UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of	)
	)
JERSEY CENTRAL POWER & LIGHT COMPANY, ET AL.	) Docket No. 50-363
	)
(Forked River Nuclear Generating Station, Unit 1)	)
	)

APPLICATION FOR AMENDMENT OF CONSTRUCTION PERMIT FOR FORKED RIVER NUCLEAR STATION, UNIT 1 (CPPR-96)

Jersey Central Power & Light Company is presently the holder of a construction permit (CPPR-96) for Forked River Nuclear Station, Unit 1 ("Forked River") and is presently the sole owner of the facility. By this application Jersey Central Power & Light Company ("Jersey Central"), Metropolitan Edison Company ("Met-Ed") and Pennsylvania Electric Company ("Penelec"), each of which is a wholly-owned operating subsidiary of General Public Utilities Corporation ("GPU"), request an amendment to construction permit CPPR-96 adding Met-Ed and Penelec as co-owners of Forked River as further described below. Jersey Central will retain exclusive responsibility for the design, construction and operation of Forked River.

Jersey Central plans to sell to each of Met-Ed and Penelec a 25% undivided interest in Forked River. Such sales are to be made in one or more installments and are expected to be completed by the Spring of 1978. Thereafter the costs of completing construction of Forked River will be borne by Jersey Central, Met-Ed and Penelec in proportion to their respective ownership interests. The proposed sales transactions are more fully described in an Application-Declaration to the Securities and Exchange Commission (SEC) filed by Jersey Central, Met-Ed and Penelec on January 13, 1977, which Application-Declaration is incorporated herein by reference. A copy of the Application-Declaration, including the Exhibits filed therewith, is attached as Attachment A. The Application-Declaration to the SEC also describes proposed changes in ownership interests of Jersey Central, Met-Ed and Penelec in Three Mile Island Nuclear Station, Unit 2 ("TMI #2"), which changes are the subject of a separate application filed this date with the NRC for amendment of the TMI #2 construction permit.

Jersey Central, Met-Ed and Penelec have agreed in principle that Allegheny Electric Cooperative, Inc. ("Allegheny") may purchase, if it wishes to do so, a 3% undivided interest in Forked River. Negotiations to this end are currently in progress and when completed the purchase by Allegheny will be the subject of a further application for amendment of the Forked River construction permit. The planned sales by Jersey Central to Met-Ed and Penelec are, however, independent of the proposed purchase by Allegheny.

The following information, including updated information with respect to Jersey Central, is submitted in support of this application.

I. General Information

a. Names and Addresses of Proposed Co-Owners

Jersey Central Power & Light Company
Madison Avenue at Punch Bowl Road
Morristown, New Jersey 07960

Metropolitan Edison Company
Post Office Box 542
Reading, Pennsylvania 19603

Pennsylvania Electric Company
1001 Broad Street
Johnstown, Pennsylvania 15907

b. Description of Business and Organization of Co-Owners

Jersey Central, Met-Ed and Penelec are the three wholly-owned major operating subsidiaries of GPU, a Pennsylvania corporation, registered under the Public Utility Holding Company Act of 1935.

1. Jersey Central Power & Light Company

Jersey Central is a public utility incorporated under the laws of the State of New Jersey and engaged in the generation, distribution and sale of electric energy. Its principal place of business is located in the Township of Morris (Post Office, Morristown), New Jersey. Jersey Central has a total generating capacity in service in excess of 2695 megawatts and serves more than 650,000 customers in an area of 3,300 square miles constituting 43 percent of the land area of the State of New Jersey.

The names and business addresses of Jersey Central's directors and principal officers, all of whom are citizens of the United States, are as follows:

DIRECTORS

C. Aslaksen, Madison Avenue at Punch Bowl Road, Morristown, New Jersey 07960

Shepard Bartnoff, Madison Avenue at Punch Bowl Road, Morristown, New Jersey 07960

H. M. Dieckamp, 260 Cherry Hill Road, Parsippany, New Jersey 07054

I. R. Finfrock, Madison Avenue at Punch Bowl Road, Morristown, New Jersey 07054

W. G. Kuhns, 260 Cherry Hill Road, Parsippany, New Jersey, 07054

J. R. Leva, Madison Avenue at Punch Bowl Road, Morristown, New Jersey 07960

G. J. Schneider, 260 Cherry Hill Road, Parsippany, New Jersey, 07054

R. H. Sims, 260 Cherry Hill Road, Parsippany, New Jersey, 07054

OFFICERS

W. G. Kuhns, Chairman of the Board and Chief Executive Officer, 260 Cherry Hill Road, Parsippany, New Jersey 07054

Shepard Bartnoff, President and Chief Operating Officer, Madison Avenue at Punch Bowl Road, Morristown, New Jersey 07960

C. Aslaksen, Vice President, Madison Avenue at Punch Bowl Road, Morristown, New Jersey 07960

I. R. Finfrock, Jr., Vice President
Madison Avenue at Punch Bowl Road,
Morristown, New Jersey, 07960

J. G. Graham, Vice-President-Legal,
Madison Avenue at Punch Bowl Road,
Morristown, New Jersey 07960

J. R. Leva, Vice President, Madison
Madison at Punch Bowl Road, Morristown,
New Jersey 07960

J. R. McGalliard, Vice President,
Madison Avenue at Punch Bowl Road,
Morristown, New Jersey 07960

G. P. [illegible]undrane, Vice President, Madison
Avenue at Punch Bowl Road, Morristown,
New Jersey 07960

G. J. Schneider, Vice President,
260 Cherry Hill Road, Parsippany,
New Jersey, 07054

E. C. Schoener, Secretary and Treasurer
Madison Avenue at Punch Bowl Road,
Morristown, New Jersey 07960

M. B. Peters, Assistant Secretary
Madison Avenue at Punch Bowl Road
Morristown, New Jersey 07960

H. S. Clayton, Assistant Treasurer
Madison Avenue at Punch Bowl Road
Morristown, New Jersey 07960

J. S. Burchell, Comptroller, Madison
Avenue at Punch Bowl Road, Morristown,
New Jersey, 07960

P. H. Preis, Assistant Comptroller,
Madison Avenue at Punch Bowl Road
Morristown, New Jersey 07960

2. <u>Metropolitan Edison Company</u>

Met-Ed is a public utility incorporated under the laws of the Commonwealth of Pennsylvania and engaged in the generation, distribution and sale of electric energy. Its principal place of business is located near Reading, Pennsylvania. Met-Ed has a total generating capacity in excess of 1703 megawatts and serves more than 335,000 customers in an area of 3,274 square miles constituting 7.2 percent of the land area of the Commonwealth of Pennsylvania.

The names and business addresses of Met-Ed's directors and principal officers, all of whom are citizens of the United States, are as follows:

DIRECTORS

J. S. Bartman, Post Office Box 542, Reading, Pennsylvania 19603

W. M. Creitz, Post Office Box 542, Reading, Pennsylvania 19603

H. M. Dieckamp, 260 Cherry Hill Road, Parsippany, New Jersey, 07054

W. G. Kuhns, 260 Cherry Hill Road, Parsippany, New Jersey, 07054

E. W. Schleicher, Post Office Box 542, Reading, Pennsylvania 19603

G. J. Schneider, 260 Cherry Hill Road, Parsippany, New Jersey 07054

R. E. Werts, Post Office Box 542, Reading, Pennsylvania 19603

OFFICERS

W. G. Kuhns, Chairman of the Board and Chief Executive Officer, 260 Cherry Hill Road, Parsippany, New Jersey 07054

W. M. Creitz, President, Post Office Box 542, Reading, Pennsylvania 19603

R. C. Arnold, Vice President, Post Office Box 542, Reading, Pennsylvania, 19603

J. S. Bartman, Vice President, Post Office Box 542, Reading, Pennsylvania 19603

H. L. Robidoux, Vice President, Post Office Box 542, Reading, Pennsylvania 19603

E. W. Schleicher, Vice President, Post Office Box 542, Reading, Pennsylvania 19603

G. J. Schneider, Vice President, 260 Cherry Hill Road, Parsippany, New Jersey 07054

R. B. Heist, Secretary, Post Office Box 542, Reading, Pennsylvania 19603

R. E. Gehman, Treasurer, Post Office Box 542, Reading, Pennsylvania 19603

R. E. Werts, Comptroller, Post Office Box 542, Reading, Pennsylvania 19603

R. M. Powers, Assistant Secretary, Post Office Box 542, Reading, Pennsylvania 19603

D. L. Huff, Assistant Comptroller, Post Office Box 542, Reading, Pennsylvania 19603

3. Pennsylvania Electric Company

Penelec is a public utility incorporated under the laws of the Commonwealth of Pennsylvania and engaged in the generation, distribution and sale of electric energy. Its principal place of business is located in Johnstown, Pennsylvania. Penelec has a total generating capacity in excess of 2101 megawatts and serves more than 490,000 customers in an area of 17,600 square miles constituting about 39 percent of the land area of the Commonwealth of Pennsylvania.

The names and business addresses of Penelec's directors and principal officers, all of whom are citizens of the United States, are as follows:

DIRECTORS

W. G. Kuhns, 260 Cherry Hill Road, Parsippany, New Jersey 07054

J. F. Smith, 1001 Broad Street, Johnstown, Pennsylvania 15907

R. W. Conrad, 1001 Broad Street, Johnstown, Pennsylvania 15907

P. L. Lummitzer, 1001 Broad Street, Johnstown, Pennsylvania 15907

E. J. Miller, 1001 Broad Street, Johnstown, Pennsylvania 15907

G. J. Schneider, 260 Cherry Hill Road, Parsippany, New Jersey 07054

H. M. Dieckamp, 260 Cherry Hill Road, Parsippany, New Jersey 07054

W. A. Verrochi, 260 Cherry Hill Road, Parsippany, New Jersey 07054

OFFICERS

W. G. Kuhns, Chairman of the Board and Chief Executive Officer, 260 Cherry Hill Road, Parsippany, New Jersey 07054

J. F. Smith, President, 1001 Broad Street Johnstown, Pennsylvania 15907

R. G. Baker, Vice President-Consumer Affairs, 1001 Broad Street, Johnstown, Pennsylvania 15907

R. W. Conrad, Vice President-Generation, 1001 Broad Street, Johnstown, Pennsylvania 15907

P. L. Lummitzer, Vice President-Technical, 1001 Broad Street, Johnstown, Pennsylvania 15907

E. J. Miller, Vice President-Operations,
1001 Broad Street, Johnstown, Pennsylvania 15907

G. J. Schneider, Vice President-Financial,
260 Cherry Hill Road, Parsipanny, New
Jersey 07054

F. A. Donofrio, Comptroller, 1001 Broad
Street, Johnstown, Pennsylvania 15907

W. R. Thomas, Secretary and Treasurer
1001 Broad Street, Johnstown, Pennsylvania 15907

J. W. Bonarrigo, Assistant Secretary,
1001 Broad Street, Johnstown, Pennsylvania 15907

E. Simmons, Assistant Treasurer, 1001 Broad
Street, Johnstown, Pennsylvania 15907

T. M. Mowry, Assistant Comptroller, 1001 Broad
Street, Johnstown, Pennsylvania 15907

Jersey Central, Met-Ed, Penelec and GPU are not owned, controlled, or dominated by an alien, a foreign corporation or foreign government. Jersey Central, Met-Ed and Penelec make this application on their own behalf and are not acting as agent or representative of any other person.

II. Financial Qualifications

Arrangements for the transfer of ownership interests in Forked River from Jersey Central to Met-Ed and Penelec are described in Attachment A (Application-Declaration to SEC), including Exhibit B-1 thereto constituting the agreement dated December 16, 1976 Jersey Central, Met-Ed and Penelec with respect to such transfer.

Construction of Forked River will be financed as an integral part of the total construction program of Jersey

Central, Met-Ed and Penelec in the same general manner as other additions to the GPU system are financed. Long-term debt capital will be obtained through the issuance by Jersey Central, Met-Ed and Penelec of mortgage bonds and unsecured debentures. Equity capital will be obtained mainly through the receipt of capital contributions from GPU. However, additional shares of preferred stock are expected to be issued and sold from time to time.

The issuance by Jersey Central of mortgage bonds, unsecured debentures and shares of preferred stock requires the approval of the Board of Public Utility Commissioners of the State of New Jersey and of the Securities and Exchange Commission. The issuance by Met-Ed and Penelec of mortgage bonds, unsecured debentures and shares of preferred stock requires the approval of the Pennsylvania Public Utility Commission and of the Securities and Exchange Commission. Capital contributions by GPU also require SEC approval under the Public Utility Holding Company Act.

