FIRSTENERGY CORP

FORM U-1/A

(Amended Application for Public Utility Holding Company)

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO THE
FORM U-1 APPLICATION/DECLARATION
UNDER
THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

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(and Subsidiaries listed on the Signature Page hereto)
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AKRON, OHIO 44308

GPU, INC.
(and Subsidiaries listed on the Signature Page hereto)
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The Application/Declaration filed in this proceeding was filed on November 21, 2000. The Application/Declaration is amended and restated in its entirety to read as follows:

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTION

INTRODUCTION

Pursuant to Sections (9)(a)(2) and 10 of the Public Utility Holding Company Act of 1935 (the "1935 Act" or the "Act"), FirstEnergy Corp., an Ohio corporation ("FirstEnergy"), hereby requests that the Securities and Exchange Commission (the "Commission") issue an order approving the proposed acquisition by FirstEnergy of all the issued and outstanding voting securities of the following U.S. electric utility operating subsidiaries of GPU, Inc., a Pennsylvania corporation ("GPU"): Jersey Central Power & Light Company, a New Jersey corporation ("JCP&L"), Pennsylvania Electric Company, a Pennsylvania corporation ("Penelec") and Metropolitan Edison Company, a Pennsylvania corporation ("Met-Ed"). FirstEnergy and certain subsidiaries listed on the signature page hereto(1) and GPU and certain subsidiaries listed on the signature page hereto(2) are hereinafter collectively referred to as the "Applicants," and JCP&L, Penelec and Met-Ed (each of which is doing business as "GPU Energy") are referred to herein as the "GPU Energy Companies." Met-Ed owns all of the voting securities of York Haven Power Company, a Pennsylvania corporation ("York Haven"), and Penelec owns all of the voting securities of Waverly Electric Power & Light Company, a Pennsylvania corporation ("Waverly Electric").(3) (The GPU Energy Companies, York Haven and Waverly Electric are all "public-utility companies" as defined in the Act.) FirstEnergy will acquire such voting securities of the GPU Energy Companies, and indirectly acquire York Haven and Waverly Electric, through its merger with GPU pursuant to the terms of the Agreement and Plan of Merger, dated as of August 8, 2000 (the "Merger Agreement"), between FirstEnergy and GPU. The Merger Agreement is filed as Exhibit B-1 hereto. The Merger Agreement provides

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(1) Ohio Edison Company ("Ohio Edison"), The Cleveland Electric Illuminating Company ("Cleveland Electric"), The Toledo Edison Company ("Toledo Edison"), Pennsylvania Power Company ("Penn Power"), American Transmission Systems, Incorporated ("ATSI"), Northeast Ohio Natural Gas Corp. ("NONGC"), FE Acquisition Corp. ("FE Acquisition"), FirstEnergy Properties, Inc. ("FE Properties"), FirstEnergy Facilities Services Group, LLC ("FE Facilities"), FE Holdings, L.L.C. ("FE Holdings"), FELHC, Inc. ("FELHC"), FirstEnergy Securities Transfer Company ("FirstEnergy Transfer"), FirstEnergy Nuclear Operating Company ("FENOC"), FirstEnergy Solutions Corp. ("FirstEnergy Solutions"), FirstEnergy Generation Corp. ("GenCo"), FirstEnergy Ventures Corp. ("FirstEnergy Ventures"), MARBEL Energy Corporation ("MARBEL"), Centerior Indemnity Trust ("CIT"), Centerior Service Company ("Centerior Service") and FirstEnergy Service Company ("ServeCo").

(2) JCP&L, Penelec, Met-Ed, York Haven, Waverly Electric, GPU Capital, Inc. ("GPU Capital"), GPU Electric, Inc. ("GPU Electric"), GPU Diversified Holdings, LLC ("GPUDH"), GPU EnerTech Holdings, Inc. ("GPU EnerTech"), GPU Power, Inc. ("GPU Power"), GPU Advanced Resources, Inc. ("GPUAR"), GPU Service, Inc. ("GPU Service" or "GPUS"), GPU Telcom Services, Inc. ("GPU Telcom"), GPU Nuclear, Inc. ("GPU Telecom"), and MYR Group, Inc. ("MYR").

(3) For purposes of this Application/Declaration, "Primary Operating Utilities" means Ohio Edison, Cleveland Electric, Toledo Edison, JCP&L, Penelec and Met-Ed.

for, among other things, the merger of GPU with and into FirstEnergy in accordance with the laws of Pennsylvania (the "Merger"), with FirstEnergy continuing as the surviving corporation.

As described below, under the terms of the Merger Agreement, FirstEnergy will pay cash for 50%, and issue FirstEnergy common shares for 50%, of the shares of GPU common stock outstanding at the time the Merger is completed, subject to a certain tax adjustment described below. Each GPU shareholder (unless he or she has dissented) will have the opportunity to elect to receive cash for all of his or her GPU shares, FirstEnergy shares for all of his or her GPU shares, or cash for a portion and FirstEnergy shares for the rest of his or her GPU shares.(4) Based on the market price of FirstEnergy common stock at the time of the execution of the Merger Agreement and the number of shares of GPU common stock then outstanding, the total value of the Merger consideration to be paid by FirstEnergy is approximately $4.5 billion.

The Merger will be accounted for on a purchase accounting basis in accordance with accounting principles generally accepted in the United States ("GAAP").

GPU's net assets must be adjusted to fair market value on FirstEnergy's balance sheet as of the date of completion. To the extent the purchase price exceeds the fair market value of GPU's net assets, goodwill will be recognized on the balance sheets of subsidiaries of GPU and therefore on the post-Merger consolidated balance sheet of FirstEnergy. Under GAAP, as of the date of this filing, any goodwill resulting from the Merger would be amortized over a period not to exceed 40 years. If the purchase price is less than the fair market value of GPU's net assets, the value of GPU's fixed assets will be reduced accordingly. No adjustment will be made to FirstEnergy's pre-Merger assets and liabilities in connection with the Merger.

FirstEnergy is a holding company exempt from the registration requirements of the 1935 Act. FirstEnergy has claimed an exemption from all provisions of the 1935 Act (except for Section 9(a)(2) thereof) pursuant to Rule 2 thereunder.(5) FirstEnergy directly owns all of the issued and outstanding voting securities of Ohio Edison, an Ohio corporation, ATSI, an Ohio corporation, Cleveland Electric, an Ohio corporation, and Toledo Edison, an Ohio corporation, and indirectly owns all of the issued and outstanding voting securities of Penn Power, a Pennsylvania corporation, and NONGC, an Ohio corporation. Herein, "FirstEnergy Operating Companies" refers to Ohio Edison, Cleveland Electric, Toledo Edison and Penn Power, collectively. The FirstEnergy Operating Companies, ATSI, NONGC, Ohio Valley Electric Corporation, an Ohio corporation ("OVEC"), and Indiana-Kentucky Electric Corporation, an Indiana corporation ("IKEC"), are all "public-utility companies" as defined in the 1935 Act.

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(4) Under the Merger Agreement, however, unless an adjustment is made as a result of tax considerations, 50% of all issued and outstanding shares of GPU common stock must be exchanged for cash and 50% must be exchanged for FirstEnergy common stock. The elections of GPU shareholders to receive cash or FirstEnergy common shares are subject to proration because of this provision and also because of a possible adjustment controlled by tax considerations.

(5) See FirstEnergy Form U-3A-2, "Statement by Holding Company Claiming Exemption Under Rule U-2 from the Provisions of the Public Utility Holding Company Act of 1935," dated February 28, 2001, filed as Exhibit H-1 hereto.

Ohio Edison owns all of the issued and outstanding voting securities of Penn Power and is also a "holding company" as defined in the 1935 Act. Ohio Edison is currently exempt from the registration and other requirements of the 1935 Act pursuant to the Commission's orders, other than from Section 9(a)(2) thereof. See Ohio Edison Company, Holding Co. Act Release No. 21019 (April 26, 1979). No change is expected with regard to Ohio Edison's exempt holding company status as a result of the Merger, although Ohio Edison will become a subsidiary of a registered holding company (FirstEnergy). MARBEL, an Ohio corporation, is a wholly owned subsidiary of FirstEnergy, owns all of the issued and outstanding stock of NONGC and will claim an exemption under Section 3(a)(1) and Rule 2.

GPU is a registered holding company under the Act and owns all of the issued and outstanding voting securities of the GPU Energy Companies. Following consummation of the Merger, FirstEnergy will register with the Commission as a holding company under the Act.

Post-Merger, FirstEnergy will be the fifth largest investor-owned electric utility system in the United States, based on approximately 4.3 million customers served, with contiguous transmission systems and a 37,000-square-mile service area in Ohio, Pennsylvania, New Jersey, and New York. Post-Merger, FirstEnergy will hold as first tier subsidiaries seven public-utility companies:
Ohio Edison, Cleveland Electric, Toledo Edison, JCP&L, Penelec, Met-Ed and ATSI. FirstEnergy will hold as second tier subsidiaries five public-utility companies:
Penn Power, York Haven, Waverly, NONGC and OVEC. FirstEnergy will hold IKEC as a third-tier subsidiary. See Pre-Merger Organizational Chart of FirstEnergy filed as Exhibit K-1, Pre-Merger Organization Chart of GPU filed as Exhibit K-2, and Post-Merger Organizational Chart of FirstEnergy filed as Exhibit K-3 hereto. FirstEnergy will also own a number of non-utility subsidiaries as hereinafter described. This Application/Declaration seeks approval for the creation and reorganization of certain non-utility subsidiaries and other matters.

In connection with the Merger, FirstEnergy seeks approval for financing by FirstEnergy for the purpose of paying the cash and common stock portions of the Merger consideration and other general corporate purposes that may be required in the period immediately following the Merger ("Acquisition Financing"). FirstEnergy also seeks approvals for the ongoing financing activities of, the provision of intra-system services and guarantees by, and certain investments and other matters pertaining to, FirstEnergy and its subsidiaries after giving effect to the Merger and for the registration of FirstEnergy as a holding company.

This Application/Declaration further seeks preliminary and temporary approval for (i) FirstEnergy, (ii) ServeCo, the new service company for the FirstEnergy system, and (iii) GPU Service, a Pennsylvania corporation, to act as service companies for the FirstEnergy system under Section 13 of the Act and applicable Rules.(6)

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(6) For purposes of this Application/Declaration, "FirstEnergy Subsidiaries" means all pre-Merger subsidiaries of FirstEnergy; "FirstEnergy Utility Subsidiaries" means Ohio Edison, Cleveland Electric, Toledo Edison, Penn Power, NONGC and ATSI; "FirstEnergy Non-Utility Subsidiaries" means all the FirstEnergy Subsidiaries except for the FirstEnergy Utility Subsidiaries; "GPU Subsidiaries" means all current subsidiaries of GPU; "GPU Utility Subsidiaries" means JCP&L, Met-Ed, Penelec, York Haven and Waverly Electric; "GPU Non-Utility Subsidiaries"

A. DESCRIPTION OF PARTIES TO THE TRANSACTION

1. General Description of FirstEnergy and Its Affiliates.

(a) FirstEnergy. FirstEnergy was organized under Ohio law in 1996 and became a holding company after the merger of Ohio Edison and Centerior Energy Corporation in November 1997. The principal executive offices of FirstEnergy are located in Akron, Ohio.

FirstEnergy's principal business is the holding of all of the issued and outstanding voting securities of the following 14 direct active subsidiaries: ATSI; Ohio Edison; Cleveland Electric; Toledo Edison; FirstEnergy Properties; FirstEnergy Ventures; FirstEnergy Transfer; FirstEnergy Facilities; MARBEL; FirstEnergy Solutions; FE Acquisition; FENOC; FELHC; and The Alliance Participants Administrative and Startup Activities Company, LLC ("BridgeCo"); and all of the issued and outstanding voting securities of the following four direct inactive subsidiaries: Centerior Service, CIT, FE Holdings and ServeCo. Unless otherwise noted, all these subsidiaries are incorporated in the State of Ohio and have their principal offices in Akron, Ohio.

FirstEnergy also owns a 31.08% interest in First Communications, LLC ("First Communications"), with options to acquire up to a 50% interest, and a 5.38% interest in Pantellos Corporation ("Pantellos"). First Communications provides telecommunications services utilizing a nationwide fiber optic network. First Communications offers a full plan of services including long distance, toll free services, advanced data solutions (including Digital Subscriber Line ("DSL"), private line service and network applications) and Personal Communications Service ("PCS") wireless. Pantellos operates and manages an open, independent Internet e-marketplace for the purchase of goods and services between the energy industry and its suppliers.

FirstEnergy maintains other interests in non-utility businesses. Such interests are outlined in Exhibit L-1 hereto.

(b) ATSI. ATSI was organized under Ohio law in 1998. ATSI is a "public-utility company" as defined in the Act. ATSI acquired certain transmission assets on September 1, 2000 from the FirstEnergy Operating Companies. ATSI owns and operates certain major, high-voltage transmission facilities, which consist of approximately 7,100 circuit miles (5,752 "pole" miles) of transmission lines with nominal voltages of 345 kV, 138 kV and 69 kV. There are 37 interconnections with six neighboring control areas.

ATSI's transmission system offers gateways into the East via high capacity ties with Pennsylvania-New Jersey-Maryland Interconnection LLC ("PJM") through Penelec, Duquesne Light Company ("Duquesne Light") and Allegheny Energy, Inc. ("Allegheny Energy"), into the North through multiple 345 kV high capacity ties with Michigan Electric Coordination Systems

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means FirstEnergy Non-Utility Subsidiaries and GPU Non-Utility Subsidiaries; and "Subsidiary" or "Subsidiaries" means all subsidiaries of post-Merger FirstEnergy, including FirstEnergy Utility Subsidiaries, FirstEnergy Non-Utility Subsidiaries, GPU Utility Subsidiaries and GPU Non-Utility Subsidiaries.

("MECS"), and into the South through ties with American Electric Power Company, Inc. ("AEP") and Dayton Power & Light Company ("Dayton Power"). In addition, ATSI is the control area operator for the FirstEnergy system. ATSI plans, operates and maintains the transmission system in accordance with the requirements of the North American Electric Reliability Council and applicable regulatory agencies to ensure reliable service to FirstEnergy's customers.

ATSI will turn operational control of its transmission facilities over to a Regional Transmission Organization ("RTO") - the Alliance RTO (the "Alliance") - upon commencement of operations by the Alliance as described in more detail below.

(c) Ohio Edison. Ohio Edison was organized under Ohio law in 1930 and is both a public utility and a public utility holding company which is exempt from regulation by the Commission under the 1935 Act (except for Section 9(a)(2) thereof). Ohio Edison engages in the distribution and sale of electric energy to approximately 1,000,000 customers within a 7,500 square-mile area of central and northeastern Ohio.

Ohio Edison owns all of the issued and outstanding voting securities of Penn Power. Ohio Edison also owns directly 16.5% of the issued and outstanding voting securities of OVEC (which, in turn, owns all of the issued and outstanding voting securities of IKEC). OVEC is a public utility company organized under Ohio law in 1952. On the same date, IKEC was organized under Indiana law. The two companies were formed by 15 independent investor-owned public utilities (including Ohio Edison, Penn Power and Toledo Edison) to furnish electric service in the Ohio River Valley for the purpose of providing the large electric power requirements projected for the major uranium enrichment complex near Portsmouth, Ohio, then being built by the Atomic Energy Commission, the predecessor to the Nuclear Regulatory Commission ("NRC"). Upon consent of the other owners, Ohio Edison will transfer its interest in OVEC to GenCo.

