



GPU Service Corporation
100 Interpace Parkway
Parsippany, New Jersey 07054
201 263-6500
TELEX 136-482
Writer's Direct Dial Number
(201) 263-6054

September 11, 1980

Mr. Michael Karlowicz
U. S. Nuclear Regulatory Commission
Room P-338 - PHIL
7920 Norfolk Avenue
Bethesda, Maryland 20014

Dear Mike:

Enclosed is a letter, dated September 5, 1980, from Citibank, N.A., as Agent, and Chemical Bank, as Co-Agent, under the Revolving Credit Agreement notifying GPU of the reduction in Met-Ed's credit availability under the credit agreement.

This letter (which was previously telecopied to you) is being provided pursuant to your telephone request of September 10, 1980, and in accord with the standing requests of Messrs. Vollmer and Petersen.

If I can be of further assistance please don't hesitate to contact me.

Very truly yours,

David Carroll
Rate Department

DC:jb
Enclosure

cc: R. H. Vollmer (W/Enc.-8)
J. C. Petersen (W/Enc.)

Boos
5/11

I 8009180370

CITIBANK, N.A.
399 Park Avenue
New York, New York 10043

CHEMICAL BANK
277 Park Avenue
New York, New York 10017

September 5, 1980

General Public Utilities Corporation
Jersey Central Power & Light Company
Metropolitan Edison Company
Pennsylvania Electric Company
c/o General Public Utilities Corporation
100 Interpace Parkway
Parsippany, New Jersey 07054
Attention: Mr. William G. Kuhns
Chairman

Gentlemen:

Reference is made to the Revolving Credit Agreement dated as of June 15, 1979, as amended, among each of you, the Main Banks, Chemical Bank, as Co-Agent, and Citibank, N.A., as Agent (the "Credit Agreement"; terms defined in the Credit Agreement are used herein as therein defined). Reference is also made to our letter, dated May 15, 1980, to you. As you know, a meeting of certain of the Banks was held at the offices of the Agent on September 3, 1980; this letter reflects the consensus of the Banks present at such meeting.

As was indicated in our May 15th letter responding to the preliminary PaPUC Order of May 9, 1980 (Docket No. I-79040308), the circumstances and prospects of the Borrowers and, specifically, the removal of TMI-1 from rate base are cause for concern to the Banks. However, as was also indicated, the Banks decided to defer decision as to appropriate action pending decisions by the PaPUC. On August 28, 1980, the PaPUC issued an Order (Docket Nos. R-80051196 and P-80070235) in certain proceedings relating to ME. This Order denied extraordinary rate relief requested by ME, a further manifestation of an evident lack of appreciation of the importance to ME of earnings as a basis for its return to financial viability and the restoration of its financial flexibility. The lack of prospects for earnings is viewed

with even greater alarm by the Banks in light of the amortization of ME's deferred energy account without a corresponding decrease in ME's short term debt. The Banks attach particular significance to this because their advances since the accident at TMI-2 have funded the "asset" represented by ME's deferred energy account.

The Banks have consistently expressed their concern about a number of issues, including the recovery from customers of the cost of purchased power and the necessity that ME and PE generate sufficient earnings to support long-term financing. Action heretofore by the PaPUC has satisfactorily addressed the former issue. However, the abovementioned Orders, insofar as they continue ME in an earnings deficit pattern, do not realistically address present circumstances and prospects of such Borrowers, particularly ME. The Banks believe that these circumstances and prospects are such as to support the exercise by the Banks of various of their rights under the Credit Agreement.

The absence of earnings - and, therefore, the absence of prospects for the refinancing of ME's obligations to the Banks - requires that the Banks evaluate the assets supporting such obligations. Because of the absence of earnings, the Banks do not believe that they can prudently ascribe a specific value for this purpose to the ME Bonds or the Borrowers' stock pledged to secure ME's obligations. Accordingly, the relevant assets in the view of the Banks are those which can be viewed as having reasonable short-term liquidity ("Liquid Assets") - namely ME's uranium pledged to the Banks (to which the Banks ascribe a value at \$20,000,000 for this purpose) and ME's deferred energy account (as of the date hereof, approximately \$71,000,000).

At this time, the Banks are of the view that borrowings by ME under the Credit Agreement should not exceed the value of its Liquid Assets. Accordingly, it is the expectation of the Banks that, effective immediately, by not later than the tenth Business Day of each month, ME will, to the extent necessary, prepay its Notes so that the aggregate amount of its borrowings does not exceed the value of its Liquid Assets as at the last day of the immediately preceding month.

The Banks are not unaware of the difficulty which ME may experience in fulfilling this expectation, but ME's lack of earnings and the other financial uncertainties facing

it compel the keying of the Banks' exposure to ME's assets having short-term liquidity. The Banks anticipate that this posture will be maintained indefinitely until ME's financial viability can be projected with some assurance. By the same token, however, the Banks are prepared to permit some outstandings in addition to the value of Liquid Assets to the extent that other acceptable short-term liquid assets are available to be pledged to the Banks, such as ME's accounts receivable or its coal inventory.

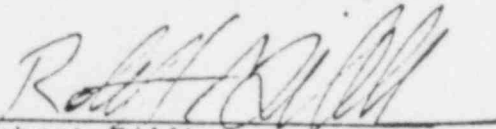
Confirming the provisions of the Credit Agreement, it is also the expectation of the Banks that GPU will not borrow under the Credit Agreement so as to make funds available to ME inconsistently with the foregoing.

We also advise and confirm to you that neither this letter nor any action or inaction heretofore or in the future, whether or not contemplated by or in response to this letter, constitutes or shall be deemed to constitute any waiver, or any estoppel against the exercise, by the Banks of any right heretofore existing or hereafter arising under the Credit Agreement, all of which rights the Banks are reserving.

Very truly yours,

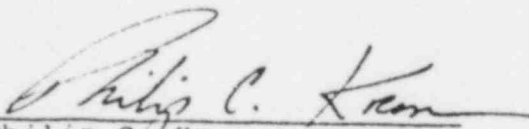
CHEMICAL BANK, as Co-Agent

By


Robert Gillham
Vice President

CITIBANK, N.A., as Agent

By


Philip C. Kron
Vice President

cc: Each of the Banks