The 1976 System Statistics of GPU and its Subsidiaries, including the consolidating statement of income and retained earnings financial statements, for the year ended December 31, 1976 and the consolidating balance sheet at December 31, 1976, are annexed as Attachment B.

Jersey Central's estimate of the cost of construction of Forked River, including fabrication and uranium content of the initial reactor core, is shown in Table I.

As of January 1, 1977, construction of Forked River was approximately 1% complete.

Table I

(Note 1)

Forked River Nuclear Station - Unit 1
Estimated Cost of Construction

a.	Total nuclear production plant cost (including all costs assignable to FPC account classifications 321-325 inclusive, plus the main power transformers ordinarily included in Account 353)	$ 900,000,000	(Note 2)
b.	Transmission distribution and general plant costs	$ 82,000,000	(Note 1)
c.	Nuclear Fuel inventory cost for first core	$ 74,653,000	(Note 3)
	TOTAL	$1,056,653,000	(Note 4)

NOTES

1. The items included in the same categories of Table I are the same as those defined in the applicable electric plant and nuclear fuel inventory accounts prescribed by the Federal Power Commission.

2. These costs include taxes, interest during construction, escalation, insurance, training, licensing and contingencies.

3. This cost includes the cost of procurement of uranium ore, conversion and enrichment, and fabrication and delivery of the fuel.

4. The bases from which the estimated construction costs are derived are the contract prices for the nuclear steam supply system, uranium and fuel fabrication, including estimated escalation, and cost projections for the other portions of the unit.

III. Regulatory Approvals

The proposed transfers of ownership interests in Forked River will require authorizations by the Board of

Public Utility Commissioners of the State of New Jersey, the Pennsylvania Public Utility Commission and the Securities and Exchange Commission. Such authorizations will be obtained prior to effecting the proposed transfers.

IV. Security Agreement

This application does not contain any Restricted Data or other defense information. Jersey Central, Met-Ed and Penelec agree that they will not permit any individual to have access to Restricted Data until the Civil Service Commission shall have made an investigation and a report to the Nuclear Regulatory Commission on the character, associations and loyalty of such individual, and the Nuclear Regulatory Commission shall have determined that permitting such persons to have access to Restricted Data will not endanger the common defense and security.

V. Communications

Jersey Central will continue to be solely responsible for communications with the NRC related to Forked River. All communications to Jersey Central pertaining to this application should continue to be sent to:

Ivan R. Finfrock, Jr.
Vice President
Jersey Central Power & Light Company
Madison Avenue at Punch Bowl Road
Morristown, New Jersey 07960

In addition, it is requested that copies of each communication be sent to:

M. Kenneth Pastor
GPU Service Corporation
Interpace Building
260 Cherry Hill Road
Parsippany, New Jersey 07054

and

Thomas M. Crimmins, Jr.
GPU Service Corporation
Interpace Building
260 Cherry Hill Road
Parsippany, New Jersey 07054

and to Jersey Central's Washington, D. C. counsel:

Shaw, Pittman, Potts & Trowbridge
Attention: George F. Trowbridge, Esquire
1800 M Street, N. W.
Washington, D. C. 20036

JERSEY CENTRAL POWER & LIGHT COMPANY

By ______________________
President

ATTEST:

____
Secretary

Sworn to and subscribed before me this 29th day of March 1977,
at Parsippany, N.J.

____
Notary Public
ALICE J. HOUSE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires March 7, 1980

METROPOLITAN EDISON COMPANY

By ______________________
President

ATTEST:

____
Secretary

Sworn to and subscribed before me this 29th day of March 1977,
at Parsippany, N.J.

____
Notary Public
ALICE J. HOUSE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires March 7, 1980

PENNSYLVANIA ELECTRIC COMPANY

By J. T. Smith
President

ATTEST:

W. G. Thorn
Secretary

Sworn to and subscribed before me this 29th day of March, 1977
at Parsippany, N.J.

Alice J. House
Notary Public

ALICE J. HOUSE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires March 7, 1980

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of METROPOLITAN EDISON COMPANY, ET AL. (Three Mile Island Nuclear Station, Unit 2)	)))))))	Docket No. 50-320

APPLICATION FOR AMENDMENT OF CONSTRUCTION PERMIT FOR THREE MILE ISLAND NUCLEAR STATION, UNIT 2 (CPPR-66)

By this application Metropolitan Edison Company ("Met-Ed"), Jersey Central Power & Light Company ("Jersey Central") and Pennsylvania Electric Company ("Penelec"), each of which is a wholly-owned operating subsidiary of General Public Utilities Corporation ("GPU"), request an amendment to the construction permit (CPPR-66) for Three Mile Island Nuclear Station, Unit 2 ("TMI #2") adding Penelec as a co-owner of TMI #2 to reflect the current ownership interests in TMI #2 and the further proposed changes in ownership interests described below.

Construction permit CPPR-66 was issued to Met-Ed and to Jersey Central, as joint owners each having a 50% undivided interest in TMI #2. Subsequent to the issuance of the construction permit, Jersey Central sold to Penelec one-half of its interest in TMI #2 (25%), so that the current

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ownership percentages for Met-Ed, Jersey Central and Penelec are 50%, 25% and 25%, respectively. The sale of a 25% interest to Penelec has not yet been reflected in an amendment to the TMI #2 construction permit but plans for such sale were reflected in the application for an operating license and accompanying Final Safety Analysis Report filed on behalf of all three companies. Met-Ed has and will retain exclusive responsibility for the design, construction and operation of TMI #2.

In a further rearrangement of ownership interests, Met-Ed plans to sell to Jersey Central one-half of its current interest in TMI #2 (25%) and Penelec plans to sell to Jersey Central three-fifths of its current interest in TMI #2 (15%), so that the resulting ownership percentages for Met-Ed, Jersey Central and Penelec will be 25%, 65%, and 10%, respectively. Such sales are to be made in a series of installments geared to Jersey Central's ability to make the payments and the ability of Met-Ed and Penelec to make use of the sales proceeds but will be completed by the time TMI #2 is placed in commercial service. TMI #2 is scheduled to be placed in service by the spring of 1978. The proposed sales transactions are more fully described in an Application-Declaration to the Securities and Exchange Commission filed by Met-Ed, Jersey Central and Penelec on January 13, 1977, which Application-Declaration is incorporated herein by reference. Copies of the Application-Declaration, including the Exhibits filed therewith, which also describe proposed changes in ownership interests of Met-Ed, Jersey Central and Penelec in Forked River Nuclear Station Unit 1 ("Forked River"), have been filed this date as Attachment A to a separate application to NRC for amendment of the Forked River construction permit.

The following information, including updated information with respect to Met-Ed, Jersey Central and Penelec, is submitted in support of this application.

I. General Information

a. Names and Addresses of Co-Owners

Metropolitan Edison Company
Post Office Box 542
Reading, Pennsylvania 19603

Jersey Central Power & Light Company
Madison Avenue at Punch Bowl Road
Morristown, New Jersey 07960

Pennsylvania Electric Company
1001 Broad Street
Johnstown, Pennsylvania 15907

b. Description of Business and Organization of Co-Owners

Met-Ed, Jersey Central and Penelec are the three wholly-owned major operating subsidiaries of GPU, a Pennsylvania corporation, registered under the Public Utility Holding Company Act of 1935.

1. Metropolitan Edison Company

Met-Ed is a public utility incorporated under the laws of the Commonwealth of Pennsylvania and engaged in the generation, distribution and sale of electric energy. Its principal place of business is located near Reading, Pennsylvania. Met-Ed has a total generating capacity in excess of 1703 megawatts and serves more than 335,000 customers in an area of 3,274 square miles constituting 7.2 percent of the land area of the Commonwealth of Pennsylvania.

The names and business addresses of Met-Ed's directors and principal officers, all of whom are citizens of the United States, are as follows:

DIRECTORS

J. S. Bartman, Post Office Box 542, Reading, Pennsylvania 19603

W. M. Creitz, Post Office Box 542, Reading, Pennsylvania 19603

H. M. Dieckamp, 260 Cherry Hill Road, Parsippany, New Jersey 07054

W. G. Kuhns, 260 Cherry Hill Road Parsippany, New Jersey 07054

E. W. Schleicher, Post Office Box 542, Reading, Pennsylvania 19603

G. J. Schneider, 260 Cherry Hill Road, Parsippany, New Jersey 07054

R. E. Werts, Post Office Box 542, Reading, Pennsylvania 19603

OFFICERS

W. G. Kuhns, Chairman of the Board and Chief Executive Officer, 260 Cherry Hill Road, Parsippany, New Jersey 07054

W. M. Creitz, President, Post Office Box 542 Reading, Pennsylvania 19603

R. C. Arnold, Vice President, Post Office Box 542, Reading, Pennsylvania 19603

J. S. Bartman, Vice President, Post Office Box 542, Reading, Pennsylvania 19603

H. L. Robidoux, Vice President, Post Office Box 542, Reading, Pennsylvania 19603

E. W. Schleicher, Vice President, Post Office Box 542, Reading, Pennsylvania 19603

G. J. Schneider, Vice President, 260 Cherry Hill Road, Parsippany, New Jersey 07054

R. B. Heist, Secretary, Post Office Box 542, Reading, Pennsylvania 19603

R. E. Gehman, Treasurer, Post Office Box 542, Reading, Pennsylvania 19603

R. E. Werts, Comptroller Post Office Box 542, Reading, Pennsylvania 19603

R. M. Powers, Assistant Secretary, Post Office Box 542, Reading, Pennsylvania 19603

D. L. Huff, Assistant Comptroller, Post Office Box 542, Reading, Pennsylvania 19603

2. Jersey Central Power & Light Company

Jersey Central is a public utility incorporated under the laws of the State of New Jersey and engaged in the generation, distribution and sale of electric energy. Its principal place of business is located in the Township of Morris (Post Office, Morristown), New Jersey. Jersey Central has a total generating capacity in service in excess of 2695 megawatts and serves more than 650,000 customers in an area of 3,300 square miles constituting 43 percent of the land area of the State of New Jersey.

The names and business addresses of Jersey Central's directors and principal officers, all of whom are citizens of the United States, are as follows:

DIRECTORS

C. Aslaksen, Madison Avenue at Punch Bowl Road, Morristown, New Jersey 07960

Shepard Bartnoff, Madison Avenue at Punch Bowl Road, Morristown, New Jersey 07960

H. M. Dieckamp, 260 Cherry Hill Road, Parsippany, New Jersey 07054

I. R. Finfrock, Madison Avenue at Punch Bowl Road, Morristown, New Jersey 07054

W. G. Kuhns, 260 Cherry Hill Road, Parsippany, New Jersey 07054

J. R. Levy, Madison Avenue at Punch Bowl Road, Morristown, New Jersey 07960

G. J. Schneider, 260 Cherry Hill Road, Parsippany, New Jersey 07054

R. H. Sims, 260 Cherry Hill Road, Parsippany, New Jersey 07054

OFFICERS

W. G. Kuhns, Chairman of the Board and Chief Executive Officer, 260 Cherry Hill Road, Parsippany, New Jersey 07054

Shepard Bartnoff, President and Chief Operating Officer, Madison Avenue at Punch Bowl Road, Morristown, New Jersey 07960

C. Aslaksen, Vice President, Madison Avenue at Punch Bowl Road, Morristown, New Jersey 07960

I. R. Finfrock, Jr., Vice President Madison Avenue at Punch Bowl Road, Morristown, New Jersey 07960

J. R. McGalliard, Vice President,
Madison Avenue at Punch Bowl Road
Morristown, New Jersey 07960

G. P. Mundrane, Vice President, Madison
Avenue at Punch Bowl Road, Morristown,
New Jersey 07960

G. J. Schneider, Vice President,
260 Cherry Hill Road, Parsippany,
New Jersey 07054

E. C. Schoener, Secretary and Treasurer,
Madison Avenue at Punch Bowl Road,
Morristown, New Jersey 07960

M. B. Peters, Assistant Secretary,
Madison Avenue at Punch Bowl Road,
Morristown, New Jersey 07960

H. S. Clayton, Assistant Treasurer,
Madison Avenue at Punch Bowl Road,
Morristown, New Jersey 07960

J. S. Burchell, Comptroller, Madison
Avenue at Punch Bowl Road, Morristown,
New Jersey 07960

P. H. Preis, Assistant Comptroller,
Madison Avenue at Punch Bowl Road,
Morristown, New Jersey 07960

3. Pennsylvania Electric Company

Penelec is a public utility incorporated under the laws of the Commonwealth of Pennsylvania and engaged in the generation, distribution and sale of electric energy. Its principal place of business is located in Johnstown, Pennsylvania. Penelec has a total generating capacity in excess of 2[illegible]01 megawatts and serves more than 490,000 customers in an area of 17,600 square miles constituting about 39 percent of the land area of the Commonwealth of Pennsylvania.

