions	1,245	2,955	3,158	8,607	5,657	12,682
Income Before Interest Charges	22,925	20,568	81,790	66,561	108,565	89,426
Interest Charges:						
Interest on first mortgage bonds	12,334	10,865	34,098	30,816	44,726	40,387
Interest on debentures	1,285	1,318	3,883	3,978	5,186	5,314
Other interest	529	350	1,009	1,791	(84)	2,447
Allowance for borrowed funds used during construction - credit (net of tax) (Note 2)	(277)	(1,126)	(880)	(3,333)	(1,834)	(4,761)
Income taxes attributable to the allowance for borrowed funds (Notes 2 and 6)	(296)	(1,292)	(941)	(3,624)	(2,036)	(5,486)
Total Interest Charges	13,575	10,115	37,169	29,428	45,958	37,901
Net Income	9,350	10,453	44,621	37,133	62,607	51,525
Preferred Stock Dividends	3,660	3,696	11,016	11,126	14,713	14,859
Earnings Available for Common Stock	$ 5,690	$ 6,757	$ 33,605	$ 26,007	$ 47,894	$ 36,666
Consolidated Statements of Retained Earnings						
Balance, beginning of period	$ 48,962	$38,001	$ 37,047	$ 33,751	$ 33,758	$ 37,092
Add, net income	9,350	10,453	44,621	37,133	62,607	51,525
Totals	58,312	48,454	81,668	70,884	96,365	88,617
Deduct:						
Cash dividends on common stock		11,000	16,000	26,000	27,000	40,000
Cash dividends on cumulative preferred stock	3,660	3,696	11,016	11,126	14,713	14,859
Totals	3,660	14,696	27,016	37,126	41,713	54,859
Balance, end of period (Note 5)	$ 54,652	$33,758	$ 54,652	$ 33,758	$ 54,652	$ 33,758

The accompanying notes are an integral part of the financial statements

PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

Consolidated Statements of Sources of Funds Used for Construction

	(In Thousands)					
	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1979	1978	1979	1978	1979	1978
Sources of Funds:						
Funds generated from operations:						
Net income	$ 9,350	$10,453	$44,621	$37,133	$62,607	$51,525
Add, items not requiring current cash outlay or (receipt):						
Depreciation (Note 1)	11,535	9,377	34,587	28,408	44,307	36,474
Amortization of nuclear fuel (Note 1)		708	1,649	1,669	2,425	2,411
Investment credits, net (Notes 1 and 6)	(365)	978	(1,061)	3,249	5,277	11,814
Deferred income taxes, net (Notes 1 and 6)	(2,129)	(1,444)	4,450	7,531	10,319	11,551
Allowance for other funds used during construction (Note 2)	(456)	(2,755)	(1,450)	(8,154)	(3,784)	(12,120)
Totals	17,935	17,317	82,796	69,836	121,151	101,655
Less, cash dividends — common stock		11,000	16,000	26,000	27,000	40,000
— preferred stock	3,660	3,696	11,016	11,126	14,713	14,859
Totals	14,275	2,621	55,780	32,710	79,438	46,796
Other sources (uses):						
Deferred energy costs, net (Notes 1 and 7)	7,961	3,763	9,255	(2,249)	14,734	(4,510)
Changes in — cash	438	(2,243)	1,149	(491)	8,723	71
— temporary cash investments	(40,200)		(87,200)		(87,200)	
— accounts receivable	7,164	(1,116)	13,700	2,567	(2,793)	(9,979)
— accounts payable	6,244	(1,247)	1,964	(2,039)	4,614	398
— inventories — materials, supplies and fuel	(1,166)	(3,257)	(12,217)	11,040	(6,137)	13,889
— interest accrued	6,109	4,889	5,877	4,498	170	1,305
— taxes accrued	10,033	4,525	19,761	(827)	19,851	562
Other, net	4,416	10,717	(8,553)	101	(3,944)	(4,857)
Totals	999	16,031	(56,264)	12,600	(51,982)	(3,121)
Funds from financings:						
Sale of long-term debt			50,000	45,000	50,000	61,420
Bank borrowings, net		96	(500)	(33,325)	(5,500)	(23,905)
Retirement or redemption of long-term debt and preferred stock	(621)	(951)	(2,552)	(3,147)	(2,573)	(3,767)
Cash contribution from General Public Utilities Corporation, parent company						5,000
Totals	(621)	(855)	46,948	8,528	41,927	38,748
Totals	$14,653	$17,797	$46,464	$53,838	$69,383	$82,423
Construction Expenditures:						
Utility plant	$11,360	$17,770	$39,177	$57,462	$63,750	$86,916
Nuclear fuel	3,749	2,782	8,737	4,530	9,417	7,627
Totals	15,109	20,552	47,914	61,992	73,167	94,543
Allowance for other funds used during construction (Note 2)	(456)	(2,755)	(1,450)	(8,154)	(3,784)	(12,120)
Totals	$14,653	$17,797	$46,464	$53,838	$69,383	$82,423

