



Metropolitan Edison Company
Post Office Box 542
Reading Pennsylvania 19640
215 929-3601

Writer's Direct Dial Number
921-6287

September 10, 1980

Mr. Richard H. Vollmer
Director, Three Mile Island #2 Support
Office of Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
7920 Norfolk Avenue
Bethesda, MD 20014

Re: NRC Docket No. 50-289 - TMI-1 Restart Proceeding

In accordance with your letter dated September 21, 1979 to R. C. Arnold and Mr. J. C. Petersen's data requests sent to C. W. Smyth on November 9, 1979, enclosed are eight (8) copies of the recommended decision of Administrative Law Judge J. P. Matuschak and the final order of the Pennsylvania Public Utility Commission issued on August 28, 1980 adopting the recommended decision.

Also enclosed are eight (8) copies of the Pa.P.U.C. order initiating an investigation of Tariff Electric Pa.P.U.C. No. 44 filed with the Commission on July 29, 1980. This investigation is docketed R-80051196.

If you need further information on any of the material now being sent or material previously sent, please contact us. Future information will be sent to you as it becomes available.

Very truly yours,

Mark H. Ketner
Manager-Rate Administration

dw
Enclosures

cc: M. Karlowicz - 1 copy
J. C. Petersen - 1 copy
W. D. Garland - w/o encl.
L. P. Gontieu - w/o encl.

*Boos
3/11*

8009170 291

G

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120

Public Meeting held August 28, 1980

Commissioners Present:

Susan M. Shanaman, Chairman
Michael Johnson
James H. Cawley
Linda C. Taliaferro

Pennsylvania Public Utility Commission
v.
Metropolitan Edison Company

P-80070235

O R D E R

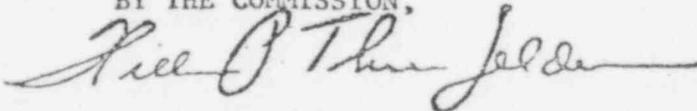
BY THE COMMISSION:

We adopt as our action the Recommended Decision of Administrative Law Judge Matuschak dated August 20, 1980; THEREFORE,

IT IS ORDERED:

1. That the Petition of Metropolitan Edison Company for Extraordinary Rate Relief in the amount of \$35 million, pursuant to the provisions of Section 1308(e) of the Public Utility Code, is hereby denied without prejudice.
2. That the exceptions, as filed by the Office of the Consumer Advocate, Metropolitan Edison Company, the Commission Trial Staff, Citibank and Chemical Bank, Victaulic Company of America, P.H. Glatfelter Co., St. Regis Paper Company, and National Gypsum Company, are hereby denied.

BY THE COMMISSION,



William P. Thierfelder
Secretary

(SEAL)

ORDER ADOPTED: August 28, 1980

ORDER ENTERED: August 28, 1980

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120

Public Meeting Held August 28, 1980

Commissioners Present:

Jusan M. Shanaman, Chairman
Michael Johnson
James H. Cawley
Linda C. Taliaferro

Pennsylvania Public Utility Commission

v.

Docket No.
R-80051196

Metropolitan Edison Company,
Respondent

O R D E R

BY THE COMMISSION:

On July 29, 1980, the respondent, Metropolitan Edison Company, filed Tariff Electric-Pa. P.U.C. No. 44, to become effective September 27, 1980, containing proposed changes in rates, rules and regulations calculated to produce \$76,487,456 in additional annual jurisdictional revenues, based upon the projected level of operations in a future test year ended March 31, 1981. The tariff will be suspended by operation of law until April 27, 1981, unless permitted by Commission order to become effective at an earlier date.

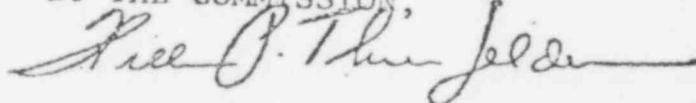
Investigation and analysis of the tariff filing and supporting data indicate that the proposed changes in rates, rules and regulations may be unlawful, unjust, unreasonable, and contrary to the public interest. It also appears that consideration should be given to the reasonableness of respondent's existing

rates, rules and regulations; THEREFORE,

IT IS ORDERED:

1. That an investigation on Commission motion is hereby instituted to determine the lawfulness, justness, and reasonableness of the rates, rules and regulations proposed in Tariff Electric-Pa. P.U.C. No. 44.
2. That this investigation shall include consideration of the lawfulness, justness, and reasonableness of respondent's existing rates, rules and regulations.
3. That the Office of Administrative Law Judge shall assign this matter to an Administrative Law Judge for recommended decision and shall schedule such hearings as may be necessary.
4. That a copy of this order shall be served upon the respondent and any persons who have filed formal complaints against respondent's proposed rate changes.

BY THE COMMISSION,



William P. Thierfelder
Secretary

(SEAL)

ORDER ADOPTED: August 28, 1980

ORDER ENTERED: August 28, 1980

Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

| | | |
|-----------------------------|---|-----------------------|
| PENNSYLVANIA PUBLIC UTILITY | : | |
| COMMISSION, et al | : | |
| | : | Docket No. R-80051196 |
| v. | : | |
| | : | Docket No. P-80070235 |
| METROPOLITAN EDISON COMPANY | : | |

RECOMMENDED DECISION

(Subject to Commission Approval)

BEFORE: Joseph P. Matuschak
Administrative Law Judge

APPEARANCES: Ryan, Russell & McConaghy, Esquires
Samuel B. Russell, Esquire
W. Edwin Ogden, Esquire
Alan Michael Seltzer, Esquire
For: Metropolitan Edison Company

Steven A. McClaren, Esquire
Bohdan R. Pankiw, Esquire
Edward Munce, Esquire
For: Pennsylvania Public Utility Commission

Walter W. Cohen, Esquire
David M. Barasch, Esquire
Craig A. Burgraff, Esquire
For: Office of the Consumer Advocate

McNees, Wallace & Nurick, Esquires
Maurice A. Frater, Esquire
For: P. H. Glatfelter Co.
St. Regis Paper Company
National Gypsum Company

Duane, Morris & Heckscher, Esquires
Roland Morris, Esquire
Robert E. Kelly, Jr., Esquire
For: Victaulic Company of America

Wolf, Block, Schoor and Solis-Cohen, Esquires
Gerald Gornish, Esquire

For: Citibank, N.A., Agent, and
Chemical Bank, Co-Agent

BRIEFS:

Briefs were filed by Metropolitan Edison Company, Commission Trial Staff, Office of the Consumer Advocate, and Victaulic Company of America. Joint briefs were filed by
(1) Citibank and Chemical Bank, and
(2) P.H. Glatfelter Co., St. Regis Paper Company, and National Gypsum Company.