The names and business addresses of Penelec's directors and principal officers, all of whom are citizens of the United States, are as follows:

DIRECTORS

W. G. Kuhns, 260 Cherry Hill Road, Parsippany, New Jersey 07054

J. F. Smith, 1001 Broad Street, Johnstown, Pennsylvania 15907

R. W. Conrad, 1001 Broad Street, Johnstown, Pennsylvania 15907

P. J. Lummitzer, 1001 Broad Street, Johnstown, Pennsylvania 15907

E. J. Miller, 1001 Broad Street, Johnstown, Pennsylvania 15907

G. J. Schneider, 260 Cherry Hill Road, Parsippany, New Jersey 07054

H. M. Dieckamp, 260 Cherry Hill Road, Parsippany, New Jersey 07054

W. A. Verrochi, 260 Cherry Hill Road, Parsippany, New Jersey 07054

OFFICERS

W. G. Kuhns, Chairman of the Board and Chief Executive Officer, 260 Cherry Hill Road, Parsippany, New Jersey 07054

J. F. Smith, President and Chief Operating Officer, 1001 Broad Street, Johnstown, Pennsylvania 15907

R. G. Baker, Vice President-Consumer Affairs, 1001 Broad Street, Johnstown, Pennsylvania 15907

R. W. Conrad, Vice President-Generation, 1001 Broad Street, Johnstown, Pennsylvania 15907

P. L. Lummitzer, Vice President-Technical, 1001 Broad Street, Johnstown, Pennsylvania 15907

E. J. Miller, Vice President-Operations,
1001 Broad Street, Johnstown, Pennsylvania 15907

G. J. Schneider, Vice President-Financial,
260 Cherry Hill Road, Parsippany, New Jersey
07054

F. A. Donofrio, Comptroller, 1001 Broad
Street, Johnstown, Pennsylvania 15907

W. R. Thomas, Secretary and Treasurer,
1001 Broad Street, Johnstown, Pennsylvania 15907

J. W. Bonarrigo, Assistant Secretary,
1001 Broad Street, Johnstown, Pennsylvania 15907

E. Simmons, Assistant Treasurer, 1001 Broad
Street, Johnstown, Pennsylvania 15907

T. M. Mowry, Assistant Comptroller, 1001 Broad
Street, Johnstown, Pennsylvania 15907

Met-Ed, Jersey Central, Penelec and GPU are not owned, controlled, or dominated by an alien, a foreign corporation or foreign government. Met-Ed, Jersey Central and Penelec make this application on their own behalf and are not acting as agent or representative of any other person.

II. Financial Qualifications

Arrangements for the transfer of ownership interests in TMI #2 to Jersey Central from Met-Ed and Penelec are described in the above-referenced Application-Declaration to the SEC, including Exhibit B-1 thereto constituting the Agreement dated December 16, 1976 between Met-Ed, Jersey Central and Penelec with respect to such transfer.

Construction of TMI #2 will continue to be financed as an integral part of the total construction program of Met-Ed, Jersey Central and Penelec in the same general manner as other additions to the GPU system are financed. Long-term debt capital will be obtained through the issuance by Met-Ed, Jersey Central and Penelec of mortgage bonds and unsecured debentures. Equity capital will be obtained mainly through the receipt of capital contributions from GPU and the utilization of funds derived from the operations of its three subsidiaries. However, additional shares of preferred stock are expected to be issued and sold from time to time.

The issuance by Met-Ed and Penelec of mortgage bonds, unsecured debentures and shares of preferred stock requires the approval of the Pennsylvania Public Utility Commission and of the Securities and Exchange Commission. The issuance by Jersey Central of mortgage bonds, unsecured debentures and shares of preferred stock requires the approval of the Board of Public Utility Commissioners of the State of New Jersey and of the Securities and Exchange Commission. Capital contributions by GPU also require SEC approval under the Public Utility Holding Company Act.

The 1976 System Stations of GPU and its Subsidiaries, including the consolidating statement of income and retained earnings financial statements, for the year ended December 31, 1976 and the consolidating balance sheet at December 31, 1976 are annexed as Attachment B to the above referred separate applications to NRC for amendment of the Forked River construction permit.

Met-Ed's estimate of the cost of construction of TMI #2, including fabrication and uranium content of the initial reactor core, is shown in Table I. As of January 1, 1977, construction of TMI #2 was approximately 89% complete.

Table I

(Note 1)

Three Mile Island Nuclear Station - Unit 2
Estimated Cost of Construction

a.	Total nuclear production plant cost (including all costs assignable to FPC account classifications 321-325 inclusive, plus the main power transformers ordinarily included in Account 353)	$637,000,000	(Note 2)
b.	Transmission distribution and general plant costs	$ 28,498,000	(Note 1)
c.	Nuclear Fuel inventory cost for first core	$ 41,286,000	(Note 3)
	TOTAL	$706,784,000	(Note 4)

NOTES

1. The items included in the same categories of Table I are the same as those defined in the applicable electric plant and nuclear fuel inventory accounts prescribed by the Federal Power Commission.

2. These costs include taxes, interest during construction, escalation, insurance, training, licensing and contingencies.

3. This cost includes the cost of procurement of uranium ore, conversion and enrichment, and fabrication and delivery of the fuel.

4. The bases from which the estimated construction costs are derived are the contract prices for the nuclear steam supply system, uranium and fuel fabrication, including estimated escalation, and cost projections for the other portions of the unit.

III. Regulatory Approvals

The proposed additional transfers of ownership interests in TMI #2 will require authorizations by the Board of Public Utility Commissioners of the State of New Jersey, the Pennsylvania Public Utility Commission and the Securities and Exchange Commission. Such authorizations will be obtained prior to effecting the proposed transfers.

IV. Security Agreement

This application does not contain any Restricted Data or other defense information. Met-Ed, Jersey Central and Penelec agree that they will not permit any individual to have access to Restricted Data until the Civil Service Commission shall have made an investigation and a report to the Nuclear Regulatory Commission on the character, associations and loyalty of such individual, and the Nuclear Regulatory Commission shall have determined that permitting such persons to have access to Restricted Data will not endanger the common defense and security.

V. Communications

Met-Ed will continue to be solely responsible for communications with the NRC related to TMI #2. All communications to Met-Ed pertaining to this application should continue to be sent to:

R. C. Arnold, Vice President
Metropolitan Edison Company
Post Office Box 542
Reading, Pennsylvania 19603

In addition, it is requested that copies of each communication be sent to:

R. W. Heward, Jr.
GPU Service Corporation
Interpace Building
260 Cherry Hill Road
Parsippany, New Jersey 07054

and

Thomas M. Crimmins, Jr.
GPU Service Corporation
Interpace Building
260 Cherry Hill Road
Parsippany, New Jersey 07054

and to Met-Ed's Washington, D. C. counsel:

Shaw, Pittman, Potts & Trowbridge
Attention: George F. Trowbridge, Esquire
1800 M. Street, N.W.
Washington, D. C. 20036

METROPOLITAN EDISON COMPANY

By ____________________
President

ATTEST:

____
Secretary

Sworn to and subscribed before me this 29th day of March 1977.
at Parsippany, N. J.

Alice J. House
Notary Public

ALICE J. HOUSE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires March 7, 1980

JERSEY CENTRAL POWER & LIGHT COMPANY

By [signature]
President

ATTEST:

[signature]
Secretary

Sworn to and subscribed before me this 29th day of March 1977,
at Parsippany, N.J.

Alice J. House
Notary Public

ALICE J. HOUSE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires March 7, 1980

PENNSYLVANIA ELECTRIC COMPANY

By [signature]
President

ATTEST:

[signature]
Secretary

Sworn to and subscribed before me this 29th day of March, 1977,
at Parsippany N.J.

Alice J. House
Notary Public

ALICE J. HOUSE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires March 7, 1980

ATTACHMENT A

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM U-1

APPLICATION

UNDER

THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935 ("ACT")

JERSEY CENTRAL POWER & LIGHT COMPANY ("JCP&L")
Madison Avenue at Punchbowl Road, Morristown, N.J. 07960

METROPOLITAN EDISON COMPANY ("MET-ED")
2800 Pottsville Pike, Reading, Pa. 19603

PENNSYLVANIA ELECTRIC COMPANY ("PENELEC")
1001 Broad Street, Johnstown, Pa. 15907
(Names of companies filing this statement
and addresses of principal executive offices)

GENERAL PUBLIC UTILITIES CORPORATION ("GPU")
80 Pine Street, New York, N.Y. 10005
(Name of top registered holding company parent
of each applicant or declarant)

Mr. E. C. Schoener
Secretary and Treasurer
Jersey Central Power & Light Company
Madison Avenue at Punchbowl Road
Morristown, New Jersey 07960

W. T. Osborne, Esq.
General Attorney
Jersey Central Power & Light Company
Madison Avenue at Punchbowl Road
Morristown, New Jersey 07960

Mr. R. B. Heist, Secretary
Metropolitan Edison Company
2800 Pottsville Pike
Reading, Pennsylvania 15907

S. B. Russell, Esq.
Ryan, Russell & McConaghy
Suite 304 Colonial Trust Bldg.
Reading, Pennsylvania 19601

Mr. W. R. Thomas
Secretary and Treasurer
Pennsylvania Electric Company
1001 Broad Street
Johnstown, Pennsylvania 15907

H. N. Platt, Jr., Esq.
Ballard, Spahr, Andrews & Ingersoll
30 South 17th Street
Philadelphia, Pennsylvania 19103

Mr. F. D. Hafer, Treasurer
General Public Utilities Corporation
80 Pine Street
New York, New York 10005

J. B. Liberman, Esq.
Berlack, Israels & Liberman
26 Broadway
New York, New York 10004

Names and addresses of agents for service

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS

1.01. JC, ME and PE are currently engaged in the construction of Unit No. 2 of the Three Mile Island nuclear generating station ("TMI #2"), as tenants in common (without rights of partition) in which their current respective undivided interests are:

JC -- 25%

ME -- 50%

PE -- 25%

TMI #2 is scheduled to be placed in commercial service in the Spring of 1978.

1.02. ME proposes to sell JC an additional 25% undivided interest and PE proposes to sell JC an additional 15% undivided interest in TMI #2, so that the respective undivided interests (without rights of partition) in TMI #2 will then be:

JC -- 65%

ME -- 25%

PE -- 10%

1.03. Such sales will be made in a series of installments (which will not necessarily be pro rata as between ME and PE) geared to JC's ability to make payments and the ability of ME and PE to make use of the sales proceeds but will be completed by the time that TMI #2 is placed in commercial service.

1.04. The sale prices received by ME and PE will be the book cost, including allowance for funds used during construction ("AFC"), of the interests conveyed by them, adjusted in order to retain for the respective customers of ME and PE the net benefit of certain interperiod tax allocations previously effected in accordance with orders of the Pennsylvania Public Utility Commission ("PaPUC") and thus will reflect the economic cost of the interests in TMI #2 being sold by ME and PE. (For details, see Financial Statements 1(e) and 1(f).)

2.01. JC is currently engaged in the construction of the Forked River nuclear generating station ("FR"), which is scheduled to be placed in commercial service in 1983.

2.02. JC proposes to sell to ME and to PE 25% undivided interests in FR, so that the respective undivided interests (without rights of partition) in FR will then be:

JC -- 50%
ME -- 25%
PE -- 25%

2.03. Such sales will be made in one or more installments but will be completed by the time that TMI #2 is placed in commercial service.

2.04. The sale prices received by JC will be the book cost, including AFC, of the interests conveyed by it, adjusted in order to retain for

JC's customers the net benefit of (a) certain interperiod tax allocations previously effected in accordance with orders of the Board of Public Utility Commissioners of the State of New Jersey ("NJPUC") and (b) the inclusion of a portion of JC's investment in FR in rate base, and thus will reflect the economic cost of the interests in FR being sold by JC. (For details, see Financial Statement 1(d).)

3.01. JC, ME and PE will contribute to the on-going construction costs of TMI #2 and FR each month in proportion to their respective ownership interests therein as they exist that month and each of them will continue to accrue AFC on their investments in TMI #2 and FR as such investments exist each month, with the result that each selling company will be reimbursed for its carrying charges on such investments as they exist from month to month until the transfers are completed.