In addition to Penn Power, Ohio Edison has seven other wholly owned subsidiaries organized, unless otherwise noted, under Ohio law: (i) OES Capital, Incorporated ("OES Capital"), re-organized in December 1999 under Delaware law;
(ii) OES Fuel, Incorporated ("OES Fuel"); (iii) OES Finance, Incorporated ("OES Finance"); (iv) Ohio Edison Financing Trust, organized under Delaware law; (v) Ohio Edison Financing Trust II, organized under Delaware law;(7) (vi) OES Nuclear, Incorporated ("OES Nuclear"); and (vii) OES Ventures, Incorporated ("OES Ventures"). These subsidiaries manage and finance nuclear fuel for Ohio Edison and Penn Power, finance certain electric accounts receivable, provide structures for investment in energy-related projects and the raising of capital by Ohio Edison, finance and manage business opportunities not directly related to the provision of electric service, or provide other energy-related products and services. OES Ventures has a 49% beneficial interest in PNBV Capital Trust, a Delaware corporation ("PNBV"), which was formed to acquire the publicly held bond indebtedness for the acquisition of lease obligation bonds relating to Ohio Edison's sale and leaseback of individual interests in Beaver Valley Nuclear Power Station ("Beaver Valley") Unit No. 2 and Perry Nuclear Power Plant ("Perry") Unit No. 1 and the

(7) Ohio Edison Financing Trust II is inactive.

resultant reduction in effective cost to Ohio Edison under those leases. Finally, Ohio Edison has a 49% interest in FirstEnergy Engineering, Incorporated, an Ohio corporation ("FirstEnergy Engineering"), which provides engineering services at cost as a subcontractor on construction projects undertaken by the FirstEnergy Subsidiaries.

(d) Penn Power. Penn Power was organized under Pennsylvania law in 1930. Penn Power is also authorized to do business and owns property in Ohio. Penn Power is a public utility furnishing electric service to approximately 138,000 customers in a 1,500 square mile area of western Pennsylvania.

(e) Cleveland Electric. Cleveland Electric was organized under Ohio law in 1892 and is a public utility engaged primarily in the distribution and sale of electric energy to approximately 741,000 customers in an area of approximately 1,700 square miles in northeastern Ohio, including the City of Cleveland. It has one subsidiary, Centerior Funding Corporation ("Centerior Funding"), which is a Delaware corporation organized in 1996 that factors accounts receivable. It also owns 10% of The Toledo Edison Capital Corporation ("TECC"), which is a Delaware corporation organized in 1997 that makes equity investments in Delaware business trusts that hold lessor debt instruments issued in connection with Cleveland Electric's and Toledo Edison's sale and leaseback of interests in the Bruce Mansfield Plant.

(f) Toledo Edison. Toledo Edison was organized under Ohio law in 1901 and is a public utility engaged primarily in the distribution and sale of electric energy to approximately 303,000 customers in an area of approximately 2,500 square miles in northwestern Ohio, including the City of Toledo. It owns 90% of TECC. Toledo Edison owns directly 4% of the issued and outstanding voting securities of OVEC. Upon consent of the other owners, Toledo Edison will transfer its interest in OVEC to GenCo.

(g) FirstEnergy Properties. FirstEnergy Properties was organized in 1929 and owns non-utility land and coal rights held for sale, investment or potential development, office buildings rented to affiliated companies and third parties, and also holds the former Centerior Energy Corporation's partnership share of investments in economic development investments. It has one subsidiary, BSG Properties, Inc. ("BSG Properties"), organized in 1996; BSG Properties owned a commercial building, which it sold, and is engaged in post-closing matters.

(h) FirstEnergy Ventures. FirstEnergy Ventures was organized in 1971. Its principal business involves the ownership of stock investments in certain unregulated enterprises and business ventures. It has eight subsidiaries organized under Ohio law: (i) Centerior Power Enterprises, Inc. ("Centerior Power"), which will be dissolved upon the planned cancellation of a contract which required it (together with CPICOR Management LLC ("CPICOR"), a non-affiliate) to implement the Department of Energy ("DOE") clean coal project;
(ii) Centerior Energy Services, Inc. ("Centerior Energy Services"), which provides various consulting services related to energy management and procurement under the registered trade name "The E Group"; (iii) Advanced Technologies Development Corp. ("Advanced Technologies"), which owns fiber optics cables, communications towers and electronics for cell siting operations, as well as some proprietary software for telecommunications services; (iv) Centerior Communications Holdings, Inc. ("Centerior Communications"), which holds an

interest in Fiber Venture Equity, Inc. ("Fiber Venture");(8) (v) Bay Shore Power Company ("Bay Shore"), which is undergoing start-up operations and will own and operate a petroleum coke disposal facility that will supply steam to GenCo for the operation of turbines at the Bay Shore Power Plant and to BP Amoco Corporation ("BP"); (vi) FirstEnergy Fuel Marketing Company ("FirstEnergy Fuel Marketing"), which provides products and services to electricity generators and industrial fuel suppliers, including logistics services, contract administration, inventory management and fuel blending; (vii) FirstEnergy Telecommunications Corp. ("FirstEnergy Telecommunications"), which will be a competitive telecommunications services provider offering services only in the regulated activities area;(9) and (viii) Warrenton River Terminal, Ltd. ("Warrenton River"), which owns facilities for the transloading of bulk materials on the Ohio River - primarily coal. FirstEnergy Ventures is also part owner of two Ohio limited liability companies: Eastroc Technologies, LLC ("Eastroc Technologies") and Engineered Processes, Ltd. ("Engineered Processes"), which own or apply technologies for the production of gypsum products.

(i) FirstEnergy Transfer. FirstEnergy Transfer is an Ohio corporation organized in 1997 to act as transfer agent and registrar for the securities of FirstEnergy and its direct and indirect subsidiaries. It does not act as a transfer agent or registrar for nonaffiliated companies.

(j) FirstEnergy Facilities. FirstEnergy Facilities is the parent company of 11 direct subsidiaries, which provide mechanical contracting, facilities management and energy management services to a diverse group of regional and national customers. These subsidiaries consist of the following:
(i) Ancoma, Inc. ("Ancoma") of Rochester, New York (a New York corporation);
(ii) Colonial Mechanical Corporation ("Colonial Mechanical") of Richmond, Virginia (a Virginia corporation); (iii) Webb Technologies, Inc. ("Webb Technologies") of Norfolk, Virginia (a Virginia corporation); (iv) Dunbar Mechanical Inc. ("Dunbar Mechanical") of Toledo, Ohio (an Ohio corporation); (v) Edwards Electrical & Mechanical, Inc. ("Edwards E&M") of Indianapolis, Indiana (an Indiana corporation); (vi) Elliott-Lewis Corporation ("Elliot-Lewis") of Philadelphia, Pennsylvania (a Pennsylvania corporation);(10) (vii) L.H. Cranston and Sons, Inc. ("Cranston and Sons") of Timonium, Maryland (a Maryland corporation); (viii) Roth Bros., Inc. ("Roth Bros.") of Youngstown, Ohio (an Ohio corporation); (ix) The Hattenbach Company ("Hattenbach") of Cleveland, Ohio (an Ohio

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(8) Fiber Venture owns a 6.5% interest in AFN, LLC ("AFN"). AFN is a super-regional fiber optics joint venture of six energy and telecommunications companies initially offering 7,000 route miles of high-speed fiber connecting major markets in the eastern and central United States.

(9) FirstEnergy Telecommunications applied to the Public Utilities Commission of Ohio ("PUCO") on October 18, 2000 for approval to operate as a public utility within the definition of "utilities" in the State of Ohio. Approval from PUCO and the Federal Communications Commission ("FCC") was received on December 24, 2000. On October 20, 2000, FirstEnergy Telecommunications applied for "exempt telecommunications company" ("ETC") approval from the FCC; ETC status was effective as of the date of the filing.

(10) Elliot-Lewis owns all of the issued and outstanding stock of A.A.
Duckett, Inc. ("Duckett"), Sautter Crane Rental, Inc. ("Sautter Crane"), and E-L Enterprises, Inc. ("E-L Enterprises"). E-L Enterprises owns all of the issued and outstanding stock of R.L. Anderson, Inc. ("R.L. Anderson") and Modern Air Conditioning, Inc. ("Modern AC"). Modern AC owns all of the issued and outstanding stock of Airdex Air Conditioning Corporation ("Airdex AC").

corporation); (x) R. P. C. Mechanical, Inc. ("R. P. C. Mechanical") of Cincinnati, Ohio (an Ohio corporation); and (xi) Spectrum Controls Systems, Inc. ("Spectrum") of Cincinnati, Ohio (an Ohio corporation).

(k) MARBEL. MARBEL is a parent company of a natural gas pipeline company. In addition, MARBEL is the contracting party to two large gas supply agreements. MARBEL's subsidiaries include NONGC and Marbel Holdco, Inc. ("Marbel Holdco").

Marbel Holdco holds FirstEnergy's 50% ownership in Great Lakes Energy Partners, LLC ("Great Lakes"). Great Lakes is an oil and gas exploration and production company in a joint venture with Range Resources Corporation and holds a majority of its assets in the Appalachian Basin, including more than 7,700 oil and natural gas wells, drilling rights on nearly one million acres, proven resources of 450 billion cubic feet equivalent of natural gas and oil, and 5,000 miles of pipeline. Great Lakes also owns intrastate gas pipelines and a small interstate pipeline between Ohio and West Virginia.

MARBEL owns all of the issued and outstanding shares of NONGC. NONGC provides gas distribution and transportation service to approximately 5,000 customers located in ten counties in central and northeast Ohio. It owns and operates approximately 420 miles of distribution and transportation pipeline.(11)

(l) FirstEnergy Solutions. FirstEnergy Solutions is an unregulated natural gas and power marketer in both wholesale and retail markets. FirstEnergy Solutions has two wholly owned subsidiaries, Penn Power Energy, Inc. ("Penn Power Energy") and GenCo. Penn Power Energy is a licensed electric supplier providing retail electricity service in Pennsylvania.

GenCo is an exempt wholesale generator within the meaning of Section 32 of the 1935 Act ("EWG") and operates fossil fuel plants and the Seneca pumped storage plant, all of the output of which is sold at wholesale prices to FirstEnergy Solutions. Most of the generating facilities operated by GenCo are leased from the FirstEnergy Operating Companies. As described in more detail below, FirstEnergy contemplates transferring its coal and nuclear generating facilities to GenCo.

(m) FE Acquisition. FE Acquisition holds all of the outstanding shares of Mid-Atlantic Energy Development Co. ("Mid-Atlantic"), an inactive holding company. Mid-Atlantic owned three 130 megawatts ("MW") gas-fired peaking turbines at Richland, Ohio. Mid-Atlantic sold those turbines to GenCo effective January 1, 2001, prior to their going into service. The output of these turbines is sold as described in the preceding paragraph.

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(11) NONGC has interconnects with, and receives some gas from, Ohio Intrastate Gas Transmission Company ("OIGTC"). OIGTC was wholly owned by The Northeast Ohio Operating Companies Inc., a prior entity which held the NONGC stock but which has been dissolved; OIGTC was one of the companies contributed by MARBEL to form Great Lakes on September 30, 1999.

At present, OIGTC is affiliated through MARBEL's 50% ownership of Great Lakes. In addition, NONGC receives gas from direct interconnects with gathering pipelines owned by Great Lakes.

(n) FENOC. FENOC operates the Davis-Besse Nuclear Power Station, the Perry Nuclear Power Plant and the Beaver Valley under the supervision and direction of the owners of those facilities.

(o) FELHC. FELHC serves as a licensee on all FCC radio licenses for the FirstEnergy Operating Companies.

(p) BridgeCo. FirstEnergy owns a 10% interest in BridgeCo. BridgeCo is an entity created to manage the financial and other affairs of the ten members of the Alliance until that company begins operations, anticipated to be late 2001, when BridgeCo will be dissolved.

Additional information regarding FirstEnergy's and the FirstEnergy Subsidiaries' non-utility businesses may be found in Exhibit L-1 hereto, which considers the retention of such non-utility businesses by the post-Merger FirstEnergy system.

2. Description of Utility Operations of the FirstEnergy Operating Companies.

(a) The FirstEnergy Operating Companies' Electric Utility Operations. FirstEnergy does not own directly any utility properties or perform any utility operations. The FirstEnergy Operating Companies' electric utility operations are described in detail below.

(i) Ohio Edison and Penn Power. Ohio Edison furnishes electric service to communities in a 7,500 square mile area of central and northeastern Ohio. Ohio Edison has ownership interests in certain generating facilities located in Pennsylvania. It also engages in the sale, purchase and interchange of electric energy with other electric companies. During the 12 months ended December 31, 2000, the principal source of Ohio Edison's operating revenues was derived from the sale of electricity.

Penn Power furnishes electric service to communities in a 1,500 square mile area of western Pennsylvania. During the 12 months ended December 31, 2000, the principal source of Penn Power's operating revenues was derived from the sale of electricity.

Ohio Edison and Penn Power own or lease all or a portion of 31 electric generating units, consisting of 13 coal-fired units, three nuclear units, six oil-fired units, one gas/oil-fired unit and eight diesel generators (located at two sites), which have total net generating capacity of 6,075 MW. All of the electric properties owned by Ohio Edison and Penn Power are located in Ohio and Pennsylvania.

Nine of the 13 coal-fired units are 100% owned by Ohio Edison, and all such units are located in Ohio. Four of the 13 coal-fired units are held in a combined Ohio Edison-Penn Power ownership along with Toledo Edison and Cleveland Electric.

The three nuclear units consist of (i) Beaver Valley Unit No. 1 (810 MW), located in Pennsylvania, (ii) Beaver Valley Unit No. 2, also located in Pennsylvania and representing a 456

MW share from a combined Ohio Edison-Penn Power ownership and leasehold interest of 55.61%, and (iii) Perry Unit 1, located in Ohio and representing a 439 MW share from a combined Ohio Edison-Penn Power ownership and leasehold interest of 35.24%.

The six oil-fired units are also located in Ohio and are held in a combined Ohio Edison-Penn Power ownership. The gas/oil-fired unit is located in Ohio and is 100% owned by Ohio Edison. The two diesel generator sites are located in Ohio and are held in a combined Ohio Edison-Penn Power ownership.

Ohio Edison and Penn Power own the distribution facilities located in their service territories in central and northeastern Ohio and western Pennsylvania, respectively, for distributing electric energy to their customers. These distribution facilities consist primarily of distribution lines and distribution substations and related service facilities.

(ii) OVEC and IKEC. OVEC owns the Kyger Creek Plant at Cheshire, Ohio, which is a coal-fired facility with a capacity of 1,075 MW. IKEC owns the Clifty Creek Plant at Madison, Indiana, which is a coal-fired facility with a capacity of 1,290 MW. These plants are connected by a 780-mile 345 kV transmission network and are interconnected with the major transmission systems of OVEC's sponsor companies, although OVEC's generation facilities do not interconnect directly with ATSI's transmission system.

(iii) Cleveland Electric. Cleveland Electric is engaged primarily in the generation, distribution and sale of electric energy to an area of approximately 1,700 square miles in northeastern Ohio, including the City of Cleveland. Cleveland Electric also has ownership interests in certain generating facilities located in the Commonwealth of Pennsylvania. Cleveland Electric also engages in the sale, purchase and interchange of electric energy with other electric companies. During the 12 months ended December 31, 2000, the principal source of Cleveland Electric's operating revenues was derived from the sale of electricity.

Cleveland Electric's generating properties consist of all or a portion of: (i) ten units at four fossil fuel plants including the Sammis Plant, located in Stratton, Ohio, the Lake Shore Plant, located in Cleveland, Ohio, the Eastlake Plant, located in Eastlake, Ohio, and the Ashtabula Plant, located in Ashtabula, Ohio; (ii) a 454 MW (51.38%) share of Davis-Besse Nuclear Power Station located in Oak Harbor, Ohio; and (iii) the 435 MW Seneca pumped storage hydroelectric plant located in Warren, Pennsylvania. These Cleveland Electric-owned plants have a net demonstrated capacity of 2,930 MW.