Pennsylvania Public Utility Commission:

R-80051196

P-80070235

Office of the Consumer Advocate

David C. Thomsen

Victaulic Company of America

P. H. Glatfelter Co.

St. Regis Paper Company

Robert Jude Jenison

R-80051196C001

R-80051196C002

R-80051196C003

R-80051196C004

R-80051196C005

R-80051196C006

v.

Metropolitan Edison Company

HISTORY OF THE PROCEEDING

On July 29, 1980, Metropolitan Edison Company (Met Ed) filed its Tariff Electric Pa. P.U.C. No. 44 with the Commission for a proposed increase in its retail base rates of \$76.5 million per year, or an increase in overall charges to retail customers of 17.2%. In conjunction with this filing, Met Ed filed a Petition for Extrordinary Rate Relief under Section 1308(e) of the Public Utility Code, 66 Pa. C.S., Section 1308(e), requesting that \$35 million,^{1/} or approximately 46% of the total request, be allowed to go into effect not later than September 1, 1980.

A number of complaints^{2/} to both the rate proceeding and the petition for extraordinary rate relief have been consolidated with the proceeding on the petition. In addition, we granted the petition of Citibank, N.A., Agent, and Chemical Bank, Co-Agent, to intervene in the proceeding.

^{1/} While no doubt coincidental, this is almost exactly the amount of deferred energy costs estimated to be collected by Met Ed by year-end 1980. The intervening banks suggest that such deferred energy cost receipts should be applied to reduce Met Ed's short-term debt, and not, as projected, to be used for other purposes.

^{2/} Complaints were filed by: The Office of the Consumer Advocate, David C. Thomsen, Vertaulic Company of America, P.H. Glatfelter Co., St. Regis Paper Company, and Robert Jude Jenison.

Hearings were held before us in Harrisburg on August 4, 5, 11 and 12, 1980.

At the hearing held on August 4, the Office of the Consumer Advocate (Consumer Advocate) submitted a motion to dismiss Met Ed's petition for extraordinary rate relief on the ground that the petition failed to comply with the provisions of the Commission's Statement of Policy entered on November 6, 1978 at M-78100089, which directed that certain specified information, in the form therein set forth, is to be submitted with a petition for extraordinary rate relief, purportedly as a regulation under 52 Pa. Code, Section 53.1, et seq.

Upon inquiry, we ascertained that while a copy of said Statement of Policy was, in fact, served on Met Ed on November 7, 1978, the Statement of Policy was never published in the Pennsylvania Bulletin, as required by the provisions of 1 Pa. Code, Section 31.13 for rulemaking purposes.

Commission Trial Staff (Commission Staff) recommended that the Consumer Advocate's motion to dismiss be denied.

We held that while we would not give rulemaking effect to the Statement of Policy, neither would we disregard the Commission's expressed need for such information. We directed Met Ed to promptly supply the information of the kind and in the form required. We further held that no useful purpose would be served in requiring a reformed petition: no party would be prejudiced if the information was promptly submitted, and the information would be available for the Commission's purposes. Accordingly, we denied the Consumer Advocate's motion to dismiss Met Ed's petition for extraordinary rate relief.

INTRODUCTION

Although the Commission has not yet suspended the rate filing of Met Ed, we and all parties have proceeded here on the assumption that such suspension is forthcoming.

It must be understood that nothing contained herein shall be considered as a predisposition of any matters involved in the rate filing, or as approving or not approving any of the matters therein contained, or as to the ultimate outcome of the rate proceeding.

DISCUSSION

Legal Authority

The Commission's authority to grant extraordinary rate relief is governed by Section 1308(e) of the Public Utility Code, 66 Pa. C.S., Section 1308(e), which provides:

Extraordinary Rate Relief. -- Upon petition to the Commission at the time of filing a rate request or at any time during the pendency of proceedings on such rate requests, any public utility may seek extraordinary rate relief on such portion to the total rate relief requested as can be shown to be immediately necessary for the maintenance of financial stability in order to enable the utility to continue providing normal services to its customers, avoid reductions in its normal maintenance programs, avoid substantially reducing its employment, and which will provide no more than the rate of return on the utility's common equity established by the Commission in consideration of the utility's preceding rate filing, except that no utility shall file, either with a request for a general rate increase or at any time during the pendency of such a request, more than one petition under the subsection pertaining to rates for a particular type of service, nor any supplement or amendment thereto, except when permitted to do so by order of the commission. Any public utility requesting extraordinary rate relief shall file with the petition sufficient additional testimony and exhibits which will permit the Commission to make appropriate findings on the petition. The public utility shall give notice of the petition in the same manner as its filing upon which this petition is based. The commission shall within 30 days from the date of the filing of a petition for extraordinary rate relief, and after hearing for the purpose of cross-examination of the testimony and exhibits of the public utility, and the presentation of such other evidentiary testimony as the commission may by rule prescribe, by order

setting forth its reasons therefor, grant or deny, in whole or in part, the extraordinary rate relief requested. Absent such order, the petition shall be deemed to have been denied. Rates established pursuant to extraordinary rate relief shall not be deemed to be temporary rates within the meaning of that term as it is used in Section 1310.
[Emphasis supplied]

In our opinion, the purpose of Section 1308(e) is to assure adequate and continuous service to utility customers and to prevent interruptions thereof due to the financial instability of the utility.

It must be noted, however, that unlike prior legislation, Section 1308(e) requires a specified showing by a utility to obtain interim relief. The showing is more specific and inflexible than previously required. We must treat the instant petition in the light of the letter and the spirit of statutory directives.

Burden of Proof

Met Ed, in seeking the exercise of the Commission's discretion to grant its request for extraordinary rate relief, prior to the Commission's determination of the revenue requirement, bears a heavy burden.

As stated in the Commission's Order entered on September 21, 1978 in Pa. P.U.C. v. Pennsylvania Electric Company, 26 PUR (4th) 337, Section 1308(e)

. . . entitles Petitioner to extraordinary rate relief only if it can show such rate relief is immediately necessary for the maintenance of Petitioner's financial stability (i) in order to continue providing normal services, (ii) avoid reductions in its normal maintenance programs, and (iii) avoid substantially reducing employment. Proof of the immediate necessity for such rate relief required for the maintenance of the utility's financial stability must be clear and fully supportable of a finding by the Commission that the financial stability of the utility is actually in jeopardy.

[Emphasis supplied]

The fact that the rate increase sought by the petition cannot be made retroactive, and failure to grant interim increases may result in unrecoverable loss of revenue during the interim of the period, does not relieve Met Ed from this burden. Nor can the Commission grant interim relief on speculation or conjecture.

In its brief, at page 5, Met Ed admits that:

It is clear that a utility seeking extraordinary rate relief has the formidable task of showing circumstances which would justify the conclusion

that it is suffering from financial constraints sufficiently severe that, if not remedied, would result in the impairment of safe and reliable electric service to consumers. This view has been confirmed by order of the Public Utility Commission on September 5, 1978 in Pa. P.U.C. v. Pennsylvania Electric Company at R-78040599.