4.01. JC, ME and PE own undivided interests in Unit No. 1 of the Three Mile Island nuclear generating station (TMI #1), which was placed in service on September 2, 1974, in the following proportions:

JC -- 25%
ME -- 50%
PE -- 25%

The proposed transactions will not affect interests in TMI #1. There are certain facilities at TMI that will be used in common for TMI #1 and TMI #2. The aggregate original cost of such common facilities at the time that TMI #1 was placed in commercial service was approximately \$14 million, of which ME's share was approximately \$7 million and the PE and JC shares were each approximately \$3.5 million. In its rate orders relating to Penelec (entered June 10, 1976) and Met-Ed (entered July 7, 1976), the PaPUC excluded from rate base one half of their respective investments in such common facilities as being assignable to TMI #2, and suggested the continued accrual of AFC thereon. Pursuant thereto, one half of their cost of such common facilities will be regarded by ME and PE as assignable to TMI #2 and the interests in TMI #2 to be transferred by ME and PE to JC will include proportionate interests in such facilities.

4.02. JC owns 100% of the Oyster Creek nuclear generating station ("OC"), which was placed in commercial service on December 23, 1969. Some of the OC facilities will be used in common for FR, which is immediately adjacent to OC. Such common facilities will be equitably allocated between OC and FR and the undivided interests in FR conveyed by JC to ME and PE will include proportionate interests in such common facilities.

5.01. In accordance with the provisions of the Act, for more than 30 years the planning of the GPU System facilities has been on a basis which, under normal conditions, would permit such facilities to be economically operated as a single interconnected system confined in its operations to a single area or region, in one or more States, not so large as to impair (considering the state of the art and the area or region affected) the advantages of localized management, efficient operation and the effectiveness of regulation. In that light, while facilities have been planned and installed on an over-all System requirements basis, the allocation of benefits and obligations among the System companies has been designed to result in an equitable allocation related to their own energy and capacity requirements. When the decisions were made to proceed with the installation of TMI #2 and FR, and taking into account the then anticipated dates for commercial service of TMI #2 and FR, the anticipated participations in base-load energy and capacity among the System companies were reasonably consistent with those standards. However, intervening events (including the OPEC oil embargo and subsequent price increases, the rise in the cost of coal and uranium, the pause in the rate of increase of the consumption of electricity, and the deferral of the completion dates for TMI #2 and FR) have made it appropriate to reallocate among the System companies the participation in

TMI #2 and FR. The factors taken into account in determining such reallocation are summarized in the letter, dated October 8, 1976, to the NJPUC and PaPUC filed as Exhibit G.

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

To be filed by amendment.

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

1.01. The proposed sales by ME and PE to JC of interests in TMI #2 and the proposed acquisition by JC of such interests are subject to Sections 12(d) and 12(f) of the Act and Rule 43 thereunder.

1.02. The proposed sales by JC to ME and PE of interests in FR and the proposed acquisition by ME and PE of such interests are subject to Sections 12(d) and 12(f) of the Act and Rule 43 thereunder.

ITEM 4. REGULATORY APPROVAL.

1.01. Consummation of certain of the proposed transactions will require the authorization of the NJPUC and the PaPUC and certain subdivision approvals.

1.02. The consummation of certain of proposed transactions may require amendment of the construction permits issued by the Nuclear Regulation Commission ("NRC") for TMI #2 and FR.

1.03. Operation of TMI #2 and FR will require permits by NRC, the Environmental Protection Agency, the New Jersey Department of Environmental Protection, the Pennsylvania Department of Environmental Protection and the Susquehanna River Basin Commission. It is believed that consummation of the proposed transactions will not affect the issuance of such authorizations.

1.04. Except as set forth above, consummation of the proposed transactions is not subject to the jurisdiction of any other State Commission and, assuming that the proposed transfers and acquisitions are authorized by your Commission, of any other Federal commission.

ITEM 5. PROCEDURE.

1.01. The Applicants-Declarants (a) believe that there should not be a 30-day waiting period between the issuance of the Commission's order and the date on which it is to become effective, (b) waive a recommended decision by a hearing officer or other responsible officer of the Commission, and (c) consent to the participation in the preparation of the Commission's decision by the Division of Corporate Regulation.

ITEM 6. Exhibits and Financial Statements

(a) E hibits

A	- Not applicable.
B-1	-Agreement, dated as of December 16, 1976 between JE, ME and PE.
C	-Not Applicable.
D-1	-Petition of JC to NJPUC - to be filed by amendment.
D-1(a)	-Order of NJPUC - to be filed by Amendment.
D-2	-Filing of ME, PE and JC with PaPUC - to be filed by amendment.
D-2(a)	-Order of PaPUC - to be filed by amendment.
E	-Not applicable.
F	-Opinions of Counsel - to be filed by amendment.
G	-Letter, dated October 8, 1976, (Revised December 9, 1976) to NJPUC and PaPUC.
H	-Memoranda of services - to be filed by amendment.

(b) Financial Statements

1(a)	-JC - Actual and pro forma balance sheet as at, and statements of in come and retained earnings for the 12 months ending, September 30, 1976; pro forma journal entries.

1(b)	-ME - Actual and pro forma balance sheet as at, and statements of in come and retained earnings for the 12 months ending September 30, 1976; pro forma journal entries.
1(c)	-PE - Actual and pro forma balance sheet as at, and statements of income and retained earnings for the 12 months ending, September 30, 1976; pro forma journal entries.
1(d)	-JC - Statement of method of determining price for sale to ME and PE of interests in FR.
1(e)	-ME - Statement of method of determining price for sale by ME to JC of interest in TMI #2.
1(f)	-PE - Statement of method of determining price for sale by PE to JC of interest in TMI #2.
2	-Omitted since the proposed transactions will have no effect thereon.
3	-Not applicable.
4	-None, except as set forth in the Notes to the financial statements listed above.

SIGNATURE

PURSUANT TO THE REQUIREMENTS OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935, THE UNDERSIGNED COMPANIES HAVE DULY CAUSED THIS STATEMENT TO BE SIGNED ON THEIR RESPECTIVE BEHALVES BY THE UNDERSIGNED THEREUNTO DULY AUTHORIZED.

JERSEY CENTRAL POWER & LIGHT COMPANY

By: S Bartnoff

S. Bartnoff, President

METROPOLITAN EDISON COMPANY

By: WMCreitz

W. M. Creitz, President

PENNSYLVANIA ELECTRIC COMPANY

By: JFSmith

J. F. Smith, President

Dated:

AGREEMENT, DATED DECEMBER 16, 1976

BY AND BETWEEN

JERSEY CENTRAL POWER & LIGHT COMPANY ("JCP&L")

AND

METROPOLITAN EDISON COMPANY ("MET-ED")

AND

PENNSYLVANIA ELECTRIC COMPANY ("PENELEC")

WHEREAS,

1. JCP&L, Met-Ed and Penelec are currently engaged in the construction of Unit No. 2 of the Three Mile Island nuclear generating station ("TMI #2"), as tenants in common (without rights of partition) in which JCP&L currently has a 25% undivided interest, Met-Ed currently has a 50% undivided interest, and Penelec currently has a 25% undivided interest;

2. JCP&L is currently engaged in the construction of the Forked River nuclear generating station ("FR") and has agreed in principle with Allegheny Electric Co-operative, Inc. ("Allegheny") to sell the latter, as a tenant in common without right of partition, a 3% undivided interest in FR; and

3. As a result of unforeseen changes in conditions that occurred subsequent to the decisions to proceed with the construction of TMI #2 and FR, JCP&L

make installment payments to Met-Ed and Penelec from time to time on schedules agreed upon by it with Met-Ed and Penelec, respectively, and Met-Ed and Penelec shall make conveyances to JCP&L from time to time on schedules agreed upon by them, respectively, with JCP&L.

1.04. In determining their respective costs of construction of TMI #2, Met-Ed and Penelec have, for some time, been utilizing a so-called "net-of-tax" accrual rate for allowance for funds used during construction ("AFC") in accordance with filings made by them with the Pennsylvania Public Utility Commission ("PaPUC"), in which the income tax reductions associated with the interest component of AFC have been normalized and have been applied to reduce the AFC which otherwise would have accrued. (Such normalization is in accordance with generally accepted accounting principles and the application thereof by the use of a net-of-tax AFC accrual rate is expressly authorized by the PaPUC and the FPC.) The costs shown on their books in respect of the interests in TMI #2 to be sold to JCP&L by Met-Ed and Penelec shall, for the purpose of calculating the price to be paid by JCP&L, be increased by an amount equal to the income tax reductions so normalized by Met-Ed and Penelec, respectively, and the purchase price paid by JCP&L shall be based on such adjusted costs.

1.05. JCP&L will bear the out-of-pocket costs, including transfer taxes, involved in conveying to JCP&L the interests in TMI #2 covered by this Agreement.

1.06. Met-Ed will continue to be responsible on behalf of itself, JCP&L and Penelec for the completion of the construction and operation of TMI #2. JCP&L, Met-Ed and Penelec will share the further costs of constructing and completing TMI #2 in proportion to their respective interests in TMI #2 as such interests shall exist from time to time.

1.07. If test energy shall be produced by TMI #2 before completion of the transfers by Met-Ed and Penelec to JCP&L, such test energy shall be shared by JCP&L, Met-Ed and Penelec (and applied to their respective work orders for TMI #2) in proportion to their respective interests in TMI #2 as such interests shall exist when such test energy is produced.

1.08. The PaPUC has heretofore held that the interests of Met-Ed and Penelec in $5,282,000 of the facilities used in common for TMI #1 and TMI #2 as at September 2, 1974, are applicable to TMI #2 and should be excluded from rate base and should continue to accrue AFC. The costs of the undivided interests of Met-Ed and Penelec in such common facilities and properties which are to be conveyed by them to JCP&L shall reflect such continued AFC accruals.

II. <u>With respect to FR</u>

2.01. JCP&L agrees to sell to Met-Ed and to Penelec 25% undivided interests (without right of partition) in FR, and Met-Ed and Penelec each agree to purchase such a 25% undivided interest in FR from JCP&L.

2.02. The amounts to be paid by Met-Ed and Penelec to JCP&L for the 25% undivided interests in FR purchased by them pursuant to Section 2.01 shall be equal to JCP&L's book cost (adjusted as set forth in Section 2.03) for such interests as such adjusted cost shall exist at the time when JCP&L shall make a conveyance to Met-Ed and Penelec. In the event the transfer of interests in FR is not concluded with one conveyance by JCP&L and one payment therefor by Met-Ed and Penelec, Met-Ed and Penelec shall each make installment payments to JCP&L from time to time on schedules agreed upon by them with JCP&L and JCP&L shall make conveyances to Met-Ed and Penelec from time to time on schedules agreed upon by it with each of them.

2.03. In determining its cost of construction of FR, JCP&L has not accrued AFC on varying portions of its investment in FR for varying periods in accordance with orders of the Board of Public Utility Commissioners of the State of New Jersey ("NJPUC"). Moreover, in determining such cost of construction of FR, JCP&L utilized for a period a partial "net-of-tax" AFC accrual rate in accordance with an order of the NJPUC which had the effect of reducing the AFC which otherwise would have been accrued thereon. The costs shown on JCP&Ls books in respect of the interests in FR to be sold by JCP&L to Met-Ed and Penelec shall, for the purpose of calculating the price to be paid by Met-Ed and Penelec, be increased by an amount equal to any AFC which would have been accrued on such investment in the absence of such NJPUC orders, and the purchase prices paid by Met-Ed and Penelec shall be based on such adjusted costs.

2.04. Met-Ed and Penelec will bear the out-of-pocket costs, including transfer taxes, involved in conveying to each of them the interests in FR covered by this Agreement.

2.05. JCP&L will be responsible, on behalf of itself, Met-Ed and Penelec (and, if interests in FR shall be sold to Allegheny, on behalf of Allegheny) for the completion of the construction and operation of FR. JCP&L, Met-Ed and Penelec (and, if Allegheny shall become a participant in the ownership of FR, Allegheny) will share the further costs of constructing and completing FR in proportion to their respective interests in FR as such interests shall exist from time to time.

2.06. If test energy shall be produced by FR before completion of the transfers by JCP&L to Met-Ed and Penelec, such test energy shall be shared by JCP&L, Met-Ed and Penelec (and applied to their respective work orders for FR) in proportion to their respective interests in FR as such interests shall exist when such test energy is produced.