Cleveland Electric and Toledo Edison, as co-lessees, have leasehold interests of 6.5% (51 MW), 47.56% (371 MW) and 44.38% (355 MW) of Units 1, 2, and 3, respectively, of the coal-fired Bruce Mansfield Plant located in Pennsylvania. Cleveland Electric also has a 44.81% ownership share (561 MW) of Perry Unit 1 located in Ohio, and 24.47% (201 MW) of Beaver Valley Unit No. 2 located in Pennsylvania, and leases, as co-lessee with Toledo Edison, another 19.88% (163 MW) of Beaver Valley Unit No. 2.

Cleveland Electric owns the distribution facilities located in its service territory in northeastern Ohio for distributing electric energy to its customers. These distribution facilities consist primarily of distribution lines and distribution substations and related service facilities.

(iv) Toledo Edison. Toledo Edison is engaged primarily in the generation, distribution and sale of electric energy to an area of approximately 2,500 square miles in northwestern Ohio, including the City of Toledo. Toledo Edison also has ownership interests in certain generating facilities located in Pennsylvania. Toledo Edison also engages in the sale, purchase and interchange of electric energy with other electric companies. During the 12 months ended December 31, 2000, the principal source of Toledo Edison's operating revenues was derived from the sale of electricity.

Toledo Edison's generating facilities consist of: (i) a wholly owned fossil fuel electric generating station (631 MW), Bay Shore Power Plant, located in Lucas County, Ohio; (ii) a 429 MW share of Davis-Besse Nuclear Power Station located in Oak Harbor, Ohio; and (iii) internal combustion turbine generator units with an aggregate capability of 467 MW located in northwestern Ohio. These plants have a net capacity of 1,527 MW.

Toledo Edison and Cleveland Electric, as co-lessees, have leasehold interests of 6.5% (51 MW), 47.56% (371 MW) and 44.38% (355 MW) of Units 1, 2 and 3, respectively, of the coal-fired Bruce Mansfield Plant located in Pennsylvania.

Toledo Edison also has a 19.91% ownership share (248 MW) of Perry Unit
1. Toledo Edison has a tenant-in-common interest and leasehold interest (with Cleveland Electric as co-lessee with respect to 150 MW) in 19.91% (163 MW) of Beaver Valley Unit No. 2.

Toledo Edison owns the distribution facilities located in its service territory in northwestern Ohio for distributing electric energy to its customers. These distribution facilities consist primarily of distribution lines and distribution substations and related service facilities.

(b) Transmission System. The FirstEnergy system consists of approximately 12,515 MW of generation resources that are connected directly to certain transmission facilities that they transferred to ATSI on September 1, 2000. ATSI owns and operates transmission facilities which currently operate at voltages of generally 345 kV and 138 kV (the "Bulk Transmission System"), and 69 kV facilities (the "Area Transmission System," and together with the Bulk Transmission System, the "Transmission System"). The primary function of the Transmission System is to integrate FirstEnergy's generation resources with the FirstEnergy Operating Companies' native retail and wholesale loads. To perform this network function, the Bulk Transmission System and the Area Transmission System are integrated and operate in a parallel manner to each other. The FirstEnergy Operating Companies also operate low voltage 23, 33, 34.5 and 36 kV facilities.

The Transmission System consists of over 7,100 circuit miles (5,752 "pole" miles) of transmission lines with nominal voltages of 345 kV, 138 kV and 69 kV. The Transmission System services over 2.2 million customers in a 13,200 square mile area in northern and central Ohio and western Pennsylvania. The Transmission System has 37 interconnections at voltages of 69 kV or higher with six neighboring control areas. The Transmission System is connected to

other systems to the East via ties with PJM, Duquesne Light and Allegheny Energy. The Transmission System is connected to other systems to the North through ties with the MECS, and is connected to other systems to the South through ties with AEP and Dayton Power.

The electric service areas of the GPU Energy Companies and the FirstEnergy Operating Companies are adjacent to, and directly interconnected with, one another. See Maps filed as Exhibits E-1 and E-2 hereto; see also Exhibit E-3 hereto. As discussed below, the Transmission System is interconnected with the GPU Transmission System (as defined below).

(c) Gas Operations. NONGC provides gas distribution and transportation service to approximately 5,000 customers located in central and northeast Ohio. It operates approximately 420 miles of distribution and transportation pipeline and ancillary facilities. It receives its gas supplies from local gas producers as well as from interstate pipeline companies. Its principal source of operating revenues is derived from the distribution and transportation of natural gas.

(d) Utility Regulation. Ohio Edison, Cleveland Electric and Toledo Edison are subject to broad regulation as to rates and other matters by the PUCO. Under Ohio law, municipalities may regulate rates, subject to appeal to the PUCO, if not acceptable to the utility. NONGC is also subject to PUCO regulation concerning rates and other matters.

Penn Power is subject to broad regulation as to rates and other matters by the Pennsylvania Public Utility Commission (the "PPUC").

ATSI, the FirstEnergy Operating Companies and FirstEnergy Solutions are also subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") under the Federal Power Act ("FPA") with respect to wholesale electric rates, transmission service and other matters. Construction and operation of nuclear generating units are subject to the regulatory jurisdiction of the NRC.

(e) Corporate Separation Plan.

(i) Ohio Legislation Requiring Restructuring. On June 22, 1999, the Ohio General Assembly passed legislation requiring the restructuring of the electric utility industry in Ohio and providing for retail competition with regard to the generation component of electric service (Amended Substitute Senate Bill No. 3 ("SB 3") of the 123rd General Assembly). The Ohio governor signed SB 3 on July 6, 1999 and most provisions of SB 3 became effective in early October 1999.

(ii) The Transition Plan. Section 4928.31, Ohio Revised Code, requires each electric utility to file with the PUCO a transition plan for the company's provision of retail electric service in Ohio. On December 22, 1999, FirstEnergy, on behalf of Ohio Edison, Cleveland Electric and Toledo Edison, filed its Transition Plan (the "Transition Plan"), as well as applications for tariff approval and accounting authority. The Transition Plan was approved on July 19, 2000.

FirstEnergy cannot practically unwind all of the financial obligations and associated liens on its operating utility companies' property; thus, it was not able to provide competitive

generation services through a fully separated affiliate on January 1, 2001. Therefore, FirstEnergy presented, and the PUCO approved, an interim Corporate Separation Plan, pursuant to Section 4928.17(C), Ohio Revised Code, and Rule 4901:1-20-16(G)(1)(d), O.A.C., that would functionally separate its utility and competitive retail operations (the "Corporate Separation Plan").

FirstEnergy's Corporate Separation Plan, as set forth in the Transition Plan, was implemented January 1, 2001. The Corporate Separation Plan consists of a new organizational structure, a code of conduct and practices for affiliate transactions and cost allocation concepts. Under the Corporate Separation Plan, FirstEnergy divided its operations into three separate business units: a Competitive Services Unit, a Corporate Support Services Unit and a Utility Services Unit (hereinafter the "Competitive Unit," the "Support Unit" and the "Utility Unit," respectively). The Corporate Separation Plan provides that the Utility Unit owns, operates and controls all FirstEnergy transmission and distribution facilities. The Competitive Unit provides all competitive electric services, including generation related services. The Support Unit provides centralized and common services to the other units. Such services include, but are not limited to, accounting, legal, auditing, finance, human resources and industrial relations, communications, real estate, information services and other shared functions. Under the Corporate Separation Plan, the FirstEnergy Operating Companies transferred operating and functional control over all their competitive assets, including their generating plants, to the Competitive Unit, effective January 1, 2001.

FirstEnergy received approval from FERC to transfer by operating lease to GenCo, which is an EWG, operating and functional control over FirstEnergy's owned fossil generating facilities, as well as the Seneca pumped storage facility. (See Order Authorizing Transfer of Jurisdictional Facilities, 94 FERC P. 61,179 (2001).) FENOC operates the nuclear facilities owned and leased by the FirstEnergy Operating Companies under their supervision and direction.

GenCo also owns and operates the gas-fired turbines acquired from Mid-Atlantic, as well as certain other combustion turbines currently under construction by GenCo. GenCo operates the leased fossil generating facilities of the FirstEnergy Operating Companies and sells the entire output to FirstEnergy Solutions at FERC-approved rates. FirstEnergy Solutions utilizes this power, plus the output purchased from the FirstEnergy Operating Companies' nuclear generation and third party suppliers, to satisfy the provider of last resort obligations of the FirstEnergy Operating Companies, as well as any regulatory requirements of the FirstEnergy Operating Companies under the Ohio Transition Plan or grandfathered wholesale agreements. This wholesale power arrangement (the "Requirements Contract") was approved by FERC under Section 205 of the FPA on February 22, 2001. See Order Accepting Agreement for Filing Without Suspension or Hearing and Granting Waivers, 94 FERC P. 61,182 (2001).

In addition, FirstEnergy Solutions continues selling power to unaffiliated purchasers at market-based rates, at both wholesale and retail, utilizing its market-based tariff for wholesale transactions. Existing market-based sales made by the FirstEnergy Operating Companies were assigned to FirstEnergy Solutions. The market-based tariff of the FirstEnergy Operating Companies will remain in effect for the limited purpose of implementing the market support provisions of the Transition Plan order and affiliate sales from nuclear generation and Cleveland

Electric's and Toledo Edison's leasehold interests in the Bruce Mansfield Plant. After the final implementation of the Corporate Separation Plan, all generating facilities will be owned and operated by FirstEnergy Solutions or its subsidiaries, all of which will be EWGs.

The FirstEnergy Operating Companies currently obtain network transmission service on behalf of their retail customers under the ATSI Open Access Transmission Tariff ("OATT"). FirstEnergy Solutions contracts for point-to-point transmission service under the ATSI OATT where necessary to make its wholesale sales. ATSI obtains generation-based ancillary services from FirstEnergy Solutions under a FERC-approved rate schedule. ATSI has generator interconnection agreements with GenCo and FENOC to ensure the reliable connection of FirstEnergy generators to the transmission system. ATSI will turn operational control of its transmission lines over to the Alliance upon commencement of operations by the Alliance as described in Item 3.S.

3. General Description of GPU and Its Affiliates. GPU was organized under Pennsylvania law in 1969. Its principal executive offices are located in Morristown, New Jersey. GPU is a registered holding company under the 1935 Act.

GPU's principal business is the holding of all of the outstanding shares of common stock of the GPU Energy Companies - JCP&L, Penelec and Met-Ed - and the stock of certain non-utility subsidiaries which own and operate foreign utility systems. The customer service function and transmission and distribution operations of these three electric utilities are conducting business under the name "GPU Energy." The GPU Energy Companies rely almost exclusively on purchased power agreements, principally short and intermediate term contracts and existing power purchase agreements with non-utility generators, to supply energy to their customers.

GPU also owns directly all of the common stock of nine other active subsidiaries - GPU Capital, GPU Power, GPUAR, GPU Telcom, GPUDH, MYR, GPU Service, GPU EnerTech and GPU Nuclear.

GPU's domestic electric utility operations serve approximately two million customers in New Jersey, Pennsylvania and New York. These companies service a mix of residential, commercial and diversified industrial customers. The transmission and distribution facilities of these subsidiaries are physically interconnected and are operated as a single integrated and coordinated system. Each of the GPU Energy Companies and the eight subsidiaries listed in the prior paragraph is described below.

(a) JCP&L. JCP&L was organized under New Jersey law in 1925. JCP&L is engaged in the sale, purchase, transmission and distribution of electric power to 1,016,650 customers, as of May 31, 2001, located within 13 counties and 236 municipalities in northern, western and east central New Jersey. JCP&L has two subsidiaries: JCP&L Preferred Capital, Inc., which is the sole general partner of JCP&L Capital, L.P.; and JCP&L Transition Holdings, Inc. ("JCP&L Holdings"), which has one subsidiary, JCP&L Transition, Inc. ("JCP&L Transition"). JCP&L

Transition is the sole member of JCP&L Transition Funding LLC ("JCP&L Transition Funding").(12)

JCP&L, Penelec and Met-Ed collectively own all of the common stock of Saxton Nuclear Experimental Corporation ("Saxton"), a Pennsylvania nonprofit corporation organized for nuclear experimental purposes. Saxton's activities are limited to the decommissioning of the Saxton Nuclear Experimental Station ("SNES").

(b) Penelec. Penelec was organized under Pennsylvania law in 1919. Penelec is engaged in the sale, purchase, transmission and distribution of electric power to 576,091 customers, as of May 31, 2001, in approximately 31 counties in northern and central Pennsylvania. Penelec also provides retail electric service to approximately 3,741 customers, as of May 31, 2001, in Waverly, New York, served by Waverly Electric, a direct subsidiary of Penelec. Waverly Electric's revenues account for less than 1% of Penelec's total operating revenue.

Penelec also has the following subsidiaries: Nineveh Water Company and Penelec Preferred Capital II, Inc., which is the sole general partner of Penelec Capital II, L.P. ("Penelec Capital II"), which, in turn, is the sponsor of Penelec Capital Trust ("PC Trust"). PC Trust was created in June 1999 as a statutory business trust under Delaware law solely for the purpose of issuing trust preferred securities each representing a 7.34% Cumulative Preferred Security of Penelec Capital II.

(c) Met-Ed. Met-Ed was organized under Pennsylvania law in 1922. Met-Ed is engaged in the sale, purchase, transmission and distribution of electric power to 497,609 customers, as of May 31, 2001, in approximately 14 counties in central and eastern Pennsylvania. Together, Penelec and Met-Ed serve over one million customers in a service territory covering about one-half of the geographic area of Pennsylvania.

Met-Ed has the following subsidiaries: York Haven and Met-Ed Preferred Capital II, Inc., which is the sole general partner of Met-Ed Capital II, L.P. ("Met-Ed Capital II") which, in turn, is the sponsor of Met-Ed Capital Trust ("MEC Trust"). MEC Trust was created in May 1999 as a statutory business trust under Delaware law solely for the purpose of issuing trust preferred securities each representing a 7.35% Cumulative Preferred Security of Met-Ed Capital II.

(d) GPU Capital and GPU Electric. GPU Capital was organized under Delaware law in 1998 and owns all of the stock of GPU Electric, Inc. ("GPU Electric"), a Delaware corporation formed in 1994. GPU Capital and GPU Electric and their subsidiaries (collectively referred to as the "GPU Electric Group") own, operate and fund the acquisition of electric and gas transmission and distribution businesses in the United Kingdom, Australia and Argentina.

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(12) JCP&L is in the process of dissolving JCP&L Holdings and JCP&L Transition. Once these dissolutions have been completed, JCP&L will be the sole member of JCP&L Transition Funding.

The GPU Electric Group indirectly owns 100% of Midlands Electricity plc ("Midlands"), an electric distribution company in the United Kingdom that serves approximately five million residents. Through its ownership in Midlands, the GPU Electric Group also has ownership interests in operating generating facilities located in foreign countries totaling 4,244 MW (of which the GPU Electric Group's equity interest represents 1,163 MW) of capacity. The GPU Electric Group also owns GPU GasNet Pty Ltd, which owns a high pressure gas transmission pipeline network serving approximately 1.3 million residential customers and 40,000 industrial and commercial users throughout Victoria, Australia. The GPU Electric Group also owns three electric distribution companies in Argentina which serve approximately 335,000 customers.