For the reasons hereinafter set forth, it is our opinion that Met Ed has not sustained the statutory burden placed upon it for entitlement to extraordinary rate relief.

From our review of all the evidence, it is our view that the major thrust of this petition is to make available funds, directly or indirectly, for clean up of TMI. This is not a valid purpose for extraordinary rate relief under the stringent requirements of the statute.

Met Ed's Presentation

Met Ed's request for \$35 million in extraordinary rate relief is based upon the future test year for the 12 months ended March 31, 1981, excluding the investment and associated costs of TMI-1 and TMI-2, and is claimed to yield no more than 13.38% return on common equity allowed by the Commission in Met Ed's last rate case.

In support of its petition, Met Ed avers that:

- (a) Met Ed has been unable to issue any first mortgage bonds, debentures or preferred stock since January of 1979.
- (b) For the 12 months ended June 30, 1980, Met Ed had a pre-tax interest coverage ratio of only 1.45 times, which is below the 2.0 times requirement in its debenture indenture for the issuance of additional funded debt.
- (c) For the 12 months ended June 30, 1980, Met Ed had a after-tax preferred stock coverage ratio below the 1.04 times, which is below the 1.5 times required under Met Ed's charter for the issuance of additional preferred stock.
- (d) Met Ed has paid no dividends on its common stock since February, 1979, and has no visible prospect of paying any.
- (e) The return on Met Ed's average common equity investment for the 6 months ended June 30, 1980, was a negative 0.6 percent.
- (f) Met Ed's return on common equity for 1980 without rate relief is projected to be a negative 2.3 percent.

- (g) Met Ed's securities have been downgraded below investment grade.
- (h) Met Ed's present transmission and distribution expenditures are the lowest they have been in more than 10 years.
- (i) Met Ed's present operation and maintenance expenditures are significantly below normal levels.
- (j) The number of Met Ed's transmission and distribution and operating and maintenance employees are significantly below normal levels.
- (k) Met Ed's short term debt under the revolving credit agreement (RCA) is \$83 million and is subject to a present limitation of \$105 million.
- (l) Absent (a) prompt rate relief, or (b) the substantial cut-backs in expenditures needed to conserve the substantial equivalent of the cash which would be generated by the requested rate relief, Met Ed will need cash in excess of that available under the RCA in April of 1981.
- (m) The \$105 million limitation on short-term debt for Met Ed under RCA is neither guaranteed nor insured and should be expected to be reduced still further in the near future.

Met Ed offered testimony generally in support of such contentions.

Position of the Parties

Met Ed

Met Ed submits that it has forcefully demonstrated that the requested \$35 million of extraordinary rate relief meets each and every one of the criteria contained in Section 1308(e) of the Code, and that such rate relief should be allowed on or before September 1, 1980.

Commission Staff

Commission Staff requests the Commission to deny Met Ed's petition because:

- a) Met Ed is financially solvent, stable, and in a condition consistent with the Commission's May 23 Order.
- b) Potential Staff adjustments to Met Ed's claim would require substantial refunds.
- c) Met Ed's proposal for uniform increase per KWH fails to correct inequities in the existing rate structure and fails to encourage energy conservation in any specific way.

Consumer Advocate

The Consumer Advocate takes the position that Met Ed's petition does not comport with the requirements of Section 1308(e) or sound regulatory principles and should, therefore, be denied. If the Commission grants part or all of Met Ed's requested relief, it urges that the revenues be recovered on an equal KWH basis as suggested by Met Ed.

St. Regis Paper Company
P. H. Glatfelter Company
National Gypsum Company

These industrial concerns state that the Commission should give consideration to Met Ed's request for extraordinary rate relief, but they take no position with respect to the level of rate relief to be granted.

They urge, however, that any extraordinary rate relief granted by the Commission should be recovered on the basis of the non-fuel portion of the present rates, or in the alternative, on the basis of the present base rates, rather than on the KWH basis as suggested by Met Ed.

Victaulic Company of America

This company urges that the extraordinary rate relief request by Met Ed be denied.

Citibank, N.A., Agent and
Chemical Bank, Co-Agent

These intervening banks state that Met Ed has shown a continuing deterioration in its earnings, the rapid amortization of its deferred energy account, and the effect of its projected financial picture on its short-term debt balance under the Revolving Credit Agreement (RCA), which, absent any relief from the Commission, will exceed the \$105 million debt limit currently in effect by April, 1981.

Furthermore, they aver that although Met Ed's projections show a short-term debt balance of \$90.5 million as of December, 1980,

absent extraordinary rate relief, there is no assurance that such amount will be permitted by the banks. In any event, with or without interim rate relief, they stated there would be a step-down of Met Ed's short-term debt limitation under the RCA, but that such limitation may be lower without interim relief.

Reductions in Service,
Maintenance and Employment

The specific statutory requirement for extraordinary rate relief is that it:

. . . can be shown to be immediately necessary for the maintenance of financial stability in order to enable the utility to continue providing normal services to its customers, avoid reductions in its normal maintenance programs, avoid substantially reducing its employment. . . [Emphasis supplied]

Met Ed has failed to meet this statutory requirement. The statute itself specifically cites the nature of the financial stability giving right to extraordinary rate relief.

In our opinion, the statutory reference to "extraordinary" rate relief connotes an emergent form of rate relief. While Met Ed, in its brief, finds fault with the use by other parties of the word "extraordinary" and "emergency" interchangeably, we note that Met Ed, itself, in its Exhibit B-1, refers to its petition for extraordinary rate relief as an "Emergency Petition." It further states that its petition for extraordinary rate relief seeks a "level of emergency rate relief." The Commission, too, has in the past referred to extraordinary rate relief as "emergency rate relief." (R-78040599)

Is there such an emergency? None has been shown by Met Ed under present circumstances, nor has it been shown that any emergency condition is likely within the next few months. While it appears from

the record that Met Ed is suffering both from a revenue deficiency and an earnings erosion, these have not created a situation which the statute seeks to prevent.

Mr. Newton, General Public Utilities (GPU) Vice President of System Operations, testified on page 17 of his prepared Statement F, as follows:

- Q. Mr. Newton, do you have an opinion regarding the levels of employees in the T&D area at 5/31/80?
- A. Yes. In my opinion, the level of employees at year ending 5/31/80 are reasonable and appropriate in the light of all of the existing circumstances. However, this level is not sufficient to maintain the existing quality of service to our customers if such level remains constant over a period of several years. The number of T&D employees will definitely have to be increased with time or the quality of service will inevitably be degraded.
[Emphasis supplied]

He further testified on cross-examination as follows:

- Q. Mr. Newton, counsel asked you if the company did not receive extraordinary rate relief, what deductions would take place in employees, and I believe you said, you would expect attrition in transmission and distribution employees of approximately 40 over the next twelve months, is that correct?
- A. That's correct.
- Q. If you receive extraordinary rate relief, in this respect, how would the company operate differently?
- A. Its impossible to predict precisely all of the demands that are going to be presented for the utilization of that amount of increased revenue.