2.07. JCP&L is the sole owner of the Oyster Creek nuclear generating station ("OC") which is adjacent to FR and some facilities and properties employed in connection with FR may also be employed in connection with FR. The costs of such facilities and properties so used in common shall be equitably allocated between OC and FR and the payments made by Met-Ed and Penelec to JCP&L for the interests in FR which they purchase pursuant to this Agreement shall reflect such allocation.

III. Conditions

3.01. The obligations of each of the parties hereto are subject to satisfaction of the following conditions:

(a) The obtaining of any and all requisite authorizations of regulatory, licensing or other governmental agencies having jurisdiction with respect to this agreement and the transactions herein provided for; and

(b) The obtaining of any and all requisite releases from the lien of its first mortgage bond indenture.

3.02. Each of the parties agree that it will use its best efforts to obtain the authorizations and releases referred to in Section 3.01.

IV. Assumption of Obligations.

4.01. To the extent feasible and appropriate, the parties will make arrangements with their vendors, suppliers and others to whom obligations now exist or will arise in the future with respect to TMI #2 and FR so that such obligations will be borne by them, IN WITNESS WHEREOF, the undersigned have executed and delivered this agreement as of the day and year first above written.

JERSEY CENTRAL POWER & LIGHT COMPANY

By: S. Bartnoff

S. Bartnoff, President

METROPOLITAN EDISON COMPANY

By: W. M. Creitz

W. M. Creitz, President

PENNSYLVANIA ELECTRIC COMPANY

By: J. F. Smith

J. F. Smith, President

General Public Utilities Corporation
AND SUBSIDIARY ELECTRIC POWER COMPANIES
Jersey Central Power & Light Company • Metropolitan Edison Company • Pennsylvania Electric Company
80 PINE STREET, NEW YORK, N.Y. 10005 • TELEPHONE 747-5200

OFFICE OF THE PRESIDENT

October 8, 1976
(Revised 12/9/76)

Board Of Public Utility Commissioners
State of New Jersey
101 Commerce Street
Newark, New Jersey 07102
Attention: Honorable Joel R. Jacobson, President

Pennsylvania Public Utility Commission
Commonwealth of Pennsylvania
104 North Office Building
Harrisburg, Pennsylvania 17120
Attention: Honorable Louis J. Carter, Chairman

Dear Commissioners:

An intensive review of the load and capacity planning of Jersey Central Power and Light (JC), Metropolitan Edison (ME), and Pennsylvania Electric (PN) has indicated the overall desirability of modifying the ownership of the future GPU nuclear capacity, i.e. Three Mile Island Unit 2 (TMI-2) and Forked River Unit 1 (FR-1), scheduled for commercial service in 5/78 and 5/83 respectively. Specifically, we plan to change the percentage ownership of these units as indicated below:

	% Ownership		
	JC	ME	PN
prior plan			
TMI-2	25	50	25
FR-1	100	0	0
revised plan			
TMI-2	65	25	10
FR-1	50	25	25

This revision does not result from a change in the underlying principles governing system planning and individual company responsibility. Instead, they result from a number of external factors which have changed the projected energy and capacity requirements of the individual companies and the timing of capacity installations since the present ownership percentages in TMI-2 and FR-1 were established several years ago. This ownership revision will result in a more equitable balance of capacity ownership and fuel costs to the individual GPU subsidiaries. This letter sets forth the basis for this result and for our decision.

severally and not jointly, in proportion to their respective ownership interests in TMI #2 and FR as such ownership interests shall then exist. If, however, it shall not be feasible or appropriate to make such arrangements with a vendor, supplier or any other obligee with respect to any such obligation, the parties hereto shall nevertheless share such obligation in accordance with such ownership interests.

4.02. JCP&L's book cost in respect of FR include the principal amount of certain obligations undertaken by JCP&L to Brown Boveri Corporation in connection with the purchase of the turbo-generator and accessory equipment and services for FR. Notwithstanding Section 4.01, JCP&L shall continue to be solely responsible for the obligations undertaken by it to Brown Boveri Corporation (and any assignee of the latter) in respect of such purchase.

October 8, 1976
(Revised 12/9/76)

The GPU system planning combines the diverse characteristics of the individual subsidiaries' loads into a composite plan which permits the individual subsidiaries, through joint ownership and other means, to gain the benefits of new technology and economies of scale that would otherwise not be available on the basis of their individual needs. Beyond this joint planning and ownership, the GPU Power Pooling Agreement automatically distributes the benefit from the combined system capability among the companies as seasonal load variations or capacity outages change the short run relationship between load and capacity of the individual subsidiary. The ability of the summer peaking New Jersey company to exchange capacity with the winter peaking Pennsylvania companies (combined) is a prime example. The interchange agreement compensates the supplying company for incremental fuel costs and for the approximate value of the capacity support provided to a sister subsidiary to meet its capacity obligation for system reliability. The agreement, however, operates most equitably when each subsidiary is in the long run bearing its fair share of the cost of generating capacity and energy production. When the subsidiaries are each in a position to contribute their fair share, the practical approximations of the interchange agreement are acceptable. The GPU subsidiaries operate together in a manner analogous to PJM and in turn GPU interacts with PJM on the basis of one composite obligation.

While the absolute level of each subsidiary's contribution toward the total GPU capacity inherently varies as load changes and capacity is added and retired, events of the recent past have significantly changed the balance contained in the prior plan. Notable among these events are:

a) The OPEC embargo and subsequent fuel price changes

b) The indefinite deferral of Union Beach (800 Mw-oil steam) due to oil supply uncertainty.

c) The recent recession and its impact on load growth

d) The potentially reduced and more uncertain load growth of the future

e) Changes in specific loads, e.g., Steelton, Hershey, etc.

These events have not only a direct impact on future planning but have changed the current energy supply position of each subsidiary in the sense that valid and sometimes pragmatic choices and decisions which were made in the past do not, under today's energy pricing, provide the optimum (lowest total revenue requirement) mix of facilities. As a result, the planning challenge today is further complicated by the need to reduce these problems by moving each subsidiary incrementally toward today's perception of the long run optimum mix of generation.

October 8, 1976
(Revised 12/9/76)

The impending start-up of TMI-2, Spring 1978, provides the first practical opportunity to take specific action with respect to a re-establishment of a proper balance between the subsidiaries. Since it is impossible to define precisely the "optimum" for the future or the criteria for absolute equity among the GPU subsidiaries, we have approached the problem in terms of a number of considerations.

The following discussion will review the impact of various considerations on the "optimum" ownership of the next increment of capacity - TMI-2.

I Capacity (MW)

a) In the past GPU allocated its total capacity to the individual subsidiaries in relationship to the average of their weekly peaks. Application of this method to the 1978 conditions would indicate the following allocation of TMI-2.

	Capacity, MW *		
	JC	ME	PN
Obligation	3102	1914	2688
Capacity other than TMI-2	2821	1592	2411
Indicated TMI-2 ownership	281	322	277

b) GPU's future planning will utilize internally the same method for determining capacity obligations that was adopted by PJM in 1974. This method was developed to give more specific recognition to the differences in load shape and seasonal characteristics and the generating unit size and reliability of each PJM member in order to most equitably allocate the required capacity. The same variations exist between GPU subsidiaries and the same considerations for equity are applicable. Allocation of capacity on this PJM basis which GPU has adopted indicates the following distribution of TMI-2:

	Capacity, MW		
	JC	ME	PN
Obligation	3324	1815	2565
Capacity other than TMI-2	2821	1592	2411
Indicated TMI-2 ownership	503	223	154

* Denotes change from October 8 letter.

October 8, 1976
(Revised 12/9/76)

II Energy (MWH)

a) The capacity obligations discussed above are primarily derived from considerations of system reliability and do not distinguish between types of capacity (base, intermediate, and peaking) in relationship to producing energy (MWH) at the lowest cost. Also the GPU and PJM capacity charge rates in the various interchange agreements are most applicable when each party supplies its own load and the interchange is used primarily to cover short run deficiencies. The capacity charge rate is related primarily to the fixed cost of peaking (combustion turbine) capacity. These capacity charges, unlike the fixed charges in a purchased power agreement, do not entitle the purchaser to the energy output of a specific unit or class of units. The agreements compensate the owner of generating capacity for the fuel cost associated with supplying energy to a participant in the pooling agreement but do not necessarily compensate for the fixed costs associated with making lower cost energy available. It is therefore necessary to further define the capacity obligations of each participant. A logical and direct approach is to plan the ownership of base load and intermediate generating capacity such that each subsidiary owns in proportion to the energy (Mwh) requirements of its load, usually referred to as the company's net system requirements (NSR's). Application of this consideration indicates the following allocation of TMI-2:

	Capacity, MW			
	JC	ME	PN	GPU
NSR's (%)	40	24	36	100
Allocation of base and intermediate capacity	2464	1478	2217	6159
Base and intermediate ownership w/o TMI-2	1819	1324	2136	5279
Indicated TMI-2 ownership	645	154	81	880

b) A computer simulation of the pooling operation has been used to derive the TMI-2 ownership needed to bring each company to a position of zero net energy interchange cost. Under this condition the cost of each subsidiaries' interchange purchases and sales nets to zero. The indicated ownership of TMI-2 or equivalent capacity for this condition in 1978/9 is:

Capacity, MW *			
JC	ME	PN	GPU
947	186	101	1234

* Denotes change from October 8 letter.

October 8, 1976
(Revised 12/9/76)

It should be noted that this condition requires more capacity than is available from TMI-2 and only indicates that, at today's oil prices, GPU, and particularly Jersey Central, can use significant quantities of base load, low energy cost capacity.

III Economics

a) The total cost of power (fixed charges, O&M, and fuel) from TMI-2, as it is from any new base load facility, will be higher than the cost from existing facilities or the current energy (fuel) cost from PJM interchange. This latter condition is the temporary result of recent base load generating additions and higher than normal reserves resulting from the recent hesitation in load growth. Further it cannot be assumed that net interchange will continue to be available indefinitely to serve a growing load because that would require the other pool members to build excess capacity. The PJM agreement specifically obligates each party to install or purchase generating capacity of such character that, under normal operating conditions, it can supply the energy requirements of its own load. As the load and capacity of each pool member is returned to its normal relationship, it should be expected that the cost of interchange will be characterized by the cost of peaking power, e.g. oil fired combustion turbines. The high fixed costs of the new capacity that must be added cause that capacity to appear uneconomic in the early years but it is clearly economic when over the plant life, the fuel savings offset and exceed the fixed costs on a cumulative present worth basis. If, however, the company owns too much new high capital cost base load generation before it has a sufficient load to need the energy, the excessive fixed costs in the early years cannot be offset by the future savings. The optimum ownership then for each company depends upon the opportunity to displace higher cost generation, the fuel cost of that generation, possible differential inflation between fuels, capacity obligations, and the company's load.

Computer simulation studies which treat each subsidiary as a stand alone system so as to eliminate the short run benefit from interchange made possible by someone elses investment and which assume that the immediate alternative to ownership of TMI-2 is energy from oil fired combustion turbines have been run in order to determine the economic TMI-2 ownership for each subsidiary. These studies calculate the present worth of the cost of owning and operating TMI-2 plus the cost of alternative energy and capacity payments as a function of TMI-2 ownership. The calculations indicate a different optimum ownership for each subsidiary because the result depends upon

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load, generation mix and fuel costs. On this stand alone basis, the indicated ownership of TMI-2 or equivalent capacity for minimum present worth life time costs for each subsidiary is:

	Capacity, MW			
oil escalation rate	JC	ME	PN	GPU
7%	750	380	440	1570
10%	880	440	500	1820

There is clearly a significant increment of load in 1978 which can be served by TMI-2 or capacity of equivalent characteristics. Again, in total, the subsidiaries could in the long run benefit from more capacity than is available from TMI-2. This result depends upon future fuel prices but not future load growth.

b) Because of the differing current conditions of the GPU subsidiaries, the relative value of TMI-2 capacity is not equal for the three. Since there is only 880 Mw of TMI-2 to divide among the three subsidiaries, we have examined the ownership split that results in an equal benefit/cost ratio for each. The benefits are the reduction in fuel, interchange, and capacity costs to serve an increment of a subsidiary's load and the costs are the total cost of owning and operating that portion of TMI-2 capable of serving the same increment. In all cases the calculations are on the basis of the present worth (1978) life time cost to serve that increment of load. In this analysis we have again considered the sensitivity of the result to the future price of oil. The results of this analysis indicate the following ownership split for TMI-2:

	Capacity, Mw *			
oil escalation rate	JC	ME	PN	GPU
7%	400	295	185	880
10%	575	210	95	880

As should be expected, the subsidiary with the most existing oil capacity (JC) has the greatest sensitivity to future oil prices and also the greatest opportunity for fuel savings to offset the fixed costs and therefore can use the most TMI-2 at a benefit/cost ratio that is equal for all three subsidiaries. Under today's outlook for the world supply of oil, the high escalation case is favored.