(e) GPU Power. GPU Power was organized under Delaware law in 1994. GPU Power and its subsidiaries develop, own and operate generation facilities outside the United States. GPU Power has ownership interests in operating generating facilities located in foreign countries totaling 1,229 MW (of which GPU Power's equity interests represent 424 MW) of capacity.

(f) GPUAR, GPU Telcom and GPUDH. GPUAR was organized under Delaware law in 1996. GPUAR is an energy-related company under Rule 58 under the 1935 Act. It engages in energy-related activities, including marketing electricity, gas and other energy commodities.

GPU Telcom was organized under Delaware law in 1996. It is an ETC under
Section 34 of the 1935 Act and is engaged in telecommunications-related businesses.

GPUDH was organized under Delaware law in 2000. It is an energy-related company under Rule 58 under the 1935 Act; it owns interests in several subsidiaries that engage in energy-related activities.

(g) MYR. MYR was organized under Delaware law in 1982. MYR is an infrastructure service company which, together with its subsidiaries, builds and maintains power lines and electric systems for electric utilities, telecommunications companies and industrial and commercial facilities.

(h) GPU Service. GPU Service was organized under Pennsylvania law in 1970. It is a subsidiary service company which provides accounting, administrative, legal, financial and other services to the GPU Subsidiaries.

(i) GPU Nuclear. GPU Nuclear was organized under New Jersey law in 1980. It administers the maintenance of Three Mile Island Unit No. 2 and the decommissioning of the SNES, neither of which is operational.

(j) GPU EnerTech. GPU EnerTech was organized under Delaware law in 2000 and holds a 1.82% limited partnership interest in EnerTech Capital Partners II, L.P., an energy-related investment vehicle.

Information regarding additional non-utility businesses owned by GPU and its subsidiaries and GPU system investments in non-system securities may be found on the charts filed as Exhibits L-2 and L-3 hereto, respectively.

4. Description of GPU's Domestic Utility Operations.

(a) Domestic Utility Operations of the GPU Energy Companies. The electric generation and transmission facilities of the GPU Energy Companies are physically interconnected and are operated as a single integrated and coordinated system serving a population of approximately five million in New Jersey and Pennsylvania and a small portion of New York. The area served by the GPU Energy Companies extends from the Atlantic Ocean to Lake Erie, is generally comprised of small communities, rural and suburban areas and includes a wide diversity of industrial enterprises and substantial farming areas.

JCP&L provides retail electric service in northern, western and east central New Jersey, which has an estimated population of approximately 2.7 million. Met-Ed provides retail electric service in all or portions of 14 counties in the eastern and south central parts of Pennsylvania, which has an estimated population of approximately 1.3 million. Met-Ed also sells electricity at wholesale to four municipalities with an estimated population of over 11,400. Penelec provides retail and wholesale electric service within a territory located in eastern, northern and south central Pennsylvania, with a population of approximately 1.6 million. Penelec also provides wholesale service to six municipalities in Pennsylvania and five municipalities in New Jersey. Additionally, Penelec, as the lessee of the property of Waverly Electric, also serves a population of about 13,400 in Waverly, New York and vicinity. During the 12 months ended December 31, 2000, the principal source of the GPU Energy Companies' operating revenues was derived from the distribution and resale of electricity.

In response to restructuring efforts in Pennsylvania and New Jersey, the GPU system has divested essentially all of its generation assets. Currently, the GPU Energy Companies have 285 MW of generating capacity remaining to meet customer needs. They also have contracts with non-utility generators totaling 1,606 MW, and JCP&L has agreements with other utilities to provide for up to 584 MW of capacity and related energy. The GPU Energy Companies have agreed to purchase all of the capacity and energy from Three Mile Island Unit No. 1 nuclear generating station through December 31, 2001, and from Oyster Creek nuclear generating station through March 31, 2003. In addition, the GPU Energy Companies have the right to call on the capacity of the Homer City Station (up to 942 MW) through May 31, 2001, and up to 3,970 MW of capacity from the generating stations originally sold to Sithe Energies, Inc. (and now owned by Reliant Energy, Incorporated) through May 31, 2002, to satisfy the GPU Energy Companies' capacity obligations. The GPU Energy Companies' remaining capacity and energy needs will be met by short- to intermediate-term commitments (one month to three years) during times of expected high energy price volatility and reliance on spot market purchases during other periods.

(b) Transmission System. The GPU Energy Companies own transmission facilities which operate at voltages of 230 kV, 345 kV and 500 kV (known as the "GPU Bulk Transmission System"), and 69 kV and 115 kV (known as the "GPU Sub-Transmission System," and together with the GPU Bulk Transmission System, the "GPU Transmission System"). The GPU Transmission System is operated to integrate the power supply resources of both the GPU Energy Companies and their various energy marketers doing business within the GPU Energy system for native retail and wholesale loads. To perform its network function, the GPU Bulk Transmission System and the GPU Sub-Transmission System are integrated and operate in a parallel manner with each other. The GPU Bulk Transmission

System is operated at the direction of PJM under the PJM Open Access Transmission Tariff. The GPU Energy Companies also operate low voltage 46 kV and 34.5 kV facilities.

The GPU Transmission System consists of over 6,700 circuit miles of transmission lines with nominal voltages of 500 kV, 345 kV, 230 kV, 115 kV and 69 kV facilities. The GPU Transmission System services a population of approximately five million in New Jersey and Pennsylvania in a 24,000 square mile area. The GPU Transmission System has 66 interconnections at voltages of 69 kV or higher with three neighboring control areas. The GPU Transmission System is connected to other delivery systems to the west via ties with Allegheny Energy and FirstEnergy, to the north via ties with Niagara Mohawk Power Corporation, Central Hudson Gas and Electric Corporation and Energy East Corporation, and to the south via ties with Allegheny Energy.

JCP&L, Penelec and Met-Ed are members of PJM, an independent system operator in Pennsylvania, New Jersey, Maryland, Delaware, Virginia and the District of Columbia. PJM is the largest centrally dispatched electric system in North America and coordinates the transmission of electricity over the facilities of its members. PJM also operates a wholesale power market in the Mid-Atlantic region served by its members. PJM is the regional reliability coordinator and transmission expansion planner and has been approved by FERC as an Independent System Operator ("ISO") under the provisions of FERC Order No. 888.

(c) Utility Regulation. Each of the GPU Energy Companies' retail rates, conditions of service, issuance of securities and other matters are subject to regulation in the state in which each operates - in New Jersey by the New Jersey Board of Public Utilities ("NJBPU") and in Pennsylvania by the PPUC. Additionally, Penelec, as lessee, operates the facilities serving the village of Waverly, New York. Penelec's retail rates for New York customers, as well as Penelec's New York operations and property, are subject to regulation by the New York Public Service Commission ("NYPSC"). Met-Ed's retail rates and certain other matters are subject to regulation by the PPUC.

With respect to wholesale sales and rates, the transmission of electricity, accounting, the construction, maintenance, ownership and operation of hydroelectric projects and certain other matters, the GPU Energy Companies are subject to regulation by FERC under the FPA.

B. DESCRIPTION OF THE PROPOSED TRANSACTION

By this Application/Declaration, FirstEnergy seeks, inter alia, an order approving the acquisition by FirstEnergy of all the issued and outstanding voting securities of the GPU Energy Companies, which will be accomplished through the Merger. Under the Merger Agreement, the separate existence of GPU will cease, and GPU will be merged with and into FirstEnergy, with FirstEnergy continuing as the surviving corporation. The GPU Energy Companies will become direct subsidiaries of FirstEnergy following the Merger. At special shareholder meetings held on November 21, 2000, the shareholders of each of FirstEnergy and GPU approved the Merger.

1. Election Right. Shortly before the Merger is completed, FirstEnergy will give each GPU shareholder the opportunity to elect to receive, for each share of GPU common stock he or she owns, either: $36.50 in cash, without interest; or, a number of shares of

FirstEnergy common stock equal to an exchange ratio designed to provide GPU shareholders with FirstEnergy shares having a value of $36.50, except as noted below.

FirstEnergy will determine the exact exchange ratio by dividing $36.50 by the average of the closing sale prices for a share of FirstEnergy common stock on the New York Stock Exchange as reported in The Wall Street Journal over the 20-day trading period ending on the seventh trading day before the Merger is completed. The exchange ratio, however, will be fixed at 1.2318 if the average closing price of the FirstEnergy shares over this period is equal to or greater than $29.6313, and at 1.5055, if the average closing price over this period is equal to or less than $24.2438. This means that the number of FirstEnergy shares a GPU shareholder will receive for each GPU share he or she owns will never be less than 1.2318 nor more than 1.5055, regardless of what happens to FirstEnergy's share price.

FirstEnergy will issue a press release before 9:00 a.m. on the sixth trading day before the Merger occurs announcing the exchange ratio, the average closing price of the FirstEnergy shares over the 20-day trading period and the deadline for submitting elections to receive cash or FirstEnergy shares. Based on the closing share price of $29.46 per share of FirstEnergy common stock as of May 3, 2001 and the number of shares of GPU common stock outstanding on that date, the total value of the Merger consideration to be paid by FirstEnergy is approximately $4.5 billion.

2. Consequences of Over- and Under-Election. If GPU shareholders elect to receive cash for more than 50% of the GPU shares, the amount of cash that GPU shareholders will receive for each GPU share for which they made a cash election will be reduced pro rata so that the total amount of cash that FirstEnergy will pay to all GPU shareholders in the Merger is the same as the amount that FirstEnergy would have had to pay if cash elections were made for only 50% of the GPU shares. If this reduction occurs, in addition to the reduced amount of cash, FirstEnergy will issue, in respect of each GPU share for which a cash election was made, FirstEnergy shares in lieu of the cash the GPU shareholder would have otherwise received. The number of shares FirstEnergy will issue for each GPU share subject to a cash election in this situation will be calculated by multiplying the exchange ratio by the percentage reduction in the cash consideration paid to GPU shareholders making cash elections.

Similarly, if GPU shareholders elect to receive FirstEnergy shares for more than 50% of the GPU shares, the number of FirstEnergy shares GPU shareholders will receive for each GPU share for which they made a share election will be reduced pro rata so that the total number of shares that FirstEnergy will issue to all GPU shareholders in the Merger is the same as the number of shares that FirstEnergy would have had to issue if share elections had been made for only 50% of the GPU shares. If this reduction occurs, in addition to the reduced number of FirstEnergy shares, FirstEnergy will pay, in respect to each GPU share for which a share election was made, cash in lieu of the FirstEnergy shares the GPU shareholder would have otherwise received. The amount of cash to be paid for each GPU share subject to a share election in this situation will be calculated by multiplying $36.50 by the percentage reduction in FirstEnergy shares issued to GPU shareholders making share elections.

In the case of an over-election for either cash or FirstEnergy shares, those GPU shareholders who fail to make a valid election with respect to their shares will receive the under-

elected form of consideration for those shares. FirstEnergy, therefore, has encouraged GPU shareholders to make a valid election with respect to all of their shares.

If all GPU shareholders together make valid cash elections for fewer than 50% of the outstanding GPU shares and valid share elections for fewer than 50% of the outstanding GPU shares, all of the remaining cash and FirstEnergy shares that will be paid and issued in the Merger will be allocated pro rata among the holders of non-electing shares. This means that non-electing shareholders would receive both cash and FirstEnergy shares for their GPU shares.

3. No Fractional Shares. FirstEnergy will not issue fractional interests in its shares in connection with the Merger. Any GPU shareholder otherwise entitled to a fractional interest, including in connection with a tax adjustment, will instead receive cash in an amount equal to that fraction multiplied by the average of the closing prices of the shares of FirstEnergy common stock over the five-day trading period ending on the trading day before the Merger is completed.

4. Tax Adjustment. Under certain circumstances it may be necessary for FirstEnergy to reduce the total amount of cash it pays in the Merger in order to ensure that the Merger qualifies as a "reorganization" for U.S. federal income tax purposes. In this event, all GPU shareholders who are entitled to receive cash, other than as a result of being a dissenting shareholder or being entitled to cash in lieu of a fractional share of FirstEnergy common stock, will receive a reduced amount of cash, as nearly pro rata as possible, and FirstEnergy shares with a value equal to the reduced cash amount. For these purposes, FirstEnergy will determine the value of those FirstEnergy shares based on the closing price of the FirstEnergy shares on the date the Merger is completed.

C. REASONS FOR AND ANTICIPATED EFFECTS OF THE PROPOSED TRANSACTION

Through the Merger, FirstEnergy will directly acquire all of the issued and outstanding voting securities of the GPU Energy Companies and indirectly acquire all of the issued and outstanding voting securities of York Haven and Waverly Electric. Set forth in Exhibit K-5 hereto is an analysis of FirstEnergy's, GPU's and the combined company's assets, revenues and electric customers as of December 31, 2000.

1. Strategic Advantages. The Merger will combine companies that have adjoining service areas and interconnected transmission systems. By acquiring directly all of the issued and outstanding voting securities of the GPU Energy Companies and acquiring indirectly all of the issued and outstanding voting securities of York Haven and Waverly Electric, FirstEnergy will be able to realize opportunities to eliminate duplicative costs, maximize efficiencies and increase management and operational flexibility in order to enhance revenues, cash flow and earnings and be a more effective competitor.

2. Competitive Prices and Services. FirstEnergy will naturally be larger as a result of the Merger. The increase in size will allow FirstEnergy to meet more effectively the demands of customers for reliable, low-cost power in the face of increased competition among suppliers and will create operating efficiencies, such as an increased capacity factor for

FirstEnergy's generating plants, that will allow FirstEnergy to be able to produce and deliver competitively priced power to customers.

3. Service to More Customers. Following the Merger, the GPU Energy Companies will be direct subsidiaries of FirstEnergy (with York Haven and Waverly Electric being second tier subsidiaries), thereby increasing FirstEnergy's size, customer base and diversity. This will reduce FirstEnergy's exposure to adverse changes in any sector's economic and competitive conditions. After the Merger, FirstEnergy plans to expand relationships with customers in its service areas, using combined distribution channels to market innovative energy-related products throughout the region at competitive prices. FirstEnergy will be able to provide customers with a wider range of energy services and products and enhanced service capabilities, following the Merger, than it can at the present time.

4. Cost Reduction. FirstEnergy anticipates that the Merger will result in cost reductions estimated to be approximately $1.5 billion over ten years (or an average of $150 million per year), net of implementation costs. FirstEnergy believes that these savings will result from a combination of improved operating efficiencies, elimination of duplicative activities and procurement efficiencies. FirstEnergy believes that labor reductions will be obtained through attrition, controlled hiring and voluntary and involuntary severance programs. In addition, FirstEnergy expects reductions in duplicative corporate and administrative expenses to come from such areas as insurance, facilities, professional services and advertising.

The benefits are described in greater detail in the discussion of the efficiencies and economies resulting from the Merger in Item 3.B.2.

D. ADDITIONAL INFORMATION

No associate company or affiliate of FirstEnergy or any affiliate of any such associate company has any direct or indirect material interest in the proposed transaction except as stated herein.

ITEM 2. FEES, COMMISSIONS AND EXPENSES

The fees, commissions and expenses to be paid or incurred, directly or indirectly, in connection with the transactions contemplated herein, including

other related matters, are estimated as follows:(13)

Commission filing for the Registration Statement on Form S-4.....	$426,702
Accountants' fees.....	*
Legal fees and expenses relating to the Act.....	*
Other legal fees.....	*
Stockholder communication and proxy solicitation.....	*
Exchanging, printing and engraving of stock certificates.....	*
Investment bankers' fees and expenses	
Morgan Stanley & Co. Incorporated	$15,000,000
Salomon Smith Barney Inc.....	*
NYSE listing fee	*
Miscellaneous.....	*
TOTAL.....	*

* To be filed by amendment.