We in the T and D area will certainly make as aggressive a plea for maintaining at least the present level --- so we will not have that attrition. But its a matter of decision by the board exactly how the increased revenues will be distributed among the company demands.

Q. I take it from your answer that its entirely possible that if the company gets extraordinary rate relief, that you will still have the expected attrition of 40 employees without employees to replace them.

A. That's possible. I like to think that it won't happen that way, but its possible.

* * *

Q. Isn't it your testimony that the company has not had a normal complement of transmission and distribution employees since 1973?

A. That is correct.

[Emphasis supplied]

His testimony as to construction employees was in the same vein.

Met Ed's witnesses could not be certain that any of the requested \$35 million interim rate relief would be expended for continuation of normal services, maintenance and employment, or that given such interim relief, specific reductions would be avoided.

Mr. Graham, GPU Treasurer, admitted that there were no corporate plans to apply early revenues, and that specific assurance could not be given that such interim revenues would not be used to fund TMI clean-up, to reduce short-term debt, or for other purposes.

Mr. Dieckamp, GPU President and Acting President of Met Ed, described the "areas of cost reduction." He could give no definite plan of cost reduction, but asserted that operation and maintenance expenses and construction budgets are at the minimum acceptable levels, and absent early rate relief, the budgeted amounts would exceed the revolving credit agreement (RCA) limit. The stated areas of cost reduction, however, were designed to meet the state tax payment due in April, 1981, a point in time well beyond the short-term period contemplated by Section 1308(e). This testimony indicates that while additional funds may be required in the future, they are not immediately necessary to avoid reductions outlined by Mr. Dieckamp. A careful reading of Mr. Dieckamp's testimony shows that Met Ed's major concern in this petition is its effect on TMI cleanup.

In its May 23, 1980 Order in Fa. P.U.C. v. Metropolitan Edison Company and Pennsylvania Electric Company, mimeo, p. 4, the Commission stated:

. . . The Commission will provide Met Ed the means of financial rehabilitation. However, we will write no blank checks on its ratepayers.

Met Ed's witnesses either were unable or reluctant to identify the specific needs for, or the intended use of, the requested \$35 million interim rate increase, as it related to the avoidance of reduction in service, maintenance or employment.

While Met Ed alleges that its present distribution and transmission expenses, and its number of distribution and transmission employees are below "normal," Met Ed agrees that even as late as March 31, 1980 its service was adequate, despite the fact that such "below normal" conditions had existed over the last several years. At least, this would indicate that no immediate emergency condition exists in this respect.

From the statutory criteria, we would consider "normal" to refer to the "ordinary" "typical" or "usual" complement of expenditures or employees, or as averaging over a number of years, rather than a "preferred" or "desired" level, or a level existing several years before. Productivity gains, too, should be given some consideration.

Met Ed's
Financial Condition

As we view it, the weakness of Met Ed's presentation is that though it established a valid record showing that it is in a precarious financial condition, it failed to meet the statutory test that such financial condition requires the immediate extraordinary rate relief to continue to provide normal services to its customers, avoid reductions in its normal maintenance programs, or avoid reducing its employment.

There is no question that the financial condition of Met Ed is poor. It presently has no access to permanent financing, and must depend on short-term debt for its outside funds. Mr. Graham, Treasurer of GPU, recognized that for the next two years, and until TMI-1 returns to service and to rate base, Met Ed will not have access to the bond or equity markets, and that Met Ed will have to continue to rely heavily on short-term credit.

But though poor, Met Ed's financial condition is stable in the statutory sense, and is projected to remain stable, by its own cash projections, until about April, 1981, when a state tax payment becomes due. In short, Met Ed does not need the immediate infusion of cash to maintain its financial stability; it faces no immediate emergency.

The Commission, in its May 23 Order, determined that Met Ed should remain financially viable; increased Met Ed's energy

cost recovery to a fully current level; and provided for an 18-month recovery of all deferred energy costs. The Commission's May 23 Order stabilized Met Ed's financial condition. Although there has been a continuing deterioration of the earning, there has been no material change in Met Ed's financial condition since the May 23 Order.

The following Met Ed's estimates of its short-term debt balance in the event no extraordinary rate relief is granted, are indicative of its financial stability for that period.

1980

| | <u>July</u> | <u>August</u> | <u>September</u> | <u>October</u> | <u>November</u> | <u>December</u> |
|-------------------------|-------------|---------------|------------------|----------------|-----------------|-----------------|
| Short-term debt balance | \$86.9m | \$86.6m | \$88.1m | \$87.7m | \$91.1m | \$90.5m |

Met Ed's current financial problems consist of a lack of adequate earnings rather than cash flow.

Met Ed, in its presentation, has calculated that a 13.38% rate of return on the utility's common equity established by the Commission in the last rate case, based on a year-end rate base for a future test year ended March 31, 1981, would yield \$35.3 million. Commission Staff, however, in a preliminary review of Met Ed's submissions, has arrived at potential adjustments of some \$47 million, which could reduce Met Ed's revenue requirement well below the \$35 million interim rate relief requested. Since no emergency has been shown by Met Ed, any interim relief should await further development of the facts within the next few months.

It must be conceded by all that Met Ed still faces enormous financial problems. It is apparent that this financial difficulty arises not only from the accident at TMI-2 and the inactive status of TMI-1, but also the resulting effect of endeavoring to render adequate service to its customers, while at the same time spending millions to restore and clean up TMI-1 and TMI-2.

In its Order entered on June 19, 1979 in Pa. P.U.C. v. Metropolitan Edison Company and Pennsylvania Electric Company, at I-79040308, mimeo p. 13, the Commission said:

The Commission is of the view that none of the cost of responding to the accident, including repair, disposal of wastes and decontamination are recoverable from rate-payers. These costs are and should be insurable.

As it now turns out, millions of dollars will have to be expended by Met Ed, over and above the \$300 million insurance recovery, in order to restore and clean up TMI.

Because of such impact upon Met Ed's finances, we cannot divorce this petition from TMI, even though certain data calculations in support thereof, exclude the investment and associated costs of TMI.

The result is that Met Ed customers may be required indirectly to pay for a substantial portion of such clean up costs

through increased rates, in order to support the financing for such purposes. This petition is the first step in that direction. Before embarking on that course, the Commission may first want to make a reassessment of the TMI restoration and clean-up upon the ratepayers, be it direct or indirect.