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

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

General:

Reference is made to the Notes to Financial Statements included in the 1978 Annual Report to Stockholders

Operating Revenues:

Revenues are generally recorded on the basis of billings rendered. During 1978, the Corporation's Pennsylvania subsidiaries commenced billing their retail customers on a monthly basis rather than on a bi-monthly basis to conform to requirements of the Pennsylvania Public Utilities Commission ("PaPUC") while remaining on a bi-monthly meter reading cycle.

Depreciation:

The Corporation's subsidiaries provide for depreciation at annual rates determined and revised periodically, on the basis of studies, to be sufficient to amortize the original cost of depreciable property over estimated remaining service lives, which are generally longer than those employed for tax purposes. The subsidiary companies use depreciation rates which, on an aggregate composite basis, resulted in an approximate annual rate of 3.07% (Jersey Central Power & Light Company ("JCP&L")—3.40%, Metropolitan Edison Company ("Met-Ed")—2.84%, and Pennsylvania Electric Company ("Penelec")—2.89%) for the year 1978.

Nuclear Plant Decommissioning Costs:

In accordance with ratemaking determinations (a) JCP&L is charging to expense and crediting to a non-funded reserve amounts intended to provide over their service lives for the decommissioning of Oyster Creek and its share of TMI #1 nuclear unit, and (b) Met-Ed and Penelec are charging to expense and paying over to a separate trust amounts intended to provide over their service lives for the decommissioning of their shares of the radioactive components of TMI #1. Such ratemaking orders limit such provisions to amounts based on cost estimates in current dollars without provision for possible future cost escalation. None of the subsidiaries is making any similar provision for decommissioning costs for TMI #2; none of the capital or operating costs of TMI #2 are currently reflected in the rates of the subsidiaries (see Note 9).

Amortization of Nuclear Fuel:

The amortization of nuclear fuel is provided on a unit of production basis. Rates are determined and periodically revised to amortize the cost over the useful life. Prior to December 1, 1976, amortization of nuclear fuel costs included estimated costs of reprocessing such fuel and estimated residual uranium and plutonium. Due to the uncertain future of government approvals for reprocessing and plutonium recycling, the Corporation's subsidiaries, effective December 1, 1976, began using amortization rates for nuclear fuel at the Three Mile Island station which estimate zero values for reprocessing costs and for residual credits. Effective September 1, 1977 similar treatment was adopted pursuant to authorization by the Board of Public Utilities of the State of New Jersey ("NJBPU") for the Oyster Creek station nuclear fuel. Also effective September 1, 1977 JCP&L is providing for estimated future off-site storage costs for the spent Oyster Creek nuclear fuel and similar treatment will be provided for off-site storage costs for the spent Three Mile Island station ("TMI") nuclear fuel when required. Previously accumulated estimated residual credits, net of previously accumulated estimated costs of reprocessing for the Oyster Creek station nuclear fuel are being amortized to fuel expense on a unit of production basis. Should reprocessing eventually be undertaken, the Corporation expects that any difference between such costs and credits will be recognized prospectively in the rate-making process.

Notes to Financial Statements - (Continued)

Income Taxes:

The Corporation and its subsidiaries file consolidated Federal income tax returns. All participants in a consolidated Federal income tax return are severally liable for the full amount of any tax, including penalties and interest, which may be assessed against the group. The Corporation and its subsidiaries have filed with the Securities and Exchange Commission ("SEC") a proposal to change the method of allocation of Federal income taxes beginning with the year 1979. The effect of this change will be to allocate the tax reductions attributable to GPU expenses among its subsidiaries in proportion to the dollars of average common stock equity investment of GPU in such subsidiaries during the year. In addition, each subsidiary will receive in current cash payments the benefit of its own net operating loss carrybacks to the extent that the other subsidiaries can utilize such net operating loss carrybacks to offset the tax liability they would otherwise have on a separate return basis (after taking into account any investment tax credits they could utilize on a separate return basis). The proposed method of allocation will not allow any subsidiary to pay more than its separate return liability as if it had always filed separate returns.