ITEM 3. APPLICABLE STATUTORY PROVISIONS

The GPU Energy Companies, York Haven and Waverly Electric are electric utility companies as defined in Section 2(a)(3) of the Act, as well as public utility companies as defined in Section 2(a)(5) of the Act. Accordingly, it is believed that Sections 9(a)(2), 10 and 11(b) of the Act are applicable to the direct acquisition by FirstEnergy of all of the issued and outstanding voting securities of the GPU Energy Companies and the indirect acquisition of all of the issued and outstanding voting securities of York Haven and Waverly Electric. Sections 6(a), 7, 9(a), 10, 12 and 13 of the Act and Rules 42, 43, 45, 46, 52, 53, 54 and 85 through 91 are considered applicable to the proposed financing transactions, matters related to financing transactions and service company matters. To the extent that the acquisition of such voting securities is considered by the Commission to require authorization, approval or exemption under any section of the Act or provision of the rules or regulations thereunder other than those specifically referred to herein, request for such authorization, approval or exemption is hereby made.

Because FirstEnergy will be directly acquiring five percent or more of all the issued and outstanding voting securities, as defined in Section 2 (a)(17) of the Act, of the GPU Energy Companies, and FirstEnergy will be indirectly acquiring five percent or more of all of the issued and outstanding voting securities, as defined in Section 2(a)(17) of the Act, of York Haven and Waverly Electric, the acquisition of such voting securities will be subject to Section 9(a)(2) of the Act. Thus, FirstEnergy believes that the acquisition of such voting securities cannot proceed without the Commission's approval pursuant to
Section 10 of the Act. The relevant statutory standards to be satisfied are set forth in Sections 10(b), 10(c), and 10(f) of the Act.

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(13) Fees and expenses relating to financing transactions for which approval is sought herein cannot be estimated at this time. Fees for the placement of securities will be limited as provided in Item 3.E.3.

In addition, as discussed below, the standards of Section 11(b) of the Act are satisfied. Post-Merger, FirstEnergy should therefore be able to retain its gas utility, NONGC, and all of the non-utility businesses FirstEnergy currently owns, as well as those owned by GPU.

A. SECTION 10(b)

Section 10(b) of the 1935 Act provides that, if the requirements of Section 10(f) are satisfied, the Commission shall approve an acquisition under Section 9(a) unless the Commission finds that:

(1) such acquisition will tend towards interlocking relations or the concentration of control of public utility companies, of a kind or to an extent detrimental to the public interest or the interest of investors or consumers;

(2) in case of the acquisition of securities or utility assets, the consideration, including all fees, commissions, and other remuneration, to whomsoever paid, to be given, directly or indirectly, in connection with such acquisition is not reasonable or does not bear a fair relation to the sums invested in or the earning capacity of the utility assets to be acquired or the utility assets underlying the securities to be acquired; or

(3) such acquisition will unduly complicate the capital structure of the holding company system of the applicant or will be detrimental to the public interest of consumers or the proper functioning of such holding company system.

The direct acquisition by FirstEnergy of all of the issued and outstanding voting securities of the GPU Energy Companies, and the indirect acquisition of all of the issued and outstanding voting securities of York Haven and Waverly Electric, and the requests contained in this Application/Declaration are well within the precedent of transactions approved by the Commission as consistent with the 1935 Act. As demonstrated below, such acquisition by FirstEnergy will benefit both consumers and stockholders of FirstEnergy, and the other federal regulatory authorities with jurisdiction over such acquisition will have approved it as in the public interest.

1. Section 10(b)(1).

(a) Interlocking Relations. The acquisition by FirstEnergy of all of the issued and outstanding voting securities of the GPU Energy Companies, York Haven and Waverly Electric will not tend towards interlocking relations or the concentration of control of public utility companies, of a kind or to an extent detrimental to the public interest or the interest of investors or consumers.

Notwithstanding the above, as in the case of virtually every transaction subject to Section 9(a)(2), there may exist among FirstEnergy and its public utility subsidiaries interlocking directors and officers only of such nature and to such extent as normally exist in public utility holding company systems among affiliated and associated companies. See CIPSCO Incorporated, Holding Co. Act Release No. 25152 (Sept. 18, 1990).

Under the Merger Agreement, the Board of Directors of FirstEnergy after the Merger will consist of 16 members, ten of whom will be designated by the current Board of Directors of FirstEnergy and six of whom will be designated by the current Board of Directors of GPU prior to the effective time of the Merger. Prior to the effective time, GPU will determine how the GPU designated directors will be allocated among the three classes of FirstEnergy's Board of Directors, so long as two of those directors are allocated to each class.

If, during the two-year period following the effective time of the Merger, there are fewer than six directors on the FirstEnergy Board of Directors who were either initially designated to the FirstEnergy Board by GPU or subsequently appointed by the FirstEnergy Board to replace a director initially designated by GPU, the vacancy or vacancies will be filled by the appointment of a person or persons recommended by not less than 80% of the remaining members of the then existing FirstEnergy Board of Directors. In addition, at all times during this two-year period, the chairman of at least one of the standing committees of FirstEnergy's Board of Directors must be a director initially designated by GPU or a director who replaced such an individual.

Fred D. Hafer, current Chairman, President and Chief Executive Officer of GPU, will serve as Chairman of FirstEnergy from the effective time until he reaches the age of 62 or is no longer willing or able to so serve. Mr. Hafer was 59, as of September 20, 2000. In addition, from the effective time until otherwise determined by the Board of Directors after the Merger, Mr. H. Peter Burg, currently Chairman and Chief Executive Officer of FirstEnergy, will serve as Vice Chairman and Chief Executive Officer of FirstEnergy and will assume the role of Chairman upon retirement of Mr. Hafer. All other officers of FirstEnergy will be designated by FirstEnergy's Board of Directors.

(b) Concentration of Control. It is well settled that the public interest is to be judged primarily in the context of the problems with which the 1935 Act was designed to deal, as set forth in Section 1(b) thereof. Vermont Yankee Nuclear Power Corporation, Holding Co. Act Release No. 15958, (Feb. 6, 1968), rev'd on other grounds sub. nom., Municipal Electric Ass'n of Mass. v. S.E.C., 413 F.2d 1052 (D.C. Cir. 1969). Viewed from this perspective, the acquisition by FirstEnergy of all of the issued and outstanding voting securities of the GPU Energy Companies in no way contradicts the requirements of
Section 10(b)(1).

Section 10(b)(1) is intended to avoid "an excess of concentration and bigness" while preserving the "opportunities for economies of scale, the elimination of duplicate facilities and activities, the sharing of production capacity and reserves and generally more efficient operations" afforded by the coordination of local utilities into an integrated system. American Electric Power Company, Inc., Holding Co. Act Release No. 20633 (July 21, 1978). In applying Section 10(b)(1) to utility acquisitions, the Commission must determine whether the acquisition will create "the type of structures and combinations at which the Act was specifically directed." Id. As discussed below, the acquisition by FirstEnergy of all of the issued and outstanding voting securities of the GPU Energy Companies, York Haven and Waverly Electric, in the context of the Merger, will not create a "huge, complex, and irrational system" of a type at which the 1935 Act is directed, but rather will afford the opportunity to achieve economies of scale and efficiencies which are expected to benefit investors and consumers. Id.

The Merger will not lead to the type of concentration of control over utilities, unrelated to operating efficiencies, that Section 10(b)(1) was intended to prevent. In addition, the GPU Energy Companies have divested substantially all of their generation assets. No increased concentration of generation ownership will result from the Merger.

SIZE: When considering the issue of concentration of control pursuant to Section 10(b)(1), the Commission "considers various factors, including the size of the resulting system and the competitive effects of the acquisition." Entergy Corporation, Holding Co. Act Release No. 25952 (Dec. 17, 1993), request for reconsideration denied, Holding Co. Act Release No. 26037 (April 28, 1994), remanded sub nom., Cajun Elec. Power Co-op., Inc. v. S.E.C., No. 94-1112, 1994 WL 704047 (D.C. Cir. Nov. 16, 1994).

Size alone is not suspect. Rather, as the 1935 Act provides, the concern is an enlargement of the system that is "of a kind or to an extent detrimental to the public interest or the interest of investors or consumers" caused "by the growth and extension of holding companies [that] bears no relation to economy of management and operation or the integration and coordination of related operating properties." Sections 10(b)(1) and 1(b)(4) of the 1935 Act.

For purposes of comparison, the Table filed as Exhibit K-4 hereto provides certain operating information derived from publicly available documents(14) for a selected group of public utility systems. These data identify and rank the largest public utility systems in the United States. Among the utilities presented, FirstEnergy ranges from the twelfth to the twentieth largest public utility system in the United States depending on the criterion of measurement used as of December 31, 2000. Giving effect to the Merger as of December 31, 2000, on a pro forma basis, post-Merger FirstEnergy would have ranged from the fourth largest to the twelfth largest public utility system in the United States, again depending on the criterion of measurement.

The data show that four companies would have been larger than post-Merger FirstEnergy in terms of number of customers served; four companies would have been larger than post-Merger FirstEnergy in terms of regulated sales; and 11 companies would have been larger than post-Merger FirstEnergy in terms of capacity. In addition, post-Merger FirstEnergy would be the fourth largest in terms of assets and eighth largest in terms of operating revenues, giving effect to the Merger as of December 31, 2000, and the thirteenth largest in terms of market capitalization, giving effect to the Merger as of April 5, 2001. Thus, the data show that post-Merger FirstEnergy will be comparable in size to other large public utility systems.

The pro forma combined assets of post-Merger FirstEnergy would have totaled approximately $39 billion as of December 31, 2000. The combined operating revenues of FirstEnergy and GPU, for the 12-month period ended December 31, 2000, would have totaled approximately $12 billion. By comparison, there are seven other companies that are larger than

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(14) In addition to filings made with the Commission and the FERC, Morgan Stanley & Co. Incorporated ("Morgan Stanley") relied upon data obtained from a subscription service, SNL Securities, which compiles information from filings with the Commission.

the post-Merger FirstEnergy system based on operating revenues, giving effect to the Merger as of December 31, 2000.

Indeed, the Commission has approved a number of acquisitions that created utilities comparable in size to post-Merger FirstEnergy. For example, the Commission recently approved the merger of two registered holding companies, American Electric Power Company, Inc. and Central and Southwest Corporation (the "AEP and CSW Merger"), where the pro-forma financial information showed operating revenues of approximately $12.4 billion, net income of $975 million, customers numbering 4.8 million and assets totaling $35.7 billion. The Merger is comparable to the AEP and CSW Merger. See American Electric Power Company, Inc., Holding Co. Act Release No. 27186 (June 14, 2000), request for reconsideration denied, Holding Co. Act Release No. 27232 (Sept. 20, 2000); compare New Century Energies, Inc., Holding Co. Act Release No. 27212 (Aug. 16, 2000); Exelon Corporation, Holding Co. Act Release No. 27256 (Oct. 19, 2000), modified by, Holding Co. Act Release No. 27259 (Oct. 20, 2000); Dominion Resources, Inc., Holding Co. Act Release No. 27113 (Dec. 15, 1999).

EFFICIENCIES AND ECONOMIES. The Commission has rejected a mechanical size analysis under Section 10(b)(1) in favor of assessing the size of the resulting system with reference to the efficiencies and economies that can be achieved through the integration and coordination of utility operations. American Electric Power Company, Inc., supra, Holding Co. Act. Release No. 20633. The Commission has repeatedly confirmed through its decisions that size alone is not determinative. Thus, in Centerior Energy Corporation, Holding Co. Act Release No. 24073 (April 29, 1986), the Commission stated that a "determination of whether to prohibit enlargement of a system by acquisition is to be made on the basis of all the circumstances, not on the basis of size alone." See also Entergy Corporation, supra, Holding Co. Act Release No. 25952.

By virtue of the Merger, FirstEnergy will be in a position to realize the "opportunities for economies of scale, the elimination of duplicate facilities and activities, the sharing of production capacity and reserves and generally more efficient operations" described by the Commission in American Electric Power Company, Inc., supra, Holding Co. Act Release No. 20633. Among other things, the Merger is expected to make possible: the offering of a broader array of products and services; savings through reduction of operating expenses and cost of capital; savings through elimination or postponement of certain capital expenditures; and savings through greater purchasing power. These expected efficiencies and economies from the combined utility operations are described in greater detail in Item 3.B.2.

COMPETITIVE EFFECTS. As the Commission noted in Northeast Utilities, Holding Co. Act Release No. 25221 (Dec. 21, 1990), aff'd as modified, Holding Co. Act Release No. 25273 (March 15, 1991), aff'd, City of Holyoke Gas & Elec. Dept. v. S.E.C., 972 F.2d 358 (D.C. Cir. 1992), the "antitrust ramifications of an acquisition must be considered in light of the fact that public utilities are regulated monopolies and that federal and state administrative agencies regulate the rates charged consumers." Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), the Merger may not be consummated until the applicable waiting periods have expired or been terminated. Filings were made by FirstEnergy and GPU on November 20, 2000 with the Department of Justice (the "DOJ") and the Federal

Trade Commission (the "FTC") under the HSR Act, and the waiting period expired on December 20, 2000.

In addition, the competitive impact of the Merger was fully considered by FERC, which approved the Merger on March 15, 2001. See Order Authorizing Merger, 94 FERC 61, 291 (2001) ("FERC Merger Order"), a copy of which is filed as Exhibit D-2 hereto. The Commission may appropriately rely upon FERC with respect to such matters. Entergy Corporation, supra, Holding Co. Act Release No. 25952 (citing City of Holyoke Gas & Electric Dept. v. S.E.C., supra, 972 F.2d at 363-64).

2. Section 10(b)(2)--Fairness of Consideration and Fees.

(a) Fairness of Consideration. Section 10(b)(2) of the 1935 Act requires the Commission to determine whether the consideration in connection with a proposed acquisition of securities is reasonable and whether it bears a fair relation to the investment in and the earning capacity of the utility assets underlying the securities being acquired. As noted earlier, shortly before the Merger is completed, FirstEnergy will give each GPU shareholder the opportunity to elect to receive, for each share of GPU common stock owned, either: $36.50 in cash, without interest; or, a number of shares of FirstEnergy common stock (the exchange ratio) designed to provide GPU shareholders with FirstEnergy shares having a value of $36.50, subject to adjustment.

This price was reached through a process of vigorous arm's-length negotiations, accommodation and compromise. Such negotiations were preceded by extensive due diligence, analysis and evaluation of the assets, liabilities and business prospects of each of FirstEnergy and GPU. See "The Merger" beginning on page 25 of the Joint Proxy Statement/Prospectus filed as Exhibit C-2 hereto. Prices arrived at through arm's-length negotiations are particularly persuasive evidence that Section 10(b)(2) is satisfied. See American Electric Power Company, Inc., supra, Holding Co. Act Release No. 27186.

Finally, nationally recognized investment bankers for each of GPU and FirstEnergy have reviewed extensive information concerning the companies and analyzed the exchange ratios employing a variety of valuation methodologies, and have opined that the exchange ratios are fair, from a financial point of view, to the respective shareholders of GPU and FirstEnergy. The investment bankers' opinions are filed as Appendix B and Appendix C to the Joint Proxy Statement/Prospectus, Exhibit C-2 hereto. The assistance of independent consultants in setting consideration has been recognized by the Commission as evidence that the requirements of Section 10(b)(2) have been met. See The National Grid Group plc, Holding Co. Act Release No. 27154 (March 15, 2000).

(b) Reasonableness of Fees. An estimate of the fees and expenses to be paid in connection with the Merger is set forth in Item 2. The estimated amounts to be paid are fees for necessary professional services and other expenses incurred or to be incurred in connection with carrying out the Merger. FirstEnergy believes that such fees and expenses are reasonable and fair in light of the size and nature of the Merger and comparable transactions, and the standards of Section 10(b)(2) are thus satisfied.