Mr. Graham stated that if TMI-2 would be considered a total loss by the insurance carrier, as he was pressing, the balance of the insurance proceeds would be immediately paid, affording Met Ed another substantial possible source of funds to meet its expenses during the next few months.

As to the apprehension of the intervening banks, the Commission said in Pa. P.U.C. v. Metropolitan Edison Company and Pennsylvania Electric Company, at I-79040308, mimeo p. 4, on May 23, 1980: "Respondent must convince its bank creditors that it has the will and the ability to rehabilitate itself." The Commission by its May 23 Order, provided the means for Met Ed to rehabilitate itself. We shall expect the same concern by other involved parties.

Met Ed will not be in a serious cash flow problem until April 15, 1981. In the interim, all parties and the Commission will have the opportunity to reassess their positions in the light of events as they occur. As permitted by Section 1308(e), the Commission will keep its door for another petition for extraordinary rate relief, if need be, at a more appropriate time, and for a more valid

purpose, in a more deliberate and more informed climate. The Commission has the ability to meet any critical situation as it may occur, be it at the conclusion of the rate hearing, or prior thereto. Here, M&E Ed's petition is premature in its stated apprehension for the future.

Statutory provisions must be followed in the granting of extraordinary rate relief. In Pa. P.U.C. v. Pennsylvania Electric Company, at R-78040599, on September 21, 1978, the Commission said:

The 1976 amendments to the Public Utility Code reduced to seven months, after the effective date of filed rates, the maximum period which could elapse before proposed rates could become effective. These 1976 amendments evidenced a legislative intent that rate cases be expeditiously resolved and that multi-stage rate filings be limited. We find no legislative intent that a utility may, under the guise of petitioning for extraordinary rate relief, secure increased revenues in order to maintain or improve its return on common equity, absent clear and convincing proof that such extraordinary rate relief is immediately necessary under the criteria set forth in Section 308(f) [now Section 1308(e)] of the Public Utility Code. We wish to make clear that an inability to earn the rate of return on common equity determined to be appropriate by the Commission in the previous rate proceeding or dissatisfaction with such rate of return cannot support a request for extraordinary rate relief under Section 308(f) [Section 1308(e)]

Here, as there, the utility failed to meet its burden of showing that emergency rate relief is immediately necessary for the maintenance of its financial stability under the statutory criteria. The difference is a matter of degree.

The purpose served by Section 1308(e) is not to thrust the cost of nonfunctioning TMI capital assets onto the ratepayers, but to permit the recovery of extraordinary costs incident to serving the public. Here, to the contrary, emergency relief is sought from the ratepayers largely for the costs attendant to capital assets not in the public service.

Expedited Rate Case Proceeding

Because the investigation and consideration of a rate application can become such a complex and time-consuming procedure, the Legislature has given the Commission the authority to suspend the collection of the proposed rate increase during which time the Commission is investigating and deliberating on the application, a provision obviously designed to protect the public interest from the collection of rate increases which the Commission may later determine to be unwarranted.

Commission Staff recommends that Met Ed's petition for extraordinary rate relief be denied, but that the Commission expedite the general rate case proceeding for conclusion prior to year-end 1980.

We are not persuaded that such recommendation should be adopted, both because of possible due process infirmity and pragmatic weakness.

Due process means different things at different times and under different circumstances. In an expedited procedure, as herein, involving interim rate increases with refund provisions under extraordinary situations, only minimal opportunity for testing may be required. On the other hand, in a permanent rate proceeding, due process would require the opportunity for a more thorough testing of the propriety of the utility's request for a rate increase.

The permanent rate proceedings for Met Ed and Pennsylvania Electric Company (Penelec), sister company, are scheduled to be consolidated, so far as possible, in rate hearing procedure. We are concerned not only that due process considerations may not be adequately met by Staff's recommendation, but even more importantly, from a practical viewpoint, that the suggested expedited procedure may prove to be counterproductive. We question that sufficient opportunity would be given to all parties to test the propriety of the rate request, including investigation, preparation of prepared testimony, discovery, cross-examination of witnesses, briefs, recommended decision, exceptions and Commission action. Short-cutting in procedure could result in short-cutting either Met Ed or its customers.

Proposed Allocation of
Extraordinary Rate Increase

In view of our treatment of Met Ed's petition for extraordinary rate relief, we do not reach the issue of the appropriate method of spreading such proposed interim rate increase among Met Ed's classes of customers. Some comment in this connection, however, may be appropriate.

We reject Commission Staff's contention that some alleged inequity, either in Met Ed's existing or proposed interim rates, supports the denial of extraordinary rate relief.

If the Commission were to otherwise determine that all or part of the extraordinary rate relief should be granted, the fact that precise and ultimately equitable allocation of the increase cannot at this time be finally determined, should not be a cause for the rejection of the request. If extraordinary rate relief must await a full investigation and determination of ultimate allocations, Section 1308(e), which requires a speedy disposition, would be meaningless.

Further, if the Commission should grant the extraordinary rate relief request, in whole or in part, we recommend the allocation of such rate increase on the basis suggested by Met Ed as appropriate.

Once revenue requirements have been determined, it remains how, and from whom, the additional revenue is to be obtained. It is at this point that many countervailing considerations come into play. The Commission, acting in a legislative manner, may then balance factors such as cost of service, ability to pay, tax consequences and ability to pass on the increase, in order to achieve a fair and reasonable allocation of the increase among the consumer classes, the careful balancing of public policies and private needs. The Commission may balance both cost and non-cost factors in making choice among public policy alternatives. While the Commission may not be in position to finalize an equitable allocation of a proposed increase in rates, certain obvious considerations may be sufficient to support short-term interim rates.

The Commission has repeatedly rejected the "zero-energy" approach of allocating rate increases, as advocated by some of the industrials. Nor can it be said that in the present time frame, with changing energy considerations, reliance can be given to the use of existing base rates, as urged by such industrials as an alternative. While we agree with Commission Staff that extraordinary rate relief, based solely on an energy component, may not precisely reflect all aspects of cost, we are of the opinion that until a full review of rate allocation can be completed, a temporary reliance in the interim on a uniform KWH is the most appropriate approach.

FINDINGS OF FACT

1. Met Ed has been unable to issue any first mortgage bonds, debentures or preferred stock since January of 1979.

2. Met Ed avers that for the 12 months ended June 30, 1980, Met Ed had a pre-tax interest coverage of only 1.45 times, which is below the 2.0 times requirement in its debenture indenture for the issuance of additional funded debt, but such data has not been verified.

3. Met Ed avers that for the 12 months ended June 30, 1980, Met Ed had a after-tax preferred stock coverage ratio below the 1.04 times, which is below the 1.5 times required under Met Ed's charter for the issuance of additional preferred stock, but such data has not been verified.