The revenues of the Corporation's subsidiaries in any period are dependent to a significant extent upon the costs which are recognized and allowed in that period for rate-making purposes. In accordance therewith, the Corporation's subsidiaries have employed the following policies:

Tax Depreciation: The subsidiaries of the Corporation generally utilize liberalized depreciation methods and the shortest depreciation lives permitted by the Internal Revenue Code in computing depreciation deductions and provide for deferred income taxes where permitted in the rate-making process.

Investment Credits: The 3% investment credits are being amortized over a 10-year period while the 4% and 10% investment credits are being amortized over the estimated service lives of the related facilities.

Investment credits applicable to the Tax Reduction Act Employee Stock Ownership Plan ("TRAESOP") are remitted to the Plan Trustee and have no effect on income (see Note 4).

Pension Plans:

The Corporation's subsidiaries have several pension plans including plans applicable to all employees, the accrued costs of which are being funded. The costs of supplemental pension plans applicable only to supervisory employees were not funded prior to 1976. The previously unfunded supplemental pension plan costs are being funded during the five year period beginning January 1, 1977. Prior service costs applicable to all plans are being amortized and funded over 25-year periods.

Deferred Energy Costs:

The subsidiaries follow a policy of recognizing energy costs in the period in which the related energy clause revenues are billed.

Deferred energy costs at September 30, 1979 include (a) amounts accumulated prior to the TMI #2 accident, which are being amortized in accordance with ratemaking orders (see Note 7), and (b) amounts accumulated subsequent to the TMI #2 accident reflecting the operation of levelized energy adjustment clauses placed in effect pursuant to ratemaking orders entered in June 1979 (see Note 9).

Mine Development Costs:

These costs are being amortized to income over the estimated life (20 years) of the mines.

2. Allowance for Funds Used During Construction:

The applicable regulatory Uniform System of Accounts provides for allowance for funds used during construction ("AFC") which is defined as including the net cost during the period of construction of borrowed funds (allowance for borrowed funds used during construction) used for construction purposes and a reasonable rate on other funds (allowance for other funds used during construction) when so used. While AFC results in a current increase in utility plant to be recognized for rate-making purposes and represents, in this fashion, current compensation for the use of capital devoted to construction, AFC is not an item of current cash income; instead, AFC is realized in cash after the related plant is placed in service by means of the allowance for depreciation charges based on the total cost of the plant, including AFC.

To the extent permitted in the rate-making proceedings of the subsidiaries, the income tax reductions associated with the interest component of AFC have been allocated to reduce interest charges and, correspondingly, have not reduced income taxes charged to operating expenses. Pursuant to such rate orders, the Pennsylvania subsidiaries employ a net of tax accrual rate for AFC and JCP&L employs a net of tax accrual rate for AFC on certain construction projects while using a gross AFC rate on others.

The Corporation's subsidiaries have accrued AFC using rates which, on an aggregate composite basis, would have resulted in an annual rate of 8.42% (JCP&L-8.85%, Met-Ed-6.38%, and Penelec-7.09%) for the nine months ended September 30, 1979.

3. Short-Term Borrowing Arrangements:

The Corporation and its subsidiaries have entered into a revolving credit agreement with a group of banks, under which they expect to ultimately have available up to $412 million of credit at interest rates ranging from 105% to 111% of the prime rate. The agreement provides for a commitment fee of one-half of one percent per annum of each bank's total commitment (whether used or unused). At September 30, 1979, the lines of credit under the agreement totaled $289 million, of which $220 million have been utilized for outstanding borrowings.

In addition, the Corporation and its subsidiaries have informal lines of credit with various lenders. These arrangements generally provide for the maintenance of compensating balances ranging from a minimum of 10% of the available line of credit to a maximum of 10% of the line plus 10% of the loans outstanding, as determined on a daily average basis. At September 30, 1979, the lines of credit available under these arrangements totaled approximately $35 million (JCP&L - $17 million, Met-Ed - $2 million and Penelec -$16 million).

4. Common Stock and Capital Surplus:

Of the 75 million authorized shares of $2.50 par value common stock of the Corporation, 61,264,000 shares were issued and outstanding at September 30, 1979.

During the quarter ended March 31, 1979, the Corporation sold 293,000 shares of common stock. The par value of such shares ($731,000) was credited to common stock and the excess of proceeds over the par value of such shares ($4,188,000) was credited to capital surplus.

As a result of the accident at TMI #2, the Corporation suspended both the Dividend Reinvestment Plan and the TRAESOP. Because of such suspensions, no shares of common stock have been sold subsequent to March 31, 1979.

5. Consolidated Retained Earnings:

Under the revolving credit agreement, $300,000,000 of the balance of consolidated retained earnings is restricted as to the payment of cash dividends on common stock.