* Denotes change from October 8 letter.

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IV Timing

The foregoing analysis demonstrates the long term benefits available from TMI-2. The results also indicate a variety of bases for splitting the ownership. Our revised plan is essentially characterizable as an exchange of TMI-2 and FR-1 capacity. An analysis of the present worth of exchanging a portion of TMI-2 in 1978 for an equal portion of FR-1 in 1983 with the added cost of replacement power in the intervening 1978-83 period demonstrates an indifference to the exchange within the uncertainty in such analysis. The following gives the 30 year cost of trading 1 MW of TMI-2 for 1 MW of FR stated in terms of present worth in 1978:

	$ Millions/Mw (1978 pw) *	
	JC	ME or PN
(sell) purchase TMI-2	2.23	(2.09)
(sell) purchase interchange 1978-1983	(0.53)	0.49
(sell) purchase FR-1	(1.59)	1.54
Net	0.11	(0.06)

The costs of TMI-2 and FR-1 include, and differ slightly due to, local taxes and regulatory differences.

V. Revised Plan

From the analysis above, greatest emphasis should be placed on:

1. The capacity obligation which takes into account the details of each company's characteristics and their impact on the total

2. The need for a proper generation mix; namely the relationship of base and intermediate capacity to net system (energy) requirements

3. The ability to derive benefit from the displacement of high cost (oil) generation.

* Denotes change from October 8 letter.

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The indicated TMI-2 ownership split derived from the above 3 considerations, along with the summary conclusion are listed below:

	TMI-2 Ownership, (Mw)		
	JC	ME	PN
1. Capacity Obligation (Ib)	503	223	154
2. Base & Intermediate Mix	645	154	81
3. Equal Benefit/Cost (High Oil Inflation)	575	210	95
GPU Revised Plan (%)	572(65)	220(25)	88(10)

It is apparent from the above that the indicated split of TMI-2 based upon capacity and energy obligations is consistent with the split (3) derived from the opportunity to displace high cost fuel.

Similar analysis has been applied to the ownership of FR-1 and subsequent units. With the adjustments resulting from the revised TMI-2 ownership, the prime future consideration is maintaining the proper balance of base and intermediate capacity in relationship to NSR or energy requirements of each subsidiary. On this basis the revised FR-1 ownership (neglecting the planned 3% ownership of Allegheny Electric Cooperative) is:

Capacity, Mw		
JC	ME	PN
560	280	280

The relative balance of the revised plan in comparison with the prior plan is apparent from a comparison of each subsidiary's fraction of GPU's base and intermediate capacity to its fraction of GPU's net system requirements. The following presents that comparison in terms of the departure of such capacity in Mw (brackets indicate deficiency) from that standard:

	Capacity, Mw		
	JC	ME	PN
prior plan			
after TMI-2	(425)	286	139
after FR-1	187	24	(211)
revised plan			
after TMI-2	(73)	66	7
after FR-1	(21)	84	(63)

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(Revised 12/9/76)

It is apparent from the above that the prior plan had drifted to the point of sizeable differences in base and intermediate capacity relative to NSR's after TMI-2 but was somewhat corrected after FR-1. The revised plan achieves a reasonable balance immediately after TMI-2 and improves that approximate balance after FR-1. Minor imbalances or changes resulting from external factors outside our control can be adjusted as each increment of future capacity is added. We do, of course, prefer to minimize planning fluctuations if for no other reason than to minimize the minor inequities that can result from changes.

VI <u>Summary</u>

The allocation of capacity among the GPU subsidiaries can be viewed from a number of considerations which result in a relatively consistent set of recommendations. Our analysis has shown the general benefit of added nuclear capacity to all three subsidiaries and that TMI-2 and FR-1 capacity can be exchanged with no significant present worth difference. The immediate need is to take full account of the many forces that have impacted the planning in the recent past and to allocate the next increment of capacity so as to restore an equitable balance between the subsidiaries. More specifically, this means the distribution of the fixed costs of ownership in relationship to each subsidiaries' obligations.

While the economic evaluations and our decisions are based on life time present worth considerations, it must be pointed out that the impact on the Pennsylvania companies of exchanging some TMI-2 for FR-1 later is to defer the rate increase necessary to recognize in rate base the investment in the transferred amount of nuclear power, and conversely in New Jersey, the earlier addition of TMI-2 capacity in return for less FR-1 will require an earlier recognition of a nuclear power investment into rate base. In this regard it should be noted that no part of the current investment of ME or PN in TMI-2 is in rate base, and that portions of JC's investment in TMI-2 and FR-1 that is in rate base will be retained by JC. It should also be noted that JC will face some increased costs for TMI-2 related transmission.

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We seek your understanding of these planning revisions and the assciated ownership shift in TMI-2 and FR-1. A detailed report of the analysis and assumption that lead to these revisions will be provided by November 22. We will be pleased to provide any further information as well as follow-up discussion with your staff as desired.

Sincerely,

H Dieckamp

H. Dieckamp

cc: Honorable George H. Barbour
Honorable Richard B. McGlynn
Honorable Robert K. Bloom
Honorable Michael Johnson
Honorable James McGirr Kelly
Honorable Helen O'Bannon

Copies to:
R. C. Arnold
S. Bartnoff
R. W. Conrad
W. M. Creitz
I. R. Finfrock
F. D. Hafer
J. Kirsten
W. G. Kuhns
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JERSEY CENTRAL POWER & LIGHT COMPANY
BALANCE SHEET
ACTUAL AND PRO FORMA AT SEPTEMBER 30, 1976
(In Thousands)

ASSETS

	Actual	Adjustments (Details on Page 3)	Pro-Forma
UTILITY PLANT (at original cost):			
In service	$1 184 871		$1 184 871
Less, accumulated depreciation (Note 1)	245 002		245 002
Net	939 869		939 869
Construction work in progress	397 649	$196 000	593 649
Held for future use	4 911		4 911
Totals	1 342 429	196 000	1 538 429
Nuclear fuel	85 154	17 600	102 754
Less, accumulated amortization (Note 1)	20 485		20 485
Net Nuclear Fuel	64 669	17 600	82 269
Net Utility Plant	1 407 098	213 600	1 620 698
INVESTMENTS:			
Other physical property, net	1 246		1 246
Totals	1 246		1 246
CURRENT ASSETS:			
Cash (Note 3)	4 898	(215 400)	(210 502) (1)
Temporary cash investment	2 000		2 000
Special deposits	3 786		3 786
Accounts receivable	36 634		36 634
Inventories at average cost or less:			
Materials and supplies for construction and operation	13 842	1 800	15 642
Fuel	9 718		9 718
Prepayments	5 265		5 265
Other	1 331		1 331
Totals	77 474	(213 600)	(136 126)
DEFERRED DEBITS:			
Deferred energy costs (Note 1)	19 694		19 694
Unamortized expense on debt	2 570		2 570
Charges related to proposed construction projects and other work	1 613		1 613
Unamortized property loss	3 701		3 701
Other (Note 10)	3 207		3 207
Totals	30 785		30 785
TOTAL ASSETS	$1 516 603		$1 516 603

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

(1) JCP&L intends to build up its cash balances by the issuance of additional securities.

JERSEY CENTRAL POWER & LIGHT COMPANY
BALANCE SHEETS
ACTUAL AND PRO-FORMA AT SEPTEMBER 30, 1976
(In Thousands)

LIABILITIES AND CAPITAL

	Actual	Adjustments (Details on Page 3)	Pro-Forma
LONG-TERM DEBT, CAPITAL STOCK AND SURPLUS: (Note 5)			
First mortgage bonds and debentures	$ 722 473		$ 722 473
Unamortized premium and discount, net	1 051		1 051
Other long-term debt	18 953		18 953
Totals	742 477		742 477
Cumulative preferred stock	160 000		160 000
Premium on cumulative preferred stock	441		441
Less, capital stock expense	1 957		1 957
Totals	158 484		158 484
Common stock and surplus:			
Common stock (Note 4)	153 713		153 713
Capital surplus (Note 4)	293 489		293 489
Retained earnings (Note 6)	21 089		21 089
Totals	468 291		468 291
Totals	1 369 252		1 369 252
CURRENT LIABILITIES:			
Securities due within one year to be refinanced (Note 7)	4 928		4 928
Notes payable to banks (Note 7)	16 700		16 700
Accounts payable	16 682		16 682
Dividends payable on cumulative preferred stock	3 699		3 699
Customer deposits	4 570		4 570
Taxes accrued	22 306		22 306
Interest accrued	13 323		13 323
Other	6 561		6 561
Totals	88 769		88 769
DEFERRED CREDITS:			
Deferred income taxes (Notes 1, 2 and 8)	32 202		32 202
Unamortized investment credits (Notes 1 and 8)	18 465		18 465
Unamortized litigation recovery (Note 10)	1 245		1 245
Other	4 007		4 007
Totals	55 919		55 919
Reserve for Pensions (Notes 1 and 12)	2 663		2 663
TOTAL LIABILITIES AND CAPITAL	$1 516 603		$1 516 603

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

JERSEY CENTRAL POWER & LIGHT COMPANY
PRO-FORMA JOURNAL ENTRIES
TO REFLECT PROPOSED TRANSACTIONS AT SEPTEMBER 30, 1976

(1)

	(In Thousands)	
Construction work in progress	$ 44 000	
Nuclear fuel	6 000	
Cash		$ 50 000

To record the additional investments incurred by JCP&L on its present ownership interests in Three Mile Island #2 and Forked River to the date of transfer of 50% of Forked River to Met-Ed (25%) and Penelec (25%).

(2)

Construction work in progress	$244 500	
Nuclear Fuel	20 600	
Cash		$ 265 100

To record the purchase of an additional 40% interest in Three Mile Island #2 (generating plant and nuclear fuel) together with related realty and transfer taxes.

(3)

Cash	$101 500	
Construction work in progress		$ 92 500
Nuclear Fuel		9 000

To record the sale of 50% interest in Forked River (generating plant and nuclear fuel) to Met-Ed (25%) and Penelec (25%).

(4)

Materials and supplies	$ 1 800	
Cash		$ 1 800

To record the purchase of materials and supplies associated with Three Mile Island.

METROPOLITAN EDISON COMPANY AND SUBSIDIARY COMPANY
CONSOLIDATED STATEMENT OF INCOME
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 1976
(In Thousands)

OPERATING REVENUES: (Note 14)	
Revenues other than fuel clause revenues	$ 216 589
Fuel clause revenues	41 166
Total Operating Revenues	257 755
OPERATING EXPENSES:	
Fuel (Note 1)	74 111
Power purchased and interchanged, net (Note 1):	
Affiliates	(4 515)
Others	12 188
Deferral of energy costs (Note 1)	(1 528)
Payroll	26 485
Other operation and maintenance (excluding payroll) (Note 12)	34 601
Depreciation (Note 1)	22 005
Federal income tax (Notes 1 and 8)	7 470
State income tax (Notes 1 and 8)	2 304
Deferred income taxes, net (Notes 1 and 8)	9 177
Amount equivalent to investment credits (Notes 1 and 8)	1 882
Amortization of accumulated investment credits (Notes 1 and 8)	(993)
Other taxes (Note 13)	20 917
Total Operating Expenses	204 104
OPERATING INCOME	53 651
OTHER INCOME AND DEDUCTIONS:	
Allowance for funds used during construction (Note 1)	21 381
Other income, net	223
Income taxes, other income and deductions (Notes 1 and 8)	4 564
Total	26 168
INCOME BEFORE INTEREST CHARGES	79 819
INTEREST CHARGES:	
Interest on first mortgage bonds and debentures	32 589
Other interest (including amortization of premium and expense on debt) (Note 1)	245
Total	32 834
Net Income	$ 46 985

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

METROPOLITAN EDISON COMPANY AND SUBSIDIARY COMPANY
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 1976
(In Thousands)

Balance, beginning of period	$22 746
Add, Net Income	46 985
Total	69 731
Deduct:	
Dividends on capital stock:	
Cumulative preferred stock:	
3.90% Series	459
4.35% Series	145
3.85% Series	112
3.80% Series	69
4.45% Series	159
8.12% Series	1 299
7.68% Series G	2 688
8.32% Series H	2 080
8.12% Series I	2 030
8.32% Series J	1 248
Common stock	39 300
Total	49 589
Balance, end of period (Note 6)	$20 142