4. Met Ed has paid no dividends on its common stock since February, 1979, and has no visible prospect of paying any.

5. Met Ed claims a return on its common equity investment for the 6 months ended June 30, 1980, was a negative 0.6 percent, but such data has not been verified.

6. Met Ed claims a return on common equity for 1980 without rate relief projected to be 2.3 percent.

7. Met Ed's securities have been downgraded below investment grade.

8. Met Ed's present transmission and distribution expenditures are sufficient to render adequate service to its customers, and to maintain a normal maintenance program.

9. Met Ed's present operation and maintenance expenditures are sufficient to render adequate service to its customers, and to maintain a normal maintenance program.

10. Met Ed has sufficient financial ability to avoid any substantial reduction in the number of its employees.

11. Met Ed has sufficient cash flow, and will continue to maintain sufficient cash flow until about April 15, 1981.

12. Met Ed's financial condition is stable.

13. Met Ed has no plans for the utilization of the proposed interim revenues, and has no plans for specific reductions if no extraordinary rate relief is granted.

14. Met Ed has sufficient financial stability to enable it to continue to render normal services, avoid reduction in its maintenance program, and avoid any substantial reduction in its employment.

15. Met Ed has sufficient short-term credit available at least until year-end 1980.

16. Met Ed has no immediate need for extraordinary rate relief under the provisions of Section 1308(e) of the Public Utility Code.

17. Since no extraordinary rate relief is granted, it is unnecessary to address the appropriate method of allocation of any interim rate increase.

18. Met Ed faces no immediate emergency financial situation.

19. Met Ed has given no assurance that the interim rate increase revenues would be applied to the continuation of normal services, the avoidance of reduction in its normal maintenance program, or the avoidance of reduction in its employment.

20. Met Ed may face cash flow problems on or about April 15, 1981.

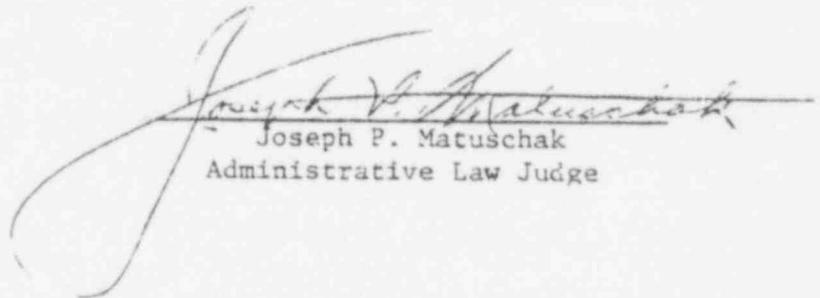
CONCLUSIONS OF LAW

1. The Commission has jurisdiction of the parties and of the subject matter.
2. The parties are properly before the Commission.
3. Met Ed has not sustained its burden to entitle it to the \$35 million extraordinary rate relief, under the provisions of Section 1308(e) of the Public Utility Code, 66 Pa. C.S., Section 1308(e).
4. Met Ed's petition for extraordinary rate relief should be denied, without prejudice.

RECOMMENDED ORDER

(Subject to Commission Approval)

IT IS HEREBY ORDERED that the petition of Metropolitan Edison Company for extraordinary rate relief in the amount of \$35 million, pursuant to the provisions of Section 1308(e) of the Public Utility Code, be, and is hereby denied, without prejudice.


Joseph P. Matuschak
Administrative Law Judge

August 20, 1980

METROPOLITAN EDISON COMPANY
STATEMENT OF INCOME
TWELVE MONTHS ENDED
(\$ Thousands)

| | June 1980 | March 1980 | December 1979 | September 1979 | June 1979 | March 1979 |
|--------------------------------------|-----------------|------------------|------------------|-------------------|------------------|------------------|
| Total Revenues | \$378,371 | \$355,255 | \$338,136 | \$329,580 | \$319,972 | \$317,606 |
| Less Energy Revenues: | | | | | | |
| In base rates (a) | 69,907 | 70,240 | 69,532 | 68,672 | 67,286 | 57,143 |
| Energy Clause | 86,419 | 62,989 | 45,143 | 33,955 | 23,159 | 31,256 |
| Total Energy Revenues | <u>156,406</u> | <u>133,229</u> | <u>114,675</u> | <u>102,627</u> | <u>90,445</u> | <u>88,399</u> |
| Net Revenues | <u>221,965</u> | <u>222,026</u> | <u>223,461</u> | <u>226,953</u> | <u>229,527</u> | <u>229,207</u> |
| Operating Expenses: | | | | | | |
| Energy Costs (b) | 205,202 | 207,231 | 176,836 | 134,297 | 107,577 | 93,179 |
| Deferred Energy Costs (a) | (41,725) | (70,115) | (59,279) | (30,055) | (16,132) | (4,537) |
| Less Energy Revenues | <u>156,406</u> | <u>133,229</u> | <u>114,675</u> | <u>102,627</u> | <u>90,445</u> | <u>88,399</u> |
| Net Energy Costs | 7,071 | 3,187 | 2,862 | 1,615 | 1,000 | 243 |
| Reserve Capacity | 207 | 416 | (633) | 532 | 1,316 | 2,327 |
| Fuel Handling | 2,031 | 2,148 | 2,295 | 2,173 | 2,282 | 2,134 |
| Payroll | 36,737 | 34,069 | 34,359 | 33,898 | 33,668 | 34,362 |
| Other O&M | 90,641 | 47,172 | 45,112 | 43,266 | 42,631 | 43,178 |
| Depreciation | 38,486 | 37,708 | 37,708 | 35,570 | 32,296 | 29,397 |
| Taxes, Other Than Income | 26,691 | 22,938 | 22,682 | 22,724 | 24,502 | 25,934 |
| Total Oper. Exp. | <u>161,824</u> | <u>147,638</u> | <u>144,415</u> | <u>139,778</u> | <u>137,745</u> | <u>137,435</u> |
| Operating Income Before Income Taxes | 60,141 | 74,388 | 79,046 | 87,175 | 91,782 | 91,892 |
| Income Taxes | (2,264) | 4,633 | 12,265 | 14,703 | 21,384 | 25,248 |
| Operating Income | <u>62,405</u> | <u>69,755</u> | <u>66,781</u> | <u>72,472</u> | <u>70,398</u> | <u>66,644</u> |
| Other Income & Deductions: | | | | | | |
| Allowance for Other Funds | (1,460) | (1,399) | 5 | 5,440 | 10,906 | 16,251 |
| Other (Net) | 517 | 543 | 421 | 442 | 293 | 66 |
| Total Other Income | <u>(943)</u> | <u>(856)</u> | <u>426</u> | <u>5,882</u> | <u>11,199</u> | <u>16,317</u> |
| Gross Income | <u>61,462</u> | <u>68,899</u> | <u>69,207</u> | <u>78,354</u> | <u>81,597</u> | <u>82,961</u> |
| Interest Expense | 57,560 | 53,993 | 50,782 | 47,262 | 45,311 | 43,959 |
| Allowance for Borrowed Funds | (4,170) | (3,570) | (3,874) | (3,246) | (4,602) | (5,893) |
| Allowance for Borrowed Funds (Tax) | (3,901) | (3,122) | (3,575) | (3,201) | (4,894) | (6,609) |
| Total | <u>49,439</u> | <u>47,391</u> | <u>43,333</u> | <u>40,815</u> | <u>35,815</u> | <u>31,368</u> |
| Net Income | <u>11,973</u> | <u>21,598</u> | <u>25,874</u> | <u>37,539</u> | <u>45,782</u> | <u>51,593</u> |
| Preferred Stock Dividends | <u>10,289</u> | <u>10,289</u> | <u>10,289</u> | <u>10,289</u> | <u>10,289</u> | <u>10,289</u> |
| Balance Available for Common | <u>\$ 1,684</u> | <u>\$ 11,309</u> | <u>\$ 15,585</u> | <u>\$ 27,250</u> | <u>\$ 35,493</u> | <u>\$ 41,214</u> |
| (a) Includes Amort. of PaPUC Clause: | | | | | | |
| Prior to 7-1-78 | \$ 5,607 | \$ 4,801 | \$ 3,239 | \$ 1,879 | \$ 524 | \$ - |
| Prior to 6-1-80 | \$ 1,909 | \$ - | \$ - | \$ - | \$ - | \$ - |
| (b) Excludes Handling Costs, Etc. | \$ 2,031 | \$ 2,148 | \$ 2,295 | \$ 2,173 | \$ 2,282 | \$ 2,134 |