Retained earnings of Met-Ed and Penelec include $3,360,000 and $37,048,000, respectively, which

Notes to Financial Statements - (Continued)

amounts are restricted as to the declaration of cash dividends on common stock in accordance with the most restrictive of the provisions contained in their mortgages, debenture indentures, charters and the revolving credit agreement.

In accordance with recently supplemented provisions of its mortgage, JCP&L must limit cash dividends on common stock, to the extent they are not matched by cash capital contributions from the Corporation, to an amount not exceeding 25% of earnings for 1979 and 1980 and 100% of earnings thereafter. In the NJBPU's rate order of June 18, 1979, JCP&L was directed not to pay any cash dividends on common stock for the remainder of 1979.

6. Income Taxes:

Examination of Federal income tax returns through 1976 has been completed and the years 1977 and 1978 are currently under review. The Corporation and its subsidiaries have provided for any anticipated liabilities that may result from such examination.

7. Deferred Energy Costs:

The balance of deferred energy costs at September 30, 1979 includes (a) $52.6 million deferred by JCP&L prior to September 1, 1977 which is being amortized to income at a rate of $2.3 million per year, before income taxes, for accounting and rate-making purposes, and, (b) $25.2 million (Met-Ed $14.4 million, and Penelec $10.8 million) deferred by the Pennsylvania subsidiaries prior to July 1, 1978 which is being amortized to income at a rate of $11.3 million (Met-Ed, $5.8 million and Penelec, $5.5 million) per year, before income taxes, for accounting and rate-making purposes. Substantially all of the remaining balance of deferred energy costs represents costs experienced since the accident at TMI #2 (see Note 9).

8. Commitments and Contingenices:

General:

The subsidiaries' construction programs, which extend over several years, contemplate expenditures of approximately $330 million (JCP&L, $205 million; Met-Ed, $50 million; and Penelec, $70 million) during 1979. In connection with these construction programs the subsidiaries have incurred substantial commitments.

The subsidiaries are engaged in negotiations and, in one instance, litigation with various suppliers relating to the latters' claims for delay or termination charges or increased fees which such suppliers assert result from the subsidiaries' revisions of their construction plans and schedules and/or from the increased scope of supply. The subsidiaries' managements do not expect at this time that such negotiations and litigation will result in any material increase in costs that would not be valid costs properly recognizable through the rate-making process.

Claims for damages arising out of the operation of the Oyster Creek station have been asserted. JCP&L's management believes that such liability, if any, as it may have for such damages in the pending suits and for all asserted and potential similar claims would not be material.

JCP&L was a participant in the Atlantic generating station project. In December 1978, the non-affiliated co-owner and principal sponsor of the station announced the abandonment of the project. At September 30, 1979, JCP&L's investment in the project was $4.2 million. JCP&L plans to seek regulatory approval to amortize this investment, net of related income tax reductions of $1.4 million, over a period of years for rate-making purposes. The NJBPU has accorded such treatment for similar items in the past.

The corporation has guaranteed all borrowings outstanding under the revolving credit agreement (see Note 3). In order to secure such guarantee, plus $39 million of the Corporation's term loan and the guarantee by the Corporation of $16.8 million of loans to GPU Service Corporation, ("GPUSC"), the Corporation has pledged the common stock of JCP&L, Met-Ed, Penelec and GPUSC.

JCP&L and Met-Ed have secured their notes under the revolving credit agreement by pledging a security interest in certain nuclear fuel in process of refinement, conversion, enrichment and fabrication. Such nuclear fuel was recorded, on the September 30, 1979 balance sheet, at a cost of $16.4 million (JCP&L -$8.5 million and Met-Ed - $7.9 million). In addition, Met-Ed has pledged $40 million of first mortgage bonds as security for its indebtedness under the revolving credit agreement.

Fuel Adjustment Clauses:

In 1974, in the aftermath of the Arab oil embargo and OPEC actions doubling the price of oil and in the presence of the threat of a prolonged coal strike, competition for coal was intense. In some cases, Met-Ed and Penelec agreed in 1974 to modification of existing contracts and/or paid prices in excess of such contracts, believing that they would not have been able to obtain delivery of coal from their contract suppliers without taking such actions and that the other alternatives would have resulted in even higher costs or unreliable service to their customers. In 1976, the PaPUC directed that independent studies be made of the fuel procurement policies, practices and the procedures of Pennsylvania electric utilities and their application of the fuel adjustment clauses in 1974 and that reports of such studies be filed with the PaPUC.