As set forth in Item 2 of this Application/Declaration, FirstEnergy and GPU, together, expect to incur a combined total of approximately $_____ million (15) in fees, commissions and expenses in connection with the Merger, excluding expenses related to integrating the operations of the combined company Such fees will be paid on an arm's-length basis to third parties and are consistent with fees, commissions and expenses paid for similar transactions and approved by the Commission as reasonable. See, e.g., American Electric Power Company, Inc., supra, Holding Co. Act Release No. 27186 (fees and expenses estimated at $72.7 million); The National Grid Group plc, supra, Holding Co. Act Release No. 27154 (estimate of fees and expenses of approximately $54.2 million).

Morgan Stanley has been retained by FirstEnergy to act as financial advisor to FirstEnergy with respect to the Merger. Pursuant to the letter agreement dated as of June 1, 2000 between FirstEnergy and Morgan Stanley, Morgan Stanley is entitled to (i) an advisory fee of approximately $50,000 to $75,000, which is payable in the event the transaction is not consummated, and (ii) a transaction fee of approximately $15,000,000, which is payable as follows: one-third upon announcement of the transaction, one-third upon approval of the transaction by FirstEnergy's shareholders and one-third upon closing of the transaction. Any amount paid or payable to Morgan Stanley as advisory or announcement fees will be credited against the transaction fee. FirstEnergy has also agreed to reimburse Morgan Stanley for expenses incurred by Morgan Stanley in performing its services.

In the past, Salomon Smith Barney Inc. ("Salomon") has provided investment banking services to GPU, FirstEnergy and/or their respective affiliates, for which it has received compensation. Pursuant to Salomon's engagement letter with GPU, dated August 6, 2000, GPU agreed to pay Salomon a fee for its services as financial advisor to GPU in connection with the Merger totaling 0.40% of the transaction value, a significant portion of which will be received upon the closing of the Merger. Additionally, GPU has agreed to reimburse Salomon for its reasonable out-of pocket expenses.

The investment banking fees paid by FirstEnergy and GPU are lower than, or are comparable to, fees paid in other similar transactions and approved by the Commission as reasonable. The fees reflect the financial marketplace, in which investment banking firms actively compete with each other to act as financial advisors to merger partners.

3. Section 10(b)(3). Section 10(b)(3) requires the Commission to determine whether the acquisition by FirstEnergy of all of the issued and outstanding voting securities of the GPU Energy Companies, York Haven and Waverly Electric, in the context of the Merger, will unduly complicate FirstEnergy's capital structure or will be detrimental to the public interest, the interests of investors or consumers or the proper functioning of FirstEnergy's system.

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(15) To be filed by amendment.

(a) Capital Structure. The Commission has previously determined that transactions similar to the Merger would not unduly complicate the applicant's corporate structure. See, e.g., American Electric Power Company, Inc., supra, Holding Co. Act Release No. 27186 (merger resulted in increased debt with decreased equity, but "well within the 60%/30% debt/common equity ratio that the Commission has generally viewed as adequate for registered holding companies"); compare Entergy Corporation, supra, Holding Co. Act Release No. 25952 (debt-equity figures were "well within the 65%/30% debt/common equity ratio generally prescribed by the Commission").

The Commission has approved common equity to total capitalization ratios as low as 27.6%. See Northeast Utilities, supra, Holding Co. Act Release No. 25221 (common equity ratio within two years would be greater than 30%); Exelon Corporation, supra, Holding Co. Act Release No. 27256 (anticipated consolidated common equity of Exelon was 29.7% of total capitalization; Exelon would achieve a consolidated common equity ratio of at least 30% by December 31, 2002); compare The National Grid Group plc, supra, Holding Co. Act Release No. 27154 (28.5% common stock equity would be increased to 30% or above by March 31, 2002).

The projected combined consolidated capital structures of post-Merger FirstEnergy as of September 30, 2001, December 31, 2001, June 30, 2002, December 31, 2002 and June 30, 2003 are set forth in the chart filed as Exhibit K-6 hereto.

FirstEnergy's projected consolidated common equity to total capitalization ratio of 29.5% (including the effect of the proposed financing necessary to complete the Merger) is slightly below 30%, assuming the Merger is consummated on September 30, 2001, but is higher than Northeast Utilities' 27.6% common equity position, which was approved by the Commission upon a showing that the common equity ratio within two years would be greater than 30%. See Northeast Utilities, supra, Holding Co. Act Release No. 25221; compare Exelon Corporation, supra, Holding Co. Act Release No. 27256 (anticipated consolidated common equity of Exelon was 29.7% of total capitalization; Exelon would achieve a consolidated capitalization of at least 30% by December 31, 2002). Although initially FirstEnergy's common equity ratio will be below 30%, FirstEnergy expects to achieve a common equity ratio of greater than 30% by December 31, 2001 through a combination of debt reduction and an increase in retained earnings and commits to maintaining a 30% common equity ratio after December 31, 2002, as described in Item 3.E.5. The impact of future financing for which authority is requested herein is discussed in detail in Item 3.E.5, Item 3.F and Item 3.G.

FirstEnergy will incur debt in order to pay the cash portion of the Merger and will also issue additional common stock. Such debt will not affect the capitalization ratios of the Utility Subsidiaries. A chart showing the common equity ratios for the Utility Subsidiaries is filed as Exhibit K-7 hereto. Compare, e.g., Northeast Utilities, Holding Co. Act Release No. 27147 (March 7, 2000) (Northeast Utilities' pro forma common equity ratio would have been 29.1%; Northeast Utilities' common equity ratio was expected to be above 30% by December 31, 2001, although the utilities expected that their common stock equity ratios would be below 30% during the authorization period); The National Grid Group plc, supra, Holding Co. Act Release No. 27154 (restructuring parent-level debt not applicable; Commission analyzed under Section 7 (d); although National Grid's common stock equity ratio was as low as 28.5%, that number did not reflect the company's financial strength where the company had high credit ratings).

The corporate capital structure of FirstEnergy after the Merger will not be unduly complicated. In the Merger, FirstEnergy will acquire all of the issued and outstanding voting securities of the GPU Energy Companies, York Haven and Waverly Electric. Thus, there will be no minority interest in any such companies following the Merger. See Consolidated Natural Gas Company, Holding Co. Act Release No. 25040 (Feb. 14, 1990). There will not be any changes to the Utility Subsidiaries' securities. GPU, the current holding company of the GPU system, will disappear in the Merger. There will be no intermediate holding company between FirstEnergy and the Primary Operating Utilities and ATSI. There will only be four intermediate companies between FirstEnergy and the additional operating utilities - three of which are public-utility holding companies themselves - Ohio Edison with respect to Penn Power, Penelec with respect to Waverly Electric, Met-Ed with respect to York Haven, and MARBEL with respect to NONGC. These intermediate holding companies will not unduly complicate FirstEnergy's capital structure, and are consistent with other registered systems. See Exelon Corporation, Holding Co. Act Release No. 27256.

(b) Public Interest, Interest of Investors and Consumers, and Proper Functioning of Holding Company System. Section 10(b)(3) also requires the Commission to determine whether the proposed acquisition by FirstEnergy will be detrimental to the interests of the general public, investors or consumers, or the proper functioning of the combined system.

As set forth more fully in Item 3.B.2 and elsewhere herein, the acquisition by FirstEnergy of all of the issued and outstanding voting securities of the GPU Energy Companies, in the context of the Merger, is expected to result in substantial cost savings and synergies and will integrate and improve the efficiency of the operations of the post-Merger FirstEnergy system. FirstEnergy's acquisition of all of the issued and outstanding voting securities of the GPU Energy Companies, therefore, will be in the public interest and the interests of investors and consumers, and will not be detrimental to the proper functioning of the resulting holding company system.

B. SECTION 10(c)

Section 10(c) of the 1935 Act provides that:

Notwithstanding the provisions of subsection (b), the Commission shall not approve:

(1) an acquisition of securities or utility assets, or of any other interest, which is unlawful under the provisions of Section 8 or is detrimental to the carrying out of the provisions of Section 11; or

(2) the acquisition of securities or utility assets of a public utility or holding company unless the Commission finds that such acquisition will serve the public interest by tending towards the economical and the efficient development of an integrated public utility system . . . .

1. Section 10(c)(1). Consistent with the standards set forth in
Section 10(c)(1) of the Act, the proposed acquisition by FirstEnergy of all of the issued and outstanding voting securities of the GPU Energy Companies, in the context of the Merger, will not be

unlawful under the provisions of Section 8 of the Act, or detrimental to the carrying out of the provisions of Section 11 of the 1935 Act. Following consummation of the Merger, FirstEnergy will register as a holding company.

(a) Section 8 Analysis. Section 8 prohibits a registered holding company or any of its subsidiaries from acquiring, owning interests in or operating both a gas utility company and an electric utility company serving substantially the same area if prohibited by state law. FirstEnergy, through its wholly owned subsidiary, MARBEL, owns all of the issued and outstanding stock of NONGC, a gas utility company, as defined in Section 2(a)(4) of the 1935 Act. Ohio law does not prohibit such ownership.

(b) Section 11 Analysis.

(i) Integration. Section 10(c)(1) also requires that an acquisition not be detrimental to carrying out the provisions of Section 11 of the Act. Section
11(b)(1), in pertinent part, requires, with limited exceptions, a registered holding company and its subsidiaries to limit their operations to "a single integrated public-utility system."

Section 2(a)(29)(A) of the Act defines an integrated public-utility system with respect to electric utility companies as:

a system consisting of one or more units of generating plants and/or transmission lines and/or distribution facilities, whose utility assets, whether owned by one or more electric utility companies, are physically interconnected or capable of interconnection and which under normal circumstances may be economically operated as a single interconnected and coordinated 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 area or region affected) the advantages of localized management, efficient operation, and the effectiveness of regulation.

On the basis of the statutory definition above, the Commission has established four standards that must be met before the Commission will find that an integrated public-utility system will result from a proposed acquisition of securities:

(1) the utility assets of the system are physically interconnected or capable of physical interconnection;

(2) the utility assets, under normal conditions, may be economically operated as a single interconnected and coordinated system;

(3) the system must be confined in its operations to a single area or region; and

(4) the system must not be 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.

Environmental Action, Inc. v. S.E.C., 895 F.2d 1255, 1263 (9th Cir. 1990) (quoting In re Electric Energy, Inc., 38 S.E.C. 658, 668 (1958)). The acquisition by FirstEnergy of all of the issued and outstanding voting securities of the GPU Energy Companies satisfies each of these requirements.

PHYSICAL INTERCONNECTION. Upon consummation of the Merger, FirstEnergy and the GPU Energy Companies will be "physically interconnected or capable of physical interconnection" within the meaning of Section 2(a)(29)(A). The electric service areas of the GPU Energy Companies and the FirstEnergy Operating Companies' service areas are adjacent to one another. (See Maps filed as Exhibits E-1, E-2 and E-3 hereto.) The Merger will unite a contiguous, geographically compact system across Ohio, Pennsylvania, New Jersey and into New York.

ATSI and GPU have one direct connection in the form of a direct tie line (the "Existing Interconnection"). This 345 kV line has ratings corresponding to 1,643 MW in the Summer and 1,781 MW in the Winter.(16) This interconnection is referred to as the Ashtabula-Erie West transmission line. ATSI and the GPU Utility Subsidiaries each own the portion of the transmission line in their respective service territory. ATSI also has three ties to the east with Allegheny Energy: one at 345 kV, one at 138 kV, and a normally open tie at 69 kV. The combined Summer and Winter normal ratings of these 345 kV and 138 kV lines are 1,616 MW and 1,995 MW. Allegheny Energy in turn has numerous interconnections with PJM, including 15 direct interconnections to the GPU Utility Subsidiaries at voltages of 115 kV and above.

GPU divested virtually all of its generation facilities and currently relies on contracts with Non-Utility Generators ("NUGs"), transition power purchase contracts with the new owners of its divested generation facilities and wholesale purchases to meet its provider of last resort obligations under Pennsylvania and New Jersey law. Energy under long term contract to GPU is less than 3,000 MW, a relatively small portion of GPU's peak load. Accordingly, GPU has increasingly relied upon the short term wholesale power markets to meet its energy requirements.

FirstEnergy currently has a generation portfolio of about 12,515 MW, and has arranged for firm purchases of an additional 2,000 MW. Following consummation of the Merger, FirstEnergy will expand its existing portfolio of generating assets and purchases to meet the capacity and energy requirements of the combined companies. FirstEnergy will engage in single system resource planning on behalf of the Primary Operating Utilities and will use its existing generation resources to assist the GPU Energy Companies in meeting their load requirements and to reduce their reliance on short term wholesale purchases, to the extent feasible and where it

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(16) This interconnection capacity from 1,643 to 1,781 MW is greater than that found acceptable in the AEP and CSW Merger (250 MW) and in the recent Exelon Corporation merger (100 MW). See American Electric Power Company, Inc., supra, Holding Co. Act Release No. 27186; Exelon Corporation, supra, Holding Co. Act Release No. 27256.

is economic to do so. FirstEnergy expects to integrate generation resource procurement for the combined companies in the manner described below.

In the near term, FirstEnergy intends to work with PJM to increase current interface capability so as to permit greater transfers of energy from the current FirstEnergy control area into PJM on the GPU Energy Companies' behalf. FirstEnergy has already reserved 1,100 MW of firm transmission capacity at the PJM border to facilitate off-peak energy transfers into PJM. FirstEnergy plans to increase the output of its lowest cost units at night, and to develop lower cost supplies of fuel, in order to increase its ability to supply off-peak energy to the GPU Energy Companies. Subject to these improvements, FirstEnergy expects to be able to supply up to four million MWHs annually to the GPU Energy Companies during off-peak periods from its existing generation. Because of weather patterns and customer load diversity between FirstEnergy and the GPU Energy Companies during peak periods, FirstEnergy believes that it can supply a portion of the GPU Energy Companies' peak load requirements with existing generation. FirstEnergy also plans to use existing supply arrangements within PJM to provide capacity and energy to the GPU Energy Companies' loads following consummation of the Merger.

From a long term supply standpoint, FirstEnergy intends to build or acquire generation resources within PJM to supply the GPU Energy Companies' loads, to build or expand transmission capability between FirstEnergy and PJM, either directly or through Allegheny Energy, or Duquesne Light, and to pursue renewable energy and demand side responses to meeting the GPU Energy Companies' loads. Post-Merger FirstEnergy will integrate its resource supply planning, and dispatch its generating resources on a system basis to minimize overall production costs for the combined system. The siting and acquisition of new generating facilities will be planned on a single system basis with a view towards achieving locational efficiencies that will be possible with the combined system. Both the purchase and selling of power for the post-Merger FirstEnergy system will be coordinated within a single entity, FirstEnergy Solutions. See Exelon Corporation, supra, Holding Co. Act Release No. 27256 (all energy generation and purchasing conducted through a "genco"). Purchase of production inputs, operation and maintenance of generating facilities, billing and administration and acquisition of transmission services will also be consolidated. FirstEnergy expects that the consolidation of the resource procurement and sales function within a single entity will allocate resources more efficiently, thereby decreasing overall production costs for the post-Merger FirstEnergy system.

The facts presented above clearly support a finding that FirstEnergy and the GPU Energy Companies are "physically interconnected or capable of physical interconnection" within the meaning of Section 2(a)(29)(A) of the Act.