METROPOLITAN EDISON COMPANY
Consolidated Balance Sheet
(\$ Thousands)

| <u>Assets</u> | <u>June 1980</u> | <u>March 1980</u> | <u>December 1979</u> | <u>September 1979</u> | <u>June 1979</u> | <u>March 1979</u> |
|------------------------------------------------------|----------------------|-----------------------|--------------------------|---------------------------|----------------------|-----------------------|
| Utility Plant: In Service | \$1,302,605.0 | \$1,298,562.2 | \$1,294,485.3 | \$1,281,098.7 | \$1,277,235.8 | \$1,265,961.2 |
| Less Accumulated depreciation | 260,637.1 | 251,131.6 | 241,985.4 | 234,467.5 | 225,957.1 | 217,985.8 |
| | <u>1,041,967.9</u> | <u>1,047,430.6</u> | <u>1,052,499.9</u> | <u>1,046,631.2</u> | <u>1,051,278.7</u> | <u>1,047,977.4</u> |
| Construction work in progress Held for future use | 15,558.1 | 12,982.5 | 11,582.5 | 19,808.5 | 17,786.1 | 20,768.8 |
| | 11,575.5 | 11,575.5 | 12,579.4 | 12,576.3 | 12,574.9 | 12,567.5 |
| Nuclear fuel | 65,729.4 | 60,041.5 | 50,119.9 | 55,979.6 | 53,062.6 | 72,735.9 |
| less: amortization of nuclear fuel | 7,399.0 | 7,399.0 | 7,399.0 | 7,399.0 | 11,906.4 | 14,393.3 |
| Net utility plant | <u>1,127,431.9</u> | <u>1,124,631.1</u> | <u>1,127,302.7</u> | <u>1,127,596.6</u> | <u>1,122,795.9</u> | <u>1,139,656.3</u> |
| Investments | <u>649.5</u> | <u>663.7</u> | <u>658.6</u> | <u>658.7</u> | <u>658.8</u> | <u>665.7</u> |
| Current Assets: | | | | | | |
| Cash/Temp. Cash Inv. | 392.1 | 1,459.8 | 2,137.2 | 5,858.1 | 3,533.5 | 2,861.7 |
| Accounts receivable | | | | | | |
| Customers | 24,941.6 | 27,753.4 | 20,707.3 | 20,952.0 | 19,046.3 | 20,380.7 |
| Other | 12,686.7 | 8,776.2 | 7,227.1 | 22,933.5 | 17,810.1 | 22,723.0 |
| Inventories | | | | | | |
| Materials and supplies | 18,713.1 | 16,844.6 | 15,038.6 | 14,156.4 | 13,864.2 | 12,370.9 |
| Fuel | 11,372.4 | 11,223.7 | 19,609.6 | 16,641.0 | 12,718.4 | 13,658.2 |
| Prepayments | 6,089.0 | 827.3 | 940.6 | 2,576.1 | 6,380.0 | 870.9 |
| Other | 2,801.8 | 4,794.3 | 2,748.2 | 2,979.3 | 2,960.4 | 2,765.4 |
| Total | <u>76,996.7</u> | <u>71,679.3</u> | <u>68,400.6</u> | <u>86,096.4</u> | <u>76,312.9</u> | <u>75,630.8</u> |
| Deferred Debits: | | | | | | |
| Deferred energy costs | 85,640.1 | 97,339.9 | 82,499.0 | 56,764.9 | 43,915.5 | 26,524.8 |
| Accumulated deferred income taxes | 3,640.4 | 3,825.2 | 5,000.7 | 7,255.8 | 2,827.3 | 2,987.7 |
| Other | 40,659.8 | 46,394.2 | 43,199.0 | 76,595.4 | 49,164.2 | 8,380.2 |
| Total | <u>129,940.3</u> | <u>147,559.3</u> | <u>130,698.7</u> | <u>140,616.1</u> | <u>95,907.0</u> | <u>37,892.7</u> |
| Total Assets | <u>\$1,335,018.4</u> | <u>\$1,344,533.4</u> | <u>\$1,327,140.6</u> | <u>\$1,354,967.8</u> | <u>\$1,295,674.6</u> | <u>\$1,253,845.5</u> |