The independent auditors of the Corporation and its subsidiaries made such studies with respect to Met-Ed and Penelec and submitted reports to the PaPUC on March 1, 1976. These reports found that in 1974 certain payments to coal suppliers were in excess of original contract arrangements. The Met-Ed report states that $2.8 million in payments were in excess of base contract prices but in accordance with contract terms for escalation; whereas $5.8 million of price increases in excess of base contract prices had inadequate documentation to support such escalation. The report also stated additional quantities of coal (an estimated 70,000 tons) had to be purchased due to receipt of coal that had not met the BTU specifications of the contracts. The Penelec report identifies $4.5 million of payments in excess of escalated contract prices due to renegotiations of existing contracts and that certain suppliers did not deliver 400,000 tons required under the contractual arrangements. These reports also stated that "[a] part of these additional costs was unavoidable since they were caused by external conditions beyond the control" of the subsidiaries and "to some degree," because of their coal procurement practices which the report found to be "informal and not well documented". The subsidiaries' alternatives were limited and they were not in a strong bargaining position to contend with 1974 conditions, the reports stated, but added that, in retrospect, the subsidiaries might have done more to contain fuel costs, despite such conditions and procurement problems. Although the reports said that the subsidiaries' primary commitment is to maintain reliable electric service, it added that the subsidiaries "could have been more responsive to the developing procurement problems and taken more effective action to cope with them".

In March, 1976, by complaints filed against several Pennsylvania electric utilities, including Met-Ed and Penelec, the PaPUC ordered an investigation of their charges made and rates received through fuel adjustment clauses.

In January and April 1977, the PaPUC issued amended complaints asserting that Met-Ed and Penelec made payments in 1974 for coal that were $9.8 million and $4.9 million, respectively, in excess of those required by their contracts, and that such excess payments were without justification and directing Met-Ed and Penelec to show cause why they should not be required to refund $9.8 million and $4.9 million, respectively, to their customers. Met-Ed and Penelec believe that the payments which they made were justified and that there is no basis for requiring such refunds and they have so responded to the complaints. Hearings on the complaint against Met-Ed were completed in November 1978 and the matter is awaiting the initial decision by the administrative law judge who heard the evidence.

Notes to Financial Statements - (Continued)

In November and December 1978, the PaPUC issued further complaints asserting that Met-Ed and Penelec incurred excess costs of $4.6 million and $.8 million, respectively, for coal during 1975 and 1976, and that such excess payments were without justification and directing Met-Ed and Penelec to show cause why they should not be required to refund $4.6 million and $.8 million, respectively, to their customers. Such complaints were based on audit reports prepared by the PaPUC staff. Met-Ed and Penelec believe that the payments which they made were justified and that there is no basis for requiring such refunds, and they have so responded to the complaints.

In May, 1976, the PaPUC required all Pennsylvania electric utilities to file supplements, effective August 1, 1976, to their fuel adjustment clauses providing that the application of such clause shall be subject to continuous review and audit and that, if it shall be determined by a final order that such clause has been erroneously or improperly utilized, the utility will rectify such error and apply credits against future fuel cost adjustments.

Met-Ed and Penelec believe that the amounts paid by them for fuel in 1974-1976 were fully justified and that there is no valid basis for requiring any refund of any amounts collected by them under their fuel adjustment clauses. However, the Corporation is unable at this time to predict the outcome of these matters.

Compliance Audits:

The staff of the FERC has conducted compliance audits of Met-Ed's and Penelec's accounting records covering the periods ending December 31, 1976 and December 31, 1977, respectively. The findings of such audits which, among other things, raised questions concerning the base to which AFC accruals should be applied, were furnished to Met-Ed and Penelec by the FERC in letters dated October 2, 1978 and November 17, 1978, respectively. The letters recommended certain adjustments to the books of account. If such recommendations were to be sustained, the resulting reduction in consolidated earnings would approximate $4.5 million (Met-Ed, $2.2 million and Penelec $2.3 million) through 1978. Met-Ed and Penelec believe that such recommended adjustments are not justified and they are contesting them.

Nuclear Fuel Litigation:

In 1971, JCP&L entered into a contract for the purchase of three nuclear fuel reloads for the Oyster Creek Station, with an option for five additional annual reloads beginning in 1976. In 1974 the supplier offered an extension of that contract to cover five additional annual reloads beginning in 1981. JCP&L believes that it effectively exercised the option in the initial contract and accepted the offer to extend the contract to cover the annual reloads through 1985. The supplier disputes this position and, in November 1978, submitted bills for material and services in the aggregate amount of approximately $33 million, covering reloads supplied in 1977 and 1978 and to be supplied in 1979. The supplier has stated that its objective is to establish revised prices and other terms and conditions rather than to diminish supplies and, without prejudice to its legal position, has released uranium concentrates for enrichment and fabrication for the 1979 annual fuel reload. Of the $33 million claimed by the supplier to be due, JCP&L has paid approximately $.8 million, agreed to pay an additional $3 million but has asserted that such amount will not be due until later in 1979 and is of the opinion that the balance of approximately $29 million is not payable by it and has so informed the supplier. On January 26, 1979, the supplier filed suit against JCP&L, the Corporation and GPU Service Corporation. JCP&L has filed a counterclaim for a declaratory judgement confirming its view of the contractual status and for damages and has also filed another suit against the supplier and its parent seeking damages. JCP&L believes that any additional amount that it might be required to pay if the supplier is successful in its suit would be valid costs and should be recognized for rate-making purposes. However, there can be no assurance that this will be the case.

Notes to Financial Statements - (Continued)

9. Nuclear Accident:

On March 28, 1979, an accident occurred at Unit No. 2 of the Three Mile Island nuclear generating station ("TMI-2") resulting in significant damage to TMI-2, and a release of some low level radiation which published reports of governmental agencies indicate did not constitute a significant public health or safety hazard. TMI-2 is jointly owned by the subsidiaries, JCP&L, 25%; Met-Ed, 50%; and Penelec, 25%. Total investment by the subsidiaries in TMI-2 is approximately $750 million, including the unamortized investment of approximately $35 million in the nuclear fuel core.

The subsidiaries have engaged a consulting engineering firm to prepare a cost estimate and schedule for restoring TMI-2 to service. The firm's initial report notes that, while the decontamination of the buildings and removal and disposal of large quantities of radioactive material is a major undertaking, the technology and techniques are well-known and have been previously demonstrated. This initial report emphasizes the inherent uncertainties in cost and schedule estimates until (a) entry into the containment vessel has been gained and the difficulties of decontamination have been evaluated, (b) the reactor vessel has been opened and the difficulties of core removal have been evaluated, and (c) the physical integrity of major components has been assessed.

Subject to these qualifications, the initial report estimates that decontamination and restoration of TMI-2 to service, exclusive of replacement of the core, will cost approximately $240 million and take about four years. The report also recommends that, because of the unknowns and variables, an allowance of $80 million for contingencies be included in the estimate of cost, bringing the total to $320 million. The estimate does not include provision for the replacement of the reactor core (estimated by the subsidiaries to cost $60 million to $85 million) nor for the subsidiaries' replacement power, financing and other costs during the period of rehabilitation of TMI-2. The subsidiaries have increased, by $25 million, the engineering firm's estimate of costs to provide for other items possibly omitted from that estimate.

The subsidiaries carried the maximum insurance coverage available ($300 million) for damage to the unit and core and for decontamination expenses. The insurance does not cover replacement power costs or return on investment while the unit is not providing electricity for customers, but it otherwise covers most types of costs. It is the subsidiaries' belief that, if the estimates of the consulting engineering firm are borne out, the recoveries from the insurance companies will approximate the amount of the insurance carried.

The subsidiaries do not know the extent, if any, to which the expenditures for repair and restoration of the unit to service will represent plant improvements or other items that are properly capitalizable and recoverable in the future through rates charged to customers by amortization or depreciation charges. Moreover, the subsidiaries expect to seek financial assistance from the Federal government and/or the utility industry in areas where the technical information should be of wide value and significance. Under these circumstances, the amount of loss, if any, suffered by the Corporation and its subsidiaries resulting from the TMI accident is not presently determinable and no provision therefore has been made in their accounts.

The property damage insurance, and the limit of coverage, is applicable to both TMI-1 and TMI-2. This property insurance is reduced by claims paid and the insurance carriers have refused to reinstate the original coverage limits at this time. Separate property damage insurance for TMI-1 of up to $300 million was obtained from another carrier which provides such insurance only on a retrospective premium basis whereby the insureds are subject to annual assessments of up to 14 times the annual premium. As a result, the subsidiaries have a contingent liability for an aggregate annual assessment of up to $14 million. With regard to property insurance for TMI-2, $50 million of coverage has been obtained for possible damages which might result from a non-nuclear accident during the unit's restoration period.

The subsidiaries, in responding to the accident at TMI-2, have incurred $74 million of costs associated with the clean-up and recovery process, as of September 30, 1979. Of this amount $67.8 million has been deferred and $6.2 million charged to operations. All deferred costs will be charged to operations upon a determination that such costs are not recoverable through insurance proceeds, rates or by financial assistance from the Federal government or from other public or private sources and/or utility industry. In its rate order approved June 15, 1979 referred to below, the PaPUC recognized that no claim for such costs had been made in the proceedings in which such order was entered. Nevertheless, the PaPUC stated in that order: "the Commission is of the view that none of the costs of responding to the incident, including repair, disposal of wastes and decontamination are recoverable from ratepayers."