SINGLE INTERCONNECTED AND COORDINATED SYSTEM. The proposed operation of the post-Merger FirstEnergy system will differ from the traditionally vertically integrated monopoly utility model. As retail competition and corporate restructuring are implemented on the combined FirstEnergy system, FirstEnergy will be required to separate the competitive energy procurement and sales function, including the operation of their electric generating facilities, from the transmission and distribution functions. This competitive energy procurement and sales function will be located in FirstEnergy Solutions. The post-Merger transmission operations will be conducted through ATSI and the distribution function will continue to be conducted by the FirstEnergy Utility Subsidiaries and the GPU Utility

Subsidiaries. In accordance with the Corporate Separation Plan required under Ohio law (see Item 1.A.2), ownership of generation will ultimately be transferred to GenCo.

Section 2(a)(29)(A) of the Act requires that the utility assets, under normal circumstances, may be "economically operated as a single interconnected and coordinated system." Until recently, the Commission had interpreted this language to refer to the physical operation of utility assets as a system in which, among other things, the generation and/or flow of current within the system may be centrally controlled and allocated as need or economy directs. See UNITIL Corporation, Holding Co. Act Release No. 25524 (April 24, 1992). Recent orders by the Commission have broadened this interpretation of Section 2(a)(29)(A).

While the definition reflects an assumption that the holding company would coordinate the operations of the integrated system, the Commission has recognized that "Congress did not intend to impose rigid concepts but instead expressly included flexible considerations" to accommodate changes in the electric utility industry. Mississippi Valley Generating Co., 36 S.E.C. 159, 186 (1955), cited in Yankee Atomic Electric Co., 36 S.E.C. 552, 565 (1965). Thus, the Commission has considered advances in technology and the particular operating circumstances in applying the integration standards.

The Commission has also recognized that FERC's initiative to create large, multi-company transmission organizations has created situations where the transmission systems of the merging entities may be located in whole or in part within different RTOs. Energy East Corp., Holding Co. Act Release No. 27224 (Aug. 31, 2000); American Electric Power Company, Inc., supra, Holding Co. Act Release No. 27186. Companies participating in an RTO are required to transfer ownership or operating control of their transmission facilities to the RTO. FERC has required in its Order No. 2000 that an approved RTO must ensure the integration of reliability between other RTOs, and should maintain an open architecture in its structure that permits the RTO to evolve and expand as is necessary to increase the efficiency of its operations.

FirstEnergy is a charter member of the Alliance, and expects to transfer ownership or operational control of its transmission assets to the Alliance later this year. GPU's transmission assets are under the operational control of PJM, and will remain under PJM's operational control following consummation of the Merger. PJM filed with FERC for approval as an RTO on October 15, 2000. More recently, PJM and Allegheny Energy filed an application with FERC to create a PJM West RTO that would expand PJM to include Allegheny Energy's transmission facilities under somewhat different requirements than currently apply to existing PJM members. FERC is expected to act on PJM's filings later in 2001. Post-Merger, the transmission assets of ATSI and the GPU Energy Companies will be under the operational control of separate FERC-approved RTOs.

FirstEnergy has submitted a filing to FERC, in conjunction with the other members of the Alliance, in which it states that it will meet the requirements of FERC's Order No. 2000 by transferring ownership or operational control of ATSI's transmission facilities to the Alliance.(17) On January 24, 2001, FERC conditionally approved the Alliance as an RTO subject to a May 15,

(17) FirstEnergy and the other members of the Alliance are referred to herein as the "Alliance Companies".

2001 compliance filing and final action in the separate RTO compliance docket 95 FERC P. 61,070. FERC also appointed a settlement judge in an order issued that same date to negotiate the proposed withdrawal of certain members of the Midwest Independent System Operator, Inc. ("MISO") who proposed to join the Alliance. On March 21, 2001, a settlement agreement was filed with the FERC on behalf of MISO, certain MISO transmission owners, the Alliance Companies and other parties. This settlement permits Ameren Corporation, Commonwealth Edison Company and Illinois Power Company to leave MISO and join the Alliance. MISO and the Alliance Companies have signed an Inter-RTO Cooperation Agreement designed to resolve inter-RTO seams issues, including, but not limited to, transmission planning, security coordination, Available Transmission Capacity ("ATC") coordination, congestion management, independent system monitoring, creation of a real-time balancing market, generation interconnection standards and compatible business practices. This settlement agreement also provides for development of a "Super-Regional" transmission rate designed to permit a single transmission rate for transmission of power from a generator located within the Alliance/MISO region to any load within the Alliance/MISO region. Finally, the settlement provides for negotiations among the Alliance, MISO and PJM to develop a joint rate for transactions involving the three RTOs and associated revenue distribution. The settlement agreement was certified by the settlement judge to FERC on April 6, 2001.

FirstEnergy believes that approval of both the Alliance and the related Alliance/MISO settlement will initiate a new era of inter-RTO cooperation and expedite the resolution of seams issues between existing transmission organizations. Because the post-Merger FirstEnergy system is located in both the Alliance and PJM, the steps taken to resolve inter-RTO seams issues will enhance FirstEnergy's efforts to integrate its facilities and operations. FirstEnergy is committed to working with PJM to resolve seams issues between the Alliance and PJM with the objective of executing an inter-RTO coordination agreement by the end of 2001.

The GPU Energy Companies' participation in PJM and ATSI's participation in the Alliance is similar to the relationship approved in Energy East Corp., supra, Holding Co. Act Release No. 27224. There, New York State Electric & Gas Corporation and Central Maine Power Company had transferred scheduling and operational control over high-voltage transmission facilities to two separate ISOs, which combined the transmission and generation assets of the participants as a single electrical system, ensuring that transmission capacity was provided to enable the market to function. The Commission noted that these two separate ISOs coordinate their scheduling and operations so as to enable "cross-border" transactions to occur seamlessly. The Commission stated: "The high degree of integrated operations insures that the two systems are operated as a coordinated system in which the flow of energy is `centrally controlled and allocated, as need or economy directs,' and in which no generator, purchaser, or transmission owner operates in isolation." Compare American Electric Power Company, Inc., supra, Holding Co. Act Release No. 27186.

SINGLE AREA OR REGION. The "single integrated system" of FirstEnergy and the FirstEnergy Operating Companies are currently confined in its operations to a single area or region, namely, the northeastern part of the United States. Exhibit E-3 shows the "single integrated system" of post-Merger FirstEnergy, which will be confined to Ohio, Pennsylvania, New Jersey and a small portion of New York. See American Electric Power Company, Inc., supra, Holding Co. Act Release No. 27186.

LOCALIZED MANAGEMENT, EFFICIENT OPERATION AND EFFECTIVE REGULATION. The Commission's past decisions on "localized management" show that the acquisition by FirstEnergy of all of the issued and outstanding voting securities of the GPU Energy Companies, York Haven and Waverly Electric fully preserves the advantages of localized management. In such cases, the Commission has evaluated localized management in terms of: (i) responsiveness to local needs, see American Electric Power Company, Inc., supra, Holding Co. Act Release No. 20633 (advantages of localized management evaluated in terms of whether an enlarged system could be "responsive to local needs"); General Public Utilities Corp., Holding Co. Act Release No. 13116 (March 2, 1956) (localized management evaluated in terms of "local problems and matters involving relations with consumers"); (ii) whether management and directors were drawn from local utilities, see Centerior Energy Corporation, supra, Holding Co. Act Release No. 24073 (advantages of localized management would not be compromised by the affiliation of two electric utilities under a new holding company because the new holding company's "management [would be] drawn from the present management" of the two utilities); (iii) the preservation of corporate identities, see Northeast Utilities, supra, Holding Co. Act Release No. 25221 (utilities "will be maintained as separate New Hampshire corporations . . .[;] [t]herefore the advantages of localized management will be preserved"); Columbia Gas System, Inc., Holding Co. Act Release No. 24599 (March 15, 1988) (benefits of local management maintained where the utility to be added would be a separate subsidiary); and (iv) the ease of communications, see American Electric Power Company, Inc., supra, Holding Co. Act Release No. 20633 (distance of corporate headquarters from local management was a "less important factor in determining what is in the public interest" given the "present-day ease of communications and transportation"). The direct acquisition by FirstEnergy of all of the issued and outstanding voting securities of the GPU Energy Companies and the indirect acquisition of all of the issued and outstanding voting securities of York Haven and Waverly Electric satisfies all of these factors.

FirstEnergy's management, following the Merger, will be drawn from the present management of FirstEnergy and that of GPU. As discussed in Item 3.A.1, under the Merger Agreement, the Board of Directors of FirstEnergy after the Merger will consist of 16 members, ten of whom will be designated by the current Board of Directors of FirstEnergy and six of whom will be designated by the current Board of Directors of GPU prior to the effective time of the Merger, with special provisions in the event of vacancies for the first two years following the effective time of the Merger. In addition, Fred D. Hafer, current Chairman, President and Chief Executive Officer of GPU, will serve as Chairman of FirstEnergy from the effective time until he reaches the age of 62 or is no longer willing or able to so serve.

The proposed transaction will have no adverse impact on the GPU Energy Companies' continued ability to provide safe, adequate and proper utility service to its customers, nor will it in any way affect the state regulatory authority's continuing jurisdiction over the adequacy and reliability of customer service. As required by the Merger Agreement, post-Merger FirstEnergy will continue to use the "GPU Energy" name in connection with the provision of services to customers of JCP&L, Met-Ed and Penelec (until otherwise determined by post-Merger FirstEnergy), while reflecting its affiliation with FirstEnergy.

Although the headquarters of the combined company will be located in Akron, Ohio, FirstEnergy has agreed that JCP&L will maintain its offices and a presence in Morristown, New

Jersey, and that Met-Ed and Penelec will maintain their offices and presence in Reading, Pennsylvania, subject to the authority of the Board of Directors of post-Merger FirstEnergy to manage the combined company's affairs. Local control over operations of the GPU Energy Companies will be preserved. The FirstEnergy Operating Companies have been organized in such a way as to delegate operating responsibility and authority to regional management, rather than to central control. The GPU Energy Companies are in the process of being reorganized on the basis of a regional model that is consistent with FirstEnergy's philosophy.

Initially, the Pennsylvania and New Jersey service territories will each be segmented into two regions, each of which will have designated to it a Regional President. The Regional President and his or her staff will have the authority and the obligation to oversee the region's distribution operations and its relationships with the communities that it serves, as well as the responsibility for maintaining and improving local reliability and customer service quality.

Post-Merger, the GPU Energy Companies will become direct subsidiaries of FirstEnergy. They will retain their separate corporate identities within the FirstEnergy system. Moreover, with modern-day telecommunications capabilities, there should be no difficulty in the ability of these companies to communicate with FirstEnergy's headquarters in nearby Ohio.

(ii) Structure and Voting Power. Section 11(b)(2) of the Act directs the Commission "to ensure that the corporate structure or continued existence of any company in the holding-company system does not unduly or unnecessarily complicate the structure, or unfairly or inequitably distribute voting power among security holders, of such holding-company system." The acquisition by FirstEnergy of all of the issued and outstanding voting securities of the GPU Energy Companies, York Haven and Waverly Electric, in the context of the Merger, is consistent with Section 11(b)(2). The resulting capital structure is not unduly complicated, as discussed in Item 3.A.3. See Sierra Pacific Resources, Holding Co. Act Release No. 24566 (Jan. 28, 1988), aff'd sub nom, Environmental Action, Inc. v. S.E.C., 895 F.2d 1255 (9th Cir. 1990) (the Commission incorporates its Section 10(b)(3) capital structure analysis into its Section 11(b)(2) corporate structure analysis).

Section 11(b)(2) also requires FirstEnergy to have a simple corporate structure. In particular, Section 11(b)(2) limits a registered holding company to no more than two tiers of holding companies and directs the Commission to evaluate the facts and circumstances "to ensure that the corporate structure or continued existence of any company in the holding-company system does not unduly or unnecessarily complicate the structure . . . of such holding-company system." Post-Merger FirstEnergy will be within the requirements of Section 11(b)(2).

FirstEnergy, Ohio Edison, Met-Ed, Penelec and MARBEL will be the only public-utility holding companies within the FirstEnergy system. Only FirstEnergy will be a registered holding company and only Ohio Edison, Met-Ed, Penelec and MARBEL will have any utility company subsidiaries. In prior proceedings, the Commission has determined that the existence of a second tier holding company satisfies the Section 11 (b)(2) test. See, e.g., Entergy Corporation, supra, Holding Co. Act Release No. 25952 (the Commission found that addition of an exempt sub-holding company to a registered holding company system did not create an undue or unnecessary corporate complexity).

Second, the acquisition of all of the issued and outstanding voting securities of the GPU Energy Companies by FirstEnergy will not unduly or unnecessarily complicate the structure of the FirstEnergy system. Rather, these subsidiaries will join FirstEnergy's other direct subsidiaries as first-tier subsidiaries. This is a straightforward way to integrate the GPU Energy Companies into the FirstEnergy system and does not serve to complicate the system's structure. Moreover, GPU will not survive as a subholding company.

(iii) Retention by FirstEnergy of Gas Utility. Although Section 11(b)(1) generally limits a registered holding company to ownership of a single integrated system, an exception to this requirement is provided in Section 11(b)(1)(A-C) ("ABC Clauses"). A registered holding company may own one or more additional systems, if each system meets the criteria of these clauses. Specifically, the Commission must find that: (A) the additional system "cannot be operated as an independent system without the loss of substantial economies which can be secured by the retention of control by such holding company of such system"; (B) the additional system is located in one state or adjoining states; and (C) the combination of systems under the control of a single holding company is "not so large ... as to impair the advantages of localized management, efficient operation, or the effectiveness of regulation."

As applied to gas utility companies, the term "integrated public-utility system" is defined in Section 2(a)(29)(B) of the Act as:

a system consisting of one or more gas utility companies which are so located and related that substantial economies may be effectuated by being operated as a single coordinated 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: Provided, that gas utility companies deriving natural gas from a common source of supply may be deemed to be included in a single area or region.

NONGC's gas utility operations, which FirstEnergy acquired in 1998 when such operations were conducted by a larger company, which met the requirements of Rule 7(a), are located in a ten-county territory within the State of Ohio and are currently integrated. The properties of NONGC used for the distribution of gas are located solely within the State of Ohio.

CLAUSE A. Clause A requires a showing that each additional integrated system cannot be operated as an independent system without the loss of substantial economies which can be secured by the retention of control by a holding company of such system. The Commission has repeatedly held that a registered holding company cannot own properties that are not part of its principal integrated system unless they satisfy the ABC Clauses. See Allegheny Energy, Inc., Holding Co. Act Release No. 27121 (Dec. 23, 1999); Dominion Resources, Inc., supra, Holding Co. Act Release No. 27113.

The Commission has stated that the Act does not prohibit ownership of combination gas and electric systems, but rather specifies the showing that must be made by an applicant to

justify ownership of such properties. The Commission has addressed, in many cases, the question of retainability by an electric registered holding company system of additional integrated gas systems and has reached its findings under Clause A on a case-by-case basis in light of the particular facts presented.

The NONGC system is a relatively small system and could not operate effectively on a stand-alone basis. The Commission has found several much larger systems to be retainable. See, e.g., Dominion Resources, Inc., supra, Holding Co. Act Release No. 27113 (no divestiture of Consolidated Natural Gas Company required); Exelon Corporation, supra, Holding Co. Act Release No. 27256 (no divestiture of PECO Energy Company's gas operations required).

The principal issue under Clause A is whether there would be a loss of substantial economies if the additional system were divested. There are significant economies of scale obtained by combination of NONGC with ATSI and the FirstEnergy Operating Companies. As part of the FirstEnergy system, NONGC has greater buying power with vendors and more credit resulting in more efficient operations and ultimately savings for the consumer. These economies, as well as those created by sharing management services referred to below, translate into lower rates for NONGC's customers and also allow further expansion of NONGC's pipeline system to serve new customers.