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

PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
ACTUAL AND PRO FORMA AT SEPTEMBER 30, 1976
(In Thousands)

ASSETS

	Actual	Adjustments (Details on Page 3)	Pro-Forma
UTILITY PLANT (at original cost):			
In service	$1 078 673		$1 078 673
Less, accumulated depreciation (Note 1)	260 912		260 912
Net	817 761		817 761
Construction work in progress	247 879	$(15 350)	232 529
Held for future use	3 773		3 773
Totals	1 069 413	(15 350)	1 054 063
Nuclear fuel	21 319	900	22 219
Less, accumulated amortization (Note 1)	6 799		6 799
Net Nuclear Fuel	14 520	900	15 420
Net Utility Plant	1 083 933	(14 450)	1 069 483
INVESTMENTS:			
Other physical property, net	359		359
Loans to non-affiliated coal companies (Note 11)	16 400		16 400
Other, at cost	351		351
Totals	17 110		17 110
CURRENT ASSETS:			
Cash (Note 3)	10 650	15 150	25 800
Special deposits	5 018		5 018
Accounts receivable	39 205		39 205
Inventories at average cost or less:			
Materials and supplies for construction and operation	5 146	(700)	4 446
Fuel	21 908		21 908
Prepayments	3 063		3 063
Other	2 324		2 324
Totals	87 314	(14 450)	101 764
DEFERRED DEBITS:			
Deferred energy costs (Note 1)	16 625		16 625
Unamortized expense on debt	1 372		1 372
Unamortized mine development costs (Note 1)	10 322		10 322
Charges related to proposed construction projects and other work	4 281		4 281
Accum. deferred income taxes	267		267
Other (Note 10)	5 298		5 298
Totals	38 165		38 165
TOTAL ASSETS	$1 226 522		$1 226 522

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

PENNSYLVANIA ELECTRIC COMPANY
PRO-FORMA JOURNAL ENTRIES
TO REFLECT PROPOSED TRANSACTIONS AT SEPTEMBER 30, 1976

(In Thousands)

(1)

Construction work in progress	$ 28 000	
Nuclear fuel	4 000	
Cash		$32 000

To record the additional investments incurred by Penelec on its present ownership interests in Three Mile Island #2 to the date of transfer of a 15% interest to JCP&L together with related realty taxes.

(2)

Cash	$ 98 600	
Construction work in progress		$ 91 000
Nuclear fuel		7 600

To record the sale by Penelec of a 15% interest in Three Mile Island #2 (generating plant and nuclear fuel) together with related realty taxes to JCP&L.

(3)

Construction work in progress	$ 1 400	
Cash		$ 1 400

To record the net Pennsylvania income taxes associated with the transfer of 15% of Three Mile Island #2 to JCP&L.

(4)

Cash	$ 700	
Materials and supplies		$ 700

To record the sale of materials and supplies associated with Three Mile Island.

(5)

Construction work in progress	$ 46 250	
Nuclear fuel	4 500	
Cash		$ 50 750

To record the purchase of a 25% interest in Forked River (generating plant and nuclear fuel) from JCP&L.

PENNSYLVANIA ELECTRIC COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 1976
(In Thousands)

Balance, beginning of period	$28 371
Add, Net Income	50 379
Total	78 750
Deduct:	
Dividends on capital stock:	
Cumulative preferred stock:	
4.40% Series B	250
3.70% Series C	359
4.05% Series D	258
4.70% Series E	135
4.50% Series F	193
4.60% Series G	348
8.36% Series H	2 090
8.12% Series I	2 030
11.72% Series J	2 857
10.88% Series K	3 269
9.00% Series L	1 829
Common stock	36 000
Total	49 618
Balance, end of period (Note 6)	$29 132

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

OPERATING REVENUES:

It is the general policy of Jersey Central Power & Light Company ("JCP&L"), Metropolitan Edison Company ("Met-Ed") and Pennsylvania Electric Company ("Penelec") to include in their operating revenues only those sales recorded by meters read during that period.

DEPRECIATION:

JCP&L, Met-Ed and Penelec (The "Companies") provide for depreciation at annual rates determined and revised periodically on the basis of studies by independent engineers to be sufficient to amortize the original cost of depreciable property over estimated service lives, which are generally longer than those employed for tax purposes. The Companies use depreciation rates based on functional account groups which, on an aggregate composite basis, resulted in an approximate annual rate of 3.13%, 2.68% and 2.78%, respectively, for the year 1975.

In its rate order of June 10, 1976, the New Jersey Board of Public Utility Commissioners ("NJPUC") approved changes in JCP&L's functional account depreciation accrual rates which resulted in an approximate annual rate of 3.27%.

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 net cost over the useful lives.

INCOME TAXES:

General Public Utilities ("GPU") and its subsidiaries file consolidated Federal income tax returns. The consolidated Federal income tax liability is allocated among the participants in the consolidated returns pursuant to agreements generally designed to allocate such liability in proportion to the participants' respective contributions to such liability. The agreements also provide that a participant other than GPU will not pay a tax in excess of its separate return tax liability.

The revenues of the Companies 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 companies have employed the following policies:

<u>Liberalized Depreciation</u>: The Companies generally utilize the shortest depreciation lives permitted by the Internal Revenue Code in computing depreciation deductions, and provide for deferred taxes where permitted in the rate-making process.

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION:

The applicable regulatory uniform systems of accounts define allowance for funds used during construction ("AFC") as "including the net cost during the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds 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 total cost of the plant, including AFC.

Effective September 1, 1973, April 1, 1974 and June 17, 1975, Penelec, Met-Ed and JCP&L, consistent with changes in rate-making treatment, began allocating the income tax reductions (50% in the case of JCP&L) associated with the interest component of AFC to other income and employing after-tax accrual rates for AFC. Effective July 19, 1976, the NJPUC required that JCP&L allocate such tax reductions to operating income and that JCP&L employ a before tax AFC accrual rate.

The accrual rates employed by the companies during the twelve months ended September 30, 1976 were as follows:

JCP&L	8.23% - 9.70%
Met-Ed	7-1/4% - 9-1/4%*
Penelec	7-3/4% - 8-1/4%*

* Rate currently employed.

On October 29, 1976, the NJPUC changed JCP&L's accrual rate to 9.3%, effective July 19, 1976.

All of the accrual rates have been less than the cost of incremental capital employed to finance the Companies' construction programs. The accrual rates are reviewed periodically with the Commissions at periodic intervals.

PENSION PLANS:

The Companies have several pension plans including plans applicable to all employees, the accrued costs of which are being funded and supplemental pension plans applicable only to supervisory employees which were not funded prior to 1976 but for which reserves had been created by charges to pension expense. The companies began to fund such supplemental plans beginning in 1976. Prior service costs are being amortized over 25 year periods.

DEFERRED ENERGY COSTS:

The tariffs under which the Companies' excess fuel and energy costs are billed provide for the automatic recovery of such costs within a period of four months from the incurrence of such costs.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

DEFERRED ENERGY COSTS: (Continued)

In accordance therewith, the Companies are employing the policy of providing for the recognition of such costs in the period in which the related revenues are billed. The Companies believe that the regulatory bodies governing their rates will permit the future recovery of such deferred costs.

MINE DEVELOPMENT COSTS:

These costs are being amortized to income over a period of 20 years, the estimated life of the mines.

2. UNAMORTIZED PROPERTY LOSS:

Effective October 1, 1973, JCP&L began amortizing its investment in the Longwood Valley project over a ten year period. The related Federal income tax reduction is being amortized over the same period.

3. COMPENSATING BALANCES AND SHORT-TERM BORROWING ARRANGEMENTS:

The Companies have informal lines of credit with various lenders whereby the lenders have agreed to provide specified maximum amounts, in the periods between permanent financings, as a temporary source of funds for their capital programs. 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 an average daily basis. These informal arrangements expire at various dates in the next twelve months and are expected to be extended or new arrangements negotiated with other sources.

At September 30, 1976, the lines of credit available under these arrangements totaled approximately $121 million, $61 million and $99 million, for JCP&L, Met-Ed and Penelec, respectively. Substantially all of the cash at that date was maintained as compensating balances.

4. CAPITAL STOCK AND CAPITAL SURPLUS:

Penelec sold 320,000 shares of Cumulative Preferred Stock, 10.88% Series K, par value $100 per share, in October 1975. It also sold 1,400,000 shares of Cumulative Preferred Stock, 9% Series L, stated value $25 per share, in March 1976.

During the twelve months ended September 30, 1976, cash contributions from GPU of $23,000,000 (JCP&L) and $24,000,000 (Penelec) were credited to Capital Surplus

NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT AND CUMULATIVE PREFERRED STOCK MATURITIES:

Long-term debt and cumulative preferred stock maturities during the years 1977 through 1981 are as follows:

	(In Thousands)				
	JCP&L		Met-Ed	Penelec	
	Debt	Preferred	Debt	Debt	Preferred
1977	$ 5 143	$1 250	$ 6 715	$ 1 921	$1 250
1978	16 064	1 250	5 720	1 922	1 250
1979	37 555	1 250	2 222	12 923	1 250
·'980	9 353	2 500	14 475	2 498	2 850
ı	9 675	2 500	2 227	6 925	2 850

ⱶ ᵕeptember 30, 1976, annual sinking fund requirements on outstanding first mortgage bonds and debentures aggregate $5,143,000 (JCP&L), $1,980,000 (Met-Ed) and $1,840,000 (Penelec) per annum for the years 1977 through 1981. The remaining long-term debt and cumulative preferred stock (JCP&L, 13.50% Series F and 11.00% Series G; Penelec, 11.72% Series J and 10.88% Series K), matures at various dates through 2006.

6. RETAINED EARNINGS:

Retained earnings include $1,729,000 (JCP&L), $3,360,000 (Met-Ed) and $10,084,000 (Penelec) which amounts are restricted as to the declaration of cash dividends on common stock in accordance with provisions contained in the Companies' mortgages, debenture indentures and charters. These restrictions do not affect the Companies' present policies with respect to the distribution of dividends on their common stock.

7. CURRENT MATURITIES ON SECURITIES AND NOTES PAYABLE:

At September 30, 1976, current maturities on securities and notes payable comprised the following:

	(In Thousands)		
	JCP&L	Met-Ed	Penelec
Notes Payable to Banks (1)	$16 700	$12 000	
Sinking Fund Requirements on Long-Term Debt	$ 3 679		$1 640
First Mortgage Bonds, 3% Series, due 1977		$ 4 500	
Redemption of Cumulative Preferred Stock	1 250		1 250
Other		237	81
Securities due within one year to be refinanced	$ 4 928	$ 4 737	$2 971

(1) Average interest rate 6.9% 6.7%

NOTES TO FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES:

The Companies expect to make expenditures of approximately \$151 million (JCP&L), \$92 million (Met-Ed) and \$127 million (Penelec) for construction purposes during 1976, and in that connection have incurred substantial commitments.

The Companies are engaged in negotiations with various suppliers relating to the latters' claims for delay or termination charges or increased fees which such suppliers assert result from the Companies' revisions of their construction plans and schedules and/or from the increased scope of supply. We do not expect at this time that such negotiations will result in any material increase in costs that would not be subsequently recovered.

A suit has been brought against JCP&L seeking injunctions against the continued operation of the Oyster Creek station as well as damages in an unspecified amount. In the opinion of JCP&L's general counsel W. T. Osborne the likelihood of the grant of the injunctions requested is remote. Other claims for damages 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. If JCP&L were required to pay damages in respect to such claims, it would seek to amortize such cost over a reasonable period for rate-making purposes and JCP&L's management believes that such amortization would be authorized.

JCP&L acquired a site for a proposed pumped storage project by assignment of an option. The contract relating to such assignment provides that the assignor has the right to acquire such site for \$6 million by notice given by July 1, 1976, if the requisite regulatory authorizations for the construction of the project were not obtained by December 31, 1975. Such authorizations were not obtained by that date. On June 29, 1976, the assignor notified JCP&L that it elects to acquire the property on December 30, 1976. At September 30, 1976, JCP&L's investment in the project, including the purchase price of the site, was approximately \$10 million. In its pending rate increase application, JCP&L is seeking authorization from the NJPUC to amortize JCP&L's resulting loss (\$3 million after income tax deductions) over a reasonable period for rate-making purposes and JCP&L's management believes that there are precedents for permitting such amortization.