The subsidiaries, while presently unable to assess the specific damage to the fuel core at TMI-2, are of the opinion that the core is no longer useful in TMI-2 or any other nuclear generating station. At the time of the accident at TMI-2, the nuclear fuel core had a remaining unamortized book cost of approximately $35 million. In June 1979 this nuclear fuel core was retired and the unamortized cost was transferred to Deferred Debits - Other, pending insurance settlement.

TMI-1 which adjoins TMI-2 was out of service for a scheduled refueling and was not involved in the accident. By orders dated July 2, 1979 and August 9, 1979, the Nuclear Regulatory Commission ("NRC") directed that TMI-1 remain in a shut down condition until resumption of operation is authorized by the NRC, after public hearings and the satisfaction of various requirements set forth in such orders. The NRC's time schedule for the completion of the hearings and decision would require at least one year and a longer period could be required.

In their rate orders issued in June 1979, the PaPUC and NJBPU determined that the capital and operating costs associated with TMI-1 should continue to be reflected in base rates. However, on September 20, 1979, the PaPUC issued an order instituting an investigation to determine whether the costs of Met-Ed and Penelec associated with TMI-1 should be removed from their base rates. The NJBPU may institute a similar investigation.

In order to make provisions for the substantial expenditures required for clean up and repair, replacement energy and other added costs resulting from this accident, the Corporation and its subsidiaries entered into a revolving credit agreement with a group of banks in June 1979, (see Note 3). In addition, JCP&L and Penelec each issued $50 million of first mortgage bonds in June 1979 and JCP&L sold $47.5 million of first mortgage bonds in October 1979, $25 million of which was applied to the payment of maturing bonds.

On October 26, 1979, the NRC proposed a fine of $155,000 against Met-Ed for alleged safety, maintenance procedural and training violations at TMI. The NRC also stated that depending upon the findings of continuing investigations into the TMI-2 accident, it may take additional enforcement action such as assessing additional civil penalties or ordering the suspension, modification or revocation of Met-Ed's operating license. Met-Ed proposes to contest the major elements of the proposed fine but does not know what the outcome of this matter will be.

On October 30, 1979, the Presidential Commission on the Accident at Three-Mile Island issued its report. The Commission's Report is lengthy and it was accompanied by a series of Staff Reports comprising several thousand pages. The Commission's Report states, in part, that its "investigation has revealed problems with the 'system' that manufactures, operates and regulates nuclear power plants" and the shortcomings which turned the incident into a serious accident "are attributable to the utility, to suppliers of equipment and to the federal commission that regulates nuclear power." The Corporation does not know what effect, if any, the Report will have upon it and its subsidiaries.

Other investigations and inquiries into the nature, causes and consequences of the TMI-2 accident commenced by various federal and state bodies are continuing. GPU is unable to estimate the full scope and nature of these continuing investigations or the potential consequences thereof to the investors in the securities of the Corporation and its subsidiaries. The Corporation is also unable to determine the impact, if

Notes to Financial Statements - (Continued)

any, the results of such investigations may have on the proceedings to return TMI-1 to service and the efforts to rehabilitate TMI-2.

On November 1, 1979, the PaPUC ordered Met-Ed to show cause why its governmental authorization to sell electric power should not be revoked. Met-Ed intends to respond to the order contending that there is no basis for such revocation.

On January 31, 1979, JCP&L was granted a $33.8 million rate increase by the NJBPU, which, among other things, reflected in base rates its investment in TMI-2 and the operating and maintenance costs associated with the unit. On June 18, 1979, the NJBPU issued a rate order reducing annual base revenues by $29 million which represents JCP&L's capital and operating cost associated with its interest in TMI-2. The order also provided for a reduction in energy revenues of $7.3 million over a prospective eighteen month period as an offset to revenues attributable to TMI-2, collected during April, May and June 1979. Accordingly, such amount was recorded as a charge to energy costs by JCP&L in June 1979. In addition, the order authorized JCP&L to increase its levelized energy adjustment charges to its customers over the period July 1, 1979-December 31, 1980, by an amount which the NJBPU believed would be sufficient to recover the replacement power costs associated with the non-availability of TMI since March 31, 1979 (see Notes 1 and 7). On September 5, 1979, the NJBPU authorized JCP&L to increase its levelized energy adjustment clause charges to recover increases in energy costs, not associated with TMI, anticipated for the period September 1, 1979 - August 31, 1980; such increase is expected to provide approximately $70 million of revenues during that period (see Note 1).