METROPOLITAN EDISON COMPANY
Consolidated Balance Sheet
(In Thousands)

| Liabilities and Capital | June 1980 | March 1980 | December 1979 | September 1979 | June 1979 | March 1979 |
|-------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| First mortgage bonds and debentures, including unamortized prem (disc) net | \$ 542,379.9 | \$ 542,548.5 | \$ 529,596.5 | \$ 536,754.7 | \$ 536,805.3 | \$ 536,972.8 |
| Cumulative preferred stock, including premium and expense | 139,874.2 | 139,874.2 | 139,874.2 | 139,874.2 | 139,874.2 | 139,874.2 |
| Common stock and consolidated surplus: | | | | | | |
| Common stock | 66,273.4 | 66,273.4 | 66,273.4 | 66,273.4 | 66,273.4 | 66,273.4 |
| Capital surplus | 280,523.6 | 200,523.6 | 280,523.6 | 280,523.6 | 280,523.6 | 280,523.6 |
| Retained earnings | 29,450.8 | 34,730.3 | 31,604.1 | 31,532.7 | 27,766.0 | 23,420.7 |
| Total common equity | <u>375,247.8</u> | <u>381,527.3</u> | <u>378,401.1</u> | <u>378,329.7</u> | <u>374,563.0</u> | <u>370,217.7</u> |
| Total long-term and capital | <u>1,058,501.9</u> | <u>1,063,950.0</u> | <u>1,047,872.4</u> | <u>1,054,958.6</u> | <u>1,051,242.5</u> | <u>1,047,064.7</u> |
| Current Liabilities: | | | | | | |
| Sinking funds & current maturities | 7,476.2 | 7,475.5 | 14,474.9 | 7,764.3 | 9,223.7 | 9,103.1 |
| Notes payable to banks | 64,000.0 | 78,000.0 | 68,000.0 | 88,200.0 | 45,450.0 | 29,700.0 |
| Accounts payable | 35,162.6 | 31,975.0 | 35,927.4 | 32,349.9 | 27,541.5 | 30,969.0 |
| Dividends payable on cumulative preferred stock | 2,572.2 | 2,572.2 | 2,572.2 | 2,572.2 | 2,572.2 | 2,572.2 |
| Taxes accrued | 2,979.9 | 13,300.3 | 7,970.5 | 3,460.7 | 3,925.4 | 11,944.3 |
| Interest accrued | 11,413.7 | 6,136.0 | 11,857.4 | 6,390.6 | 10,978.1 | 5,977.9 |
| Other | 7,418.2 | 7,002.0 | 5,627.2 | 3,476.9 | 3,223.6 | 5,833.7 |
| Total | <u>148,022.8</u> | <u>146,461.8</u> | <u>146,429.6</u> | <u>144,214.6</u> | <u>102,734.5</u> | <u>96,100.2</u> |
| Deferred Credits: | | | | | | |
| Deferred income taxes | 118,034.6 | 120,414.1 | 110,630.9 | 99,302.7 | 83,012.7 | 72,297.6 |
| Unamortized I.T.C. | 6,687.4 | 9,850.9 | 18,199.6 | 32,535.1 | 32,806.6 | 33,977.2 |
| Other | 3,148.5 | 3,067.5 | 3,117.4 | 22,962.2 | 24,820.1 | 3,267.4 |
| Total | <u>127,870.5</u> | <u>133,331.6</u> | <u>131,947.9</u> | <u>154,800.0</u> | <u>140,639.4</u> | <u>109,542.2</u> |
| Reserves | 623.2 | 790.0 | 898.7 | 924.6 | 1,058.2 | 1,138.4 |
| Total Liabilities & Capital | <u>\$1,335,018.4</u> | <u>\$1,344,533.4</u> | <u>\$1,327,148.6</u> | <u>\$1,354,967.8</u> | <u>\$1,295,674.6</u> | <u>\$1,253,845.5</u> |

Met-Ed Exhibit: B-112
Page 2 of 2

METROPOLITAN EDISON COMPANY

Interest Coverage
Debenture Test
Twelve Months Ended

| | |
|-----------------|------|
| June, 1980 | 1.45 |
| March, 1980 | 1.73 |
| December, 1979 | 1.99 |
| September, 1979 | 2.04 |
| June, 1979 | 2.17 |
| March, 1979 | 2.40 |

Preferred Stock Coverage
Twelve Months Ended

| | |
|-----------------|------|
| June, 1980 | 1.04 |
| March, 1980 | 1.03 |
| December, 1979 | 1.19 |
| September, 1979 | 1.28 |
| June, 1979 | 1.56 |
| March, 1979 | 1.71 |

METROPOLITAN EDISON COMPANY
Bi-Weekly Cash Balances
and Monthly Customer Accounts Receivable Balances
(\$000)

| <u>Line No.</u> | <u>Description</u> | <u>Balances</u> | <u>Customer Accounts Receivable</u> |
|---------------------|--------------------|-----------------|---------------------------------------------|
| 1 | January 4, 1980 | \$ 3,503 | |
| 2 | January 18 | 6,231 | |
| 3 | January 31 | | \$21,857 |
| 4 | February 1 | 697 | |
| 5 | February 15 | 11,247 | |
| 6 | February 29 | 3,284 | 24,943 |
| 7 | March 14 | 2,712 | |
| 8 | March 28 | 3,610 | |
| 9 | March 31 | | 27,753 |
| 10 | April 11 | 8,560 | |
| 11 | April 25 | 5,849 | |
| 12 | April 30 | | 25,385 |
| 13 | May 9 | 3,126 | |
| 14 | May 23 | 8,986 | |
| 15 | May 31 | | 23,055 |
| 16 | June 6 | 4,646 | |
| 17 | June 20 | 945 | |
| 18 | June 30 | | 24,942 |

METROPOLITAN EDISON COMPANY

Annual Interest and Dividend Requirements
on Long Term Debt and Preferred Stock
Outstanding at July 31, 1980

| <u>Line No.</u> | <u>Description</u> | <u>Amount</u> |
|---------------------|------------------------------|---------------------|
| 1 | First mortgage bonds | \$36,636,516 |
| 2 | Debentures | 6,487,875 |
| 3 | Total interest | \$43,124,391 |
| 4 | Preferred dividends | 10,288,748 |
| 5 | Total interest and dividends | <u>\$53,413,139</u> |

METROPOLITAN EDISON COMPANY
 Return on Average Common Equity
 Twelve Months Ending
 Last Five Calendar Years

 (\$ Thousands)

| | <u>Earnings Available for Common Equity</u> (1) | <u>Average Common Equity</u> (2) | <u>Return (Col. 1 ÷ Col. 2)</u> (3) |
|------|--------------------------------------------------------|-----------------------------------------|--------------------------------------------|
| 1979 | \$15,585 | \$374,272 | 4.16% |
| 1978 | \$48,318 | \$374,308 | 12.91% |
| 1977 | \$48,544 | \$370,793 | 13.10% |
| 1976 | \$41,322 | \$368,849 | 11.19% |
| 1975 | \$41,641 | \$365,977 | 11.38% |

Twelve Months Ending in 1980

| | | | |
|----------------|----------|-----------|-------|
| June, 1980 | \$ 1,685 | \$378,137 | 0.45% |
| May, 1980 | \$ 4,785 | \$377,854 | 1.27% |
| April, 1980 | \$ 8,727 | \$377,509 | 2.31% |
| March, 1980 | \$11,310 | \$376,711 | 3.00% |
| February, 1980 | \$13,338 | \$375,588 | 3.55% |
| January, 1980 | \$12,654 | \$374,985 | 3.37% |