In 1975, a committee of the Pennsylvania Legislature issued reports prepared by a staff auditor of the Committee which were critical of the coal procurement practices of Met-Ed and Penelec and claimed that they had not vigorously enforced their coal supply agreements, with the result that increased charges were billed to Met-Ed's and Penelec's customers under their fuel adjustment clauses. The reports noted that Met-Ed and Penelec stated that they had paid the higher prices because there was an unacceptable risk of inadequate supply and that other alternatives would have resulted in even higher costs or decreased service to customers. The report recommended investigations to determine if Met-Ed and Penelec or their customers are entitled to a legal remedy for the allegedly excessive payments.

NOTES TO FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES: (Continued)

In October 1976, the Governor of Pennsylvania approved an act requiring the Pennsylvania Public Utility Commission ("PaPUC") to order any public utility which is found by the PaPUC, after a hearing, to have improperly paid a sum in excess of its contract price for coal during the calendar year 1974 to refund said improper excess amount to its consumers. Met-Ed and Penelec believe that they have not improperly paid any material sums in excess of such contract price for coal. The bill also provides that the PaPUC shall adopt regulations prohibiting utilities subject to its jurisdiction from paying for or agreeing to pay for goods, services, equipment or fuels at prices in excess of those contained in contracts existing between such utilities and providers of such goods, services, equipment for fuel services.

As a result of a PaPUC directed study of Met-Ed's and Penelec's fuel procurement policies, practices and procedures, Met-Ed's and Penelec's independent auditors submitted reports to the PaPUC on March 1, 1976, which identified payments to suppliers in excess of contract prices of approximately $5,800,000 (Met-Ed) and $4,500,000 (Penelec) (which payments were made in 1974) but stated that "(a) part of these additional costs was unavoidable since they were caused by external conditions beyond the control of Met-Ed and Penelec" and "to some degree", because of its coal procurement practices which the reports found to be "informal and not well documented". "Met-Ed's and Penelec's 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, Met-Ed and Penelec might have done more to contain fuel costs, despite such conditions and procurement problems. Although the reports said that Met-Ed's and Penelec's primary commitment is to maintain reliable electric service, it added that Met-Ed and Penelec "could have been more responsive to the developing procurement problems and taken more effective action to cope with them".

On March 15, 1976, the PaPUC instituted complaints against several Pennsylvania electric utilities, including Met-Ed and Penelec, as to the components of their fuel cost adjustment surcharge and the amount of, as well as the manner in which said fuel cost adjustment surcharge was calculated and applied, and passed on or otherwise charged to customers. The PaPUC ordered that an investigation be instituted for the purpose of determining the fairness, reasonableness, justness and lawfulness of the charges made and rates received by Met-Ed and Penelec through the fuel cost adjustment surcharge. In the opinion of the management of Met-Ed and Penelec, the charges made and rates received by it through the fuel cost adjustment surcharge were fair, reasonable, just and lawful and Met-Ed and Penelec intend to so state in their response to the complaint.

On April 20, 1976, the PaPUC adopted an order, the purpose of which was stated therein being to insure proper application of fuel adjustment clauses of all electric utilities in the State. The terms of the April 20, 1976 order raised questions of interpretation and on May 17, 1976, the PaPUC amended that order and directed each electric utility utilizing a fuel cost adjustment clause to submit to the

NOTES TO FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES: (Continued)

PaPUC, within 30 days, for its prior approval a tariff supplement, effective August 1, 1976, adding at the end of such clause the following:

"At least ten (10) days prior to the beginning of each billing month, Met-Ed and Penelec will file with Pennsylvania Public Utility Commission in such form as the Commission shall have prescribed (a) a copy of the computation of the fuel cost adjustment or purchased power adjustment to be applied during such month, and (b) such other information pertaining thereto as the Commission may require."

"The application of this clause shall be subject to continuous review and to audit by the Commission at such intervals as the Commission shall determine. The Commission shall continuously review the reasonableness and lawfulness of the amounts of the surcharges produced by the fuel adjustment clause and the charges included therein."

"If from such audit it shall be determined, by final order entered after notice and hearing, that this clause has been erroneously or improperly utilized, Met-Ed and Penelec will rectify such error or impropriety, and apply credits against future fuel cost adjustments or purchased power adjustments for such revenues as shall have been erroneously or improperly collected. The Commission's Order shall be subject to the right of Appeal."

The PaPUC order also stated that the PaPUC would establish criteria to safeguard rate-payers by requiring that utilities adhere to fuel procurement policies designed to obtain the lowest reasonable cost to rate-payers. On June 2, 1976, the PaPUC promulgated interim criteria for fuel procurement policies and procedures which require submission by the utilities, within 60 days, of their procurement policies and procedures for review by the PaPUC.

In June 1975, the PaPUC initiated a general investigation of fuel adjustment clauses of all Pennsylvania electric utilities, in which it stated that it proposed to consider whether it should allow utilities to recover through fuel adjustment clauses less than the full increase in fuel costs. Hearings before the PaPUC in this general investigation began in March 1976 and further hearings are scheduled.

10. UNAMORTIZED LITIGATION RECOVERY:

JCP&L is amortizing the portion of its net recovery arising from the settlement of the Oyster Creek litigation applicable to results of operations over a five year period commencing October 1, 1973. The related Federal income tax is being amortized over the same period.

NOTES TO FINANCIAL STATEMENTS

11. LOANS TO NON-AFFILIATED COAL COMPANIES:

Penelec is providing interim financing to non-affiliated mining companies supplying coal to the Homer City generating station under long-term contracts. These loans bear interest at a rate which is 1-1/2% per annum above the prime interest rate.

12. PENSION PLANS:

Total pension costs for the twelve months ended September 30, 1976, amounted to approximately $4.4 million (JCP&L), $3.5 million (Met-Ed) and $5.2 million (Penelec).

Based on the latest available actuarial reports (as of January 1, 1975), the actuarially computed vested benefit under the plans exceeded by approximately $2.7 million (JCP&L), $8.1 million (Met-Ed) and $12.5 million (Penelec) the actuarial value of trust assets or reserves created in respect of such plans. The unfunded past service liabilities for the plans amounted to approximately $28 million (JCP&L), $24.9 million (Met-Ed) and $35 million (Penelec).

Effective January 1, 1974, the plans were amended to provide improved benefits relating to, among other things, earlier age and service vesting requirements and surviving spouse benefits. In addition, the actuarial assumption relating to early retirements was changed to more closely match current experience.

The 1974 Pension Reform Act requires that the supplemental plans be funded. It is not anticipated that the Act will have a significant impact on annual pension costs; unfunded vested benefits are expected to increase approximately $2.4 million (JCP&L), $1.9 million (Met-Ed) and $2.8 million (Penelec) to comply with the vesting requirements of the Act.

13. SUPPLEMENTARY INCOME STATEMENT INFORMATION:

Maintenance and other taxes charged to operating expense for the twelve months ended September 30, 1976 consisted of the following:

	(In Thousands)		
	JCP&L	Met-Ed	Penelec
Maintenance (including applicable payroll charges)	$27 640	$23 263	$30 025
Other taxes:			
State and local gross receipts	$28 140	$11 266	$14 281
Gross revenue and franchise	11 705		
State surtax	4 968		
Capital stock		4 004	3 466
Real estate and personal property	3 059	4 016	3 859
Other	2 151	1 628	2 191
Total	$50 023	$20 914	$23 797

The liability for New Jersey State franchise and gross receipts taxes and surtax is estimated in each year of exercise of such franchise based on the preceding year's gross receipts and no liability exists in a current year to pay a tax based on that year's gross receipts. JCP&L has consistently made provision in its accounts for

NOTES TO FINANCIAL STATEMENTS

13. SUPPLEMENTARY INCOME STATEMENT INFORMATION: (Continued)

such taxes on this basis. For rate-making purposes (including the operation of the fuel adjustment clause) the NJPUC computes allowable expenses as including provision for such taxes based on the current year's gross receipts rather than those of the preceding year.

14. RATE PROCEEDINGS:

In July 1974, Met-Ed and Penelec filed three-part proposed rate increases with the PaPUC for \$50.2 million (Met-Ed) and \$45.5 million (Penelec), plus an additional \$20.7 million (Met-Ed) and \$22.5 million (Penelec) to cover possible erosion of earnings arising during the course of the rate proceedings. In September 1974, the first step to such increases involving \$12.7 million (Met-Ed) and \$17.9 million (Penelec) annually were permitted to go into effect subject to possible refund and the second and third steps of such increases were suspended, pending final rate determination. On July 9, 1975, the PaPUC prescribed as temporary those rates then in effect. In June 1976, the PaPUC entered orders granting Met-Ed \$17.1 million out of \$37.5 million and Penelec \$14.9 million out of \$27.6 million second step increases and denying the third step increases. Such orders permit Met-Ed and Penelec to recoup the difference, estimated at approximately \$15 million (Met-Ed) and \$14 million (Penelec) between the revenues received since July 9, 1975 under the temporary rates that had been in effect and those which would have been produced if the new rates had been in effect. Revenues, income taxes and net income for the last three months of 1975, included in the twelve months ended September 30, 1976, have been restated by \$3.8 million (Met-Ed) and \$3.8 million (Penelec); \$1.9 million (Met-Ed) and \$1.9 (Penelec); and, \$2 million (Met-Ed) and \$1.4 million (Penelec), respectively.

The PaPUC orders also permitted Met-Ed and Penelec to change their fuel adjustment clauses to energy clauses. The new clauses, which were authorized on a trial basis, reflect changes in the cost of fossil fuel, nuclear fuel and interchanged purchases and sales and are designed to track changes in energy costs and match customer billings to these costs. The old Pennsylvania standard form of fuel clause covered only the changes in fossil fuel cost.

On June 10, 1976, the NJPUC granted JCP&L a \$59.2 million rate increase, on an annualized basis, effective July 19, 1976.

On October 15, 1976, JCP&L filed a request with the NJPUC for a further rate increase of \$107 million.

METROPOLITAN EDISON COMPANY
STATEMENT OF BASIS OF SELLING PRICE OF
50% OF MET-ED'S 50% INTEREST
IN TMI #2 GENERATION STATION

		(In Thousands)	
(a)	Book Cost of Plant Under Construction Exclusive of AFC	$222 000	
	50% of Book Value of (a) above		$111 000
(b)	Book Cost of AFC Accrued	72 600	
	50% of Book Value of AFC in (b) above		36 300
(c)	Value of Tax Credits Associated with Constructio Interest Allocated to Future Customers		
	Applicable to: Plant	7 400	
	Nuclear Fuel	1 000	
	50% of Tax Credits in (c) above Pursuant to Section 1.04 of This Application		
	Applciable to: Plant		3 700
	Nuclear Fuel		500
(d)	Book Value of Nuclear Fuel in Process Exclusive of AFC	20 000	
	50% of Book Value of Nuclear Fuel in (d) above		10 000
(e)	Book Cost of AFC Accrued on Nuclear Fuel	5 000	
	50% of AFC Accrued in (e) above		2 500
	* Total Basis of Selling Price	$328 000*	
	Total Selling Price		$164 000

* Excludes $1.6 million net value of Pa. realty transfer taxes to be paid directly by JCP&L.

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PENNSYLVANIA ELECTRIC COMPANY
STATEMENT OF BASIS OF SELLING PRICE OF
3/5th's OF PENELEC'S 25% INTEREST
IN TMI #2 GENERATION STATION

	(In Thousands)	
(a) Book Cost of Plant Under Construction Exclusive of AFC	$110 000	
3/5th's of Book Value of (a) above		$ 66 000
(b) Book Cost of AFC Accrued	34 000	
3/5th's of Book Value of AFC in (b) above		20 500
(c) Value of Tax Credits Associated with Construction Interest Allocated to Future Customers		
Applicable to: Plant	7 500	
Nuclear Fuel	500	
3/5th's of Tax Credits in (c) above Pursuant to Section 1.04 of This Application		
Applicable to: Plant		4 500
Nuclear Fuel		300
(d) Book Value of Nuclear Fuel in Process Exclusive of AFC	10 000	
3/5th's of Book Value of Nuclear Fuel in (d) above		6 000
(e) Book Cost of AFC Accrued on Nuclear Fuel	2 200	
3/5th's of AFC Accrued in (e) above		1 300
* Total Basis of Selling Price	$164 200*	
Total Selling Price		$ 98 600

* Excludes $976 thousand net value of Pa. realty transfer taxes to be paid directly by JCP&L.