During the first quarter of 1979, Met-Ed and Penelec were granted retail rate increases by the PaPUC which, among other things, reflected in base rates their investment in TMI-2 and the operating and maintenance costs associated with the unit. On April 19, 1979 and April 25, 1979, the PaPUC, as a result of the accident, established temporary rates for Met-Ed and Penelec, respectively, reducing annual base revenues by the operating and capital costs associated with their interest in TMI-2. These actions effectively revoked the $46.6 million increase in rates granted Met-Ed on March 22, 1979, restoring the rates to levels in effect prior to that rate order. In Penelec's case, the PaPUC prospectively reduced the $56.2 million rate increase which the company had been billing since January 27, 1979 by $25.0 million.

On June 15, 1979, the PaPUC issued a rate order which directed that Met-Ed's and Penelec's temporary rates prescribed by its April 19, 1979 and April 25, 1979 orders be made permanent. In addition, the order established levelized energy adjustment clauses for Met-Ed and Penelec for the period July 1, 1979 -December 31, 1980 at a level which the PaPUC believed would be sufficient to recover the increases in the companies' energy costs during that period. This levelized energy adjustment clause did not make provision for the increased energy costs experienced by Met-Ed and Penelec during the March 28-June 30, 1979 period, but the discussion at the public meeting at which such order was entered indicated that such costs will ultimately be recoverable. The order also made provision for the amortization through base rates by Met-Ed of $5.8 million annually of previously deferred energy costs of $14 million and by Penelec of $5.5 million annually of previously deferred energy costs of $19.4 million.

The increases in the subsidiaries' levelized energy adjustment charges granted by the NJBPU and PaPUC in June 1979 assumed that TMI-1 would resume the generation of electricity on January 1, 1980. The subsidiaries expect to seek increased energy adjustment charges in the light of the NRC's action requiring that TMI-1 remain in a shut-down condition until resumption of operations is authorized by it.

On November 1, 1979, Met-Ed filed with the PaPUC for an increase of approximately $55 million in its levelized energy clause charges. Such request is a result of increased fuel costs since the June 15, 1979 rate order, as well as the continued delay in returning TMI-1 to service.

As indicated by the preceding paragraphs the depreciation and return requirements associated with the $750 million investment in TMI-2 (amounting to approximately $95 million per year) are not being recovered

Notes to Financial Statements - (Continued)

from customers. Such depreciation and return requirements are currently being reflected in the financial statements in that (a) depreciation charges in respect of the unit are being provided, (b) the interest and preferred stock dividend charges associated with the debt and preferred stock components of that investment are being accrued, and (c) the earnings per share of common stock are determined on a basis which reflects all outstanding shares including the shares issued to finance the common stock component of that investment.

Under the Price-Anderson Act there is a limit of $560 million on each nuclear generating unit for public liability claims that could result from a single nuclear incident. The subsidiares have insured for this exposure by purchasing private insurance of $140 million (the maximum amount available at the time of the accident) and the remainder by participating in an arrangement for assessments after an accident against owners of nuclear reactors of up to $5 million per incident, but not more than $10 million in any calendar year, for each licensed nuclear reactor and indemnity by the Federal government. Based on the three nuclear reactors and the insurance coverage in effect at the time of the accident, the subsidiaries' maximum potential assessment under this arrangement is $15 million per incident.

Such private insurance is reduced by claims paid but is subject to reinstatement to original coverage limits upon approval by the insurance carriers. The subsidiaries have applied for such reinstatement but are unable at this time to ascertain whether or when such reinstatement will be approved.

As a result of the accident, the Corporation, and/or its subsidiaries have been named as defendants in various law suits. Among other matters such suits include (i) class actions and individual suits for personal and property damages directly resulting from the accident, (ii) suits to enjoin the decontamination of TMI-2 and (iii) suits for damages on behalf of purchasers of GPU Common Stock. The corporation and its subsidiaries are not able to evaluate the merits of these complaints.

The subsidiaries' construction program, which extends over several years, contemplated expenditures of approximately $455 million during 1979. However, due to the accident at TMI-2, in an effort to conserve their cash resources the subsidiaries' have reduced their 1979 construction program expenditures to approximately $330 million.

JCP&L, in view of the accident, has temporarily suspended construction on its Forked River nuclear generating station. Total costs applicable to this project at September 30, 1979 were approximately $357 million. Prior to the accident, JCP&L was negotiating for the sale of undivided interests in the station to two unaffiliated utilities, one of which has since indicated it is no longer interested in such a purchase. JCP&L does not know whether it will be able to sell any undivided interests in the station.