In addition, the following are significant economies that would be lost if NONGC was divested:

- More Customers Served. NONGC provides a competitive alternative to many large commercial and industrial customers that may be served by competing gas utilities. It also provides gas service to many rural residential customers which previously were not served by other gas utilities. This is possible due to the management and cost efficiencies realized as result of being part of FirstEnergy's larger infrastructure. Competitive financing and lower overhead are available to NONGC by being part of the FirstEnergy system. These efficiencies translate into lower rates to NONGC's customers and allow NONGC to provide service to many customers otherwise not served.

- Shared Management. As a part of the FirstEnergy system with its large infrastructure, NONGC can provide its gas services at very competitive rates. NONGC has access to the expertise of FirstEnergy's senior management as well as all of FirstEnergy's corporate services including, but not limited to, Human Resources, Controller, Information Services, Business Planning and Legal. NONGC enjoys the economies of scale created by sharing these services with other FirstEnergy entities.

- Skilled Product Development. FirstEnergy benefits from NONGC's expertise in gas management skills. For example, FirstEnergy recently utilized the expertise of NONGC in designing and constructing the natural gas pipeline and ancillary facilities needed to serve its gas-fired turbines located at its Richland and West Lorain, Ohio sites. NONGC was also involved in negotiations on FirstEnergy's behalf to secure long term gas transportation contracts with interstate pipelines to provide gas service to those facilities. In addition, NONGC often provides gas consulting services to FirstEnergy's electric customers, which enhances the portfolio of energy services offered by FirstEnergy.

The ownership and operation by FirstEnergy of NONGC, in addition to the electric utilities, does not raise any issues under Clause A. If NONGC were required to operate independently of the FirstEnergy system, prices would have to be increased, possibly resulting in a loss of affordable gas services for a number of customers. Moreover, with only 5,000 customers, NONGC is not of sufficient size to enjoy the economies of scale required to effectively manage the legal, regulatory and financial burdens placed upon regulated gas companies. The Commission should consider this factor when determining whether NONGC may be retained by the FirstEnergy system. See New Century Energies, Inc., supra, Holding Co. Act Release No. 27212.

FirstEnergy has conducted an in-house study to compare the annual costs incurred by NONGC for shared services within the FirstEnergy system with costs estimated to be incurred if NONGC were operating on a stand-alone basis.

INCREMENTAL COSTS IF NONGC OPERATED AS STAND-ALONE COMPANY

SERVICE	FIRSTENERGY*	STAND-ALONE
Management Services	$ 162,591	$ 300,000
Administrative Services	82,800	100,000
Business Planning	23,597	50,000
Communications	3,629	5,000
Controller	60,596	100,000
Environmental	25,000	100,000
Enterprise Risk Management	75,000	0
Human Resources	70,000	100,000
Industrial Relations	30,000	0
Information Services	10,307	100,000
Legal	42,408	75,000
Total	$ 520,536	$ 930,000

* Based on 2001 Operating Budget.

While NONGC has its own local President and VP-Operations, the senior management positions, such as Chief Financial Officer, Treasurer, Corporate Secretary and legal counsel, are provided by FirstEnergy; these shared services are supplied by FirstEnergy's employees and are charged to NONGC accordingly. Additionally, NONGC does not have the expenses associated with public shareholders because of its affiliation with FirstEnergy.

The cost for all of the above services is currently allocated to NONGC from FirstEnergy. The stand-alone costs represent an estimate of replacing these services, if NONGC were not affiliated with FirstEnergy. FirstEnergy estimates the incremental cost to be approximately $409,000 or 79% higher than NONGC's current costs.

As the above chart demonstrates, NONGC could not effectively compete in the market if it were required to operate on a stand-alone basis, given that its budgeted revenues, expenses and net income for 2001 are approximately $7.8 million, $4.0 million (excluding cost of gas sold) and $340 thousand, respectively.

CLAUSE B. The ownership and operation by FirstEnergy of both integrated electric and gas systems does not raise any issues under Clause B. With respect to Clause B, the retail electric operations are located only in Ohio, Pennsylvania and New Jersey, as well as a single community in Waverly, New York, and the retail gas operations are located only in the State of Ohio. See, e.g., CP&L Energy, Inc., Holding Co. Act Release No. 27284 (Nov. 27, 2000) (gas system exclusively in North Carolina).

CLAUSE C. Further, retention of NONGC as an additional integrated system raises no issue under Clause C. The combination of systems under the ownership of FirstEnergy will not be "so large ... as to impair the advantages of localized management, efficient operation, or the effectiveness of regulation." As the Commission has recognized elsewhere, the determinative consideration is not size alone or size in an absolute sense, either big or small, but size in relation to its effect, if any, on localized management, efficient operation and effective regulation. From these perspectives, it is clear that the continued combination of the gas operations of NONGC under FirstEnergy is not too large. NONGC is a small gas utility company operated solely within the State of Ohio as an adjunct to an affiliated intrastate pipeline. Thus, all the benefits of localized management are maintained with respect to the addition of the gas utility.

(iv) Retention by FirstEnergy of Non-Utility Businesses. As a result of the Merger, the non-utility businesses and interests of GPU will be acquired by FirstEnergy. The non-utility businesses and interests of GPU have been considered by the Commission and found to be within the standards of Section 11, see, e.g., GPU, Inc., Holding Co. Act Release No. 27165 (April 14, 2000) (MYR approved). Filed as Exhibits L-2 and L-3 hereto are lists of the non-utility businesses and interests of GPU with the applicable exemption or Commission Order showing the approval by the Commission of the acquisition or retention by GPU of such non-utility businesses, which will be acquired by FirstEnergy as part of the Merger.

FirstEnergy is seeking authorization to retain the non-utility interests it currently holds, as well as the non-utility interests of GPU it will hold post-Merger, which have already been considered by the Commission and held to be retainable under the standards of Section 11. Set forth in Exhibit L-1 hereto are a list of the non-utility businesses and interests held by FirstEnergy. As set forth below and in Exhibit L-1 hereto, FirstEnergy may retain these non-utility interests currently held by FirstEnergy and the FirstEnergy Subsidiaries by virtue of existing Commission rule or precedent.

FirstEnergy is currently a holding company exempt from registration under the Act. As an exempt holding company, FirstEnergy has been free to invest in a variety of non-utility businesses and activities without the need to obtain prior Commission approval under Section 9(a) of the Act. FirstEnergy's non-utility investments have been successful overall, have resulted in tangible benefits to the shareholders and have been undertaken in compliance with applicable state laws and regulations in a manner to minimize risks to the ratepayers of FirstEnergy's utilities.

Section 11(b)(1) permits a registered holding company to retain non-utility businesses which are reasonably incidental, or economically necessary or appropriate, and not detrimental to the proper functioning of the holding company system. Although the Commission has traditionally interpreted this provision to require an operating or functional relationship between

the non-utility activity and the system's core non-utility business, in its release promulgating Rule 58, the Commission stated that it "has sought to respond to developments in the industry by expanding its concept of a functional relationship." See Exemption of Acquisition by Registered Public-Utility Holding Companies of Securities of Nonutility Companies Engaged in Certain Energy-Related and Gas-Related Activities, Holding Co. Act Release No. 26667 (Feb. 14, 1997) ("Rule 58 Release"). The Commission concluded in the Rule 58 Release that various considerations, including developments in the industry, the Commission's familiarity with the particular non-utility activities at issue, the absence of significant risks inherent in the particular venture, the specific protections provided for consumers and the absence of objections by the relevant state regulators, made it unnecessary to adhere rigidly to the types of administrative measures used in the past.

The Commission has taken into account industry trends and competitive pressures that make it important for a registered holding company to be able to compete with other utilities which are not subject to the Act. In the report issued by the Division of Investment Management (the "Division") in June 1995 entitled "The Regulation of Public Utility Holding Companies" (the "1995 Report"), the Staff recommended that the Commission replace the use of the bright-line limitations with a more flexible standard that would take into account the risks inherent in the particular venture and the specific protections provided for consumers. 1995 Report at 81-87, 91-92. With respect to diversified activities that fall outside the scope of Rule 58, the Staff recommended a more flexible interpretation of the provisions of the Act concerning diversification. Specifically the Division contemplates an interpretation of the language of Section 11(b)(1) that would allow registered holding companies to engage in non-utility businesses that are economically appropriate and in the public interest, regardless of whether such activities are ancillary to the utility business. See 1995 Report at 91. Indeed, the Commission has recognized the importance of diversification of utilities in the competitive marketplace and has permitted registered holding companies to retain or acquire a wider range of non-utility businesses because many customers will choose their utilities based on the other products and services offered. See GPU, Inc., supra, Holding Co. Act Release No. 27165.

The non-utility business interests that FirstEnergy will hold, directly or indirectly, after the consummation of the Merger meet the Commission's standards for retention.(18) As discussed more fully below and in Exhibit L-1 hereto, these companies are engaged in substantially the same types of activities that the Commission has previously allowed registered holding companies to acquire, or newly registered holding companies to retain, because they meet the Commission's increasingly more flexible interpretation of the Section 11(b)(1) standard.

FirstEnergy requests that, should the Commission reserve jurisdiction over the retention of any of the non-utility businesses listed below pursuant to
Section 11(b)(1) of the Act, FirstEnergy be permitted to file a post-effective amendment by one year following the order in this proceeding, seeking to justify its retention of such subsidiaries pursuant to Section 11(b)(1); and if the Commission should subsequently order the divestiture of all, or any part of, any of the FirstEnergy Non-Utility Subsidiaries or of such non-utilities' assets or activities, FirstEnergy

(18) All percentages of ownership interests are as of March 1, 2001, unless otherwise specified.

requests that it be allowed to take appropriate actions to effect such sale within three years after such order.

FINANCING SUBSIDIARIES. The Commission has approved special purpose financing subsidiaries,(19) subsidiaries involved in factoring (20) and subsidiaries acting as transfer agents.(21) The following companies engage in such approved financing activities:

- OES Capital. OES Capital is a wholly owned subsidiary of Ohio Edison. OES Capital is a financing company for the FirstEnergy Operating Companies, which may borrow up to $170 million under a receivables financing arrangement expiring in 2002, with loans at rates based on certain bank and commercial paper, and is required to pay an annual fee of 0.20% of the amount of the entire finance limit. OES Capital also makes loans to customers (currently representing less than 10% of its loan portfolio) to finance certain energy efficiency projects undertaken by such customers.

- OES Finance. OES Finance is a wholly owned subsidiary of Ohio Edison. OES Finance maintains deposits pledged as collateral to secure certain reimbursement obligations relating to certain letters of credit supporting Ohio Edison's obligations to lessors under certain Beaver Valley Unit No. 2 sale and lease-back arrangements.

- Ohio Edison Financing Trust. Ohio Edison Financing Trust is a wholly owned subsidiary of Ohio Edison. Ohio Edison Financing Trust provides financing to Ohio Edison through the issuance of preferred securities.

- Centerior Funding. Centerior Funding is a wholly owned subsidiary of Cleveland Electric. Centerior Funding factors accounts receivable for Cleveland Electric and Toledo Edison.

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(19) See, e.g., The Southern Company, Holding Co. Act Release No. 27134 (Feb. 9, 2000) (financing subsidiary to issue preferred securities or notes); Dominion Resources, Inc., Holding Co. Act Release No. 27112 (Dec. 15, 1999) (authorized financing through Dominion Capital, Inc.); Conectiv, Inc., Holding Co. Act Release No. 26833 (Feb. 26, 1998) (authorizing retention of Delmarva Power Financing I, a wholly owned trust that issued trust preferred securities and loaned the proceeds to Delmarva).

(20) See, e.g., Alliant Energy Corporation, Holding Co. Act Release No.
27368 (March 30, 2001) (the Commission approved new receivables financing program whereby special purpose subsidiaries would acquire receivables from operating companies and sell them to certain third parties); Central and South West Corporation, Holding Co. Act Release No. 23767 (July 19, 1985) (initial purpose of subsidiary was to purchase accounts receivable of CSW's operating companies at a discount and finance these purchases with debt).

(21) See, e.g., Central and South West Corporation, Holding Co. Act Release No. 26797 (Dec. 19, 1997) (applicants' request for authorization to implement the Rights Plan included a request for CSW Services, "which is the transfer agent for the Common Stock," to serve as Rights Agent. As Rights Agent, CSW Services would have "practically no active duties
[with respect to the transaction] unless the Rights become, if ever, exercisable, at which time it will perform or cause to be performed services similar to a stock transfer agent....").

- OES Nuclear. OES Nuclear is a wholly owned subsidiary of Ohio Edison. OES Nuclear owns and leases to Ohio Edison 17.42% of the improvements, fixtures, equipment and other tangible property constituting Perry located in Lake County, Ohio.

- FirstEnergy Transfer. FirstEnergy Transfer is a wholly owned subsidiary of FirstEnergy. FirstEnergy Transfer acts as a transfer agent and registrar for the securities of FirstEnergy and its direct and indirect subsidiaries. It does not act as a transfer agent or registrar for nonaffiliated companies.

- PNBV Capital Trust (PNBV). OES Ventures is a wholly owned subsidiary of Ohio Edison. OES Ventures has a 49% beneficial interest in PNBV, a Delaware corporation which was formed to acquire the publicly held bond indebtedness for the acquisition of lease obligation bonds relating to Ohio Edison's sale and leaseback of individual interests in Beaver Valley Unit No. 2 and Perry Unit No. 1 and the resultant reduction in effective cost to Ohio Edison under those leases.

- TECC. Toledo Edison holds a 90% interest, together with Cleveland Electric's 10% interest, in TECC. TECC makes equity investments in Delaware business trusts that hold lessor debt instruments issued in connection with Cleveland Electric's and Toledo Edison's sale and leaseback of interests in the Bruce Mansfield Plant.

REAL ESTATE. In prior orders, the Commission has approved the purchase of real estate, which is incidentally related to the operations of the registered holding company. See, e.g., Conectiv, Inc., Holding Co. Act Release No. 26832 (Feb. 25, 1998) (office building and warehouse); WPL Holdings, Inc., Holding Co. Act Release No. 26856 (April 14, 1998) (subsidiary of holding company purchases and holds real property primarily for use in public utility operations or "that may be used in the future for the development of utility related assets"). The following companies engage in such approved real estate activities:

- FirstEnergy Properties. FirstEnergy Properties is a wholly owned subsidiary of FirstEnergy. FirstEnergy Properties owns non-utility land and coal rights held for sale, investment or potential development, office buildings rented to affiliated companies and third parties, and also holds former Centerior Energy Corporation's partnership share of investments in economic development investments. In 2000, 98.1% of FirstEnergy Properties' rental income was received from intercompany rentals; the remaining 1.9% was received from third party rentals. In 2001, 92.3% of FirstEnergy Properties rental income is projected to be received from intercompany rentals; the remaining 7.7% is scheduled to be received from third party rentals. FirstEnergy Properties has one subsidiary, BSG Properties.

- BSG Properties. BSG Properties is a wholly owned subsidiary of FirstEnergy Properties. BSG Properties owned a commercial building, which it sold, and is engaged in post-closing matters. BSG owns a parcel of approximately eleven acres of vacant land, which is currently for sale in Seven Hills, Ohio. The book value of the parcel is $1,692,336.

LOCAL ECONOMIC DEVELOPMENT. The Commission has authorized registered holding companies to retain passive and/or de minimis interests in industrial and other non-utility

enterprises located in the service territory of the registered holding company that were formed to promote local economic development by creating new job opportunities, expanding the local tax base, attracting new industries and retaining existing industries. See WPL Holdings, Inc., supra, Holding Co. Act Release No. 26856 (retention of 54.55% interest in company organized to promote economic development in downtown Cedar Rapids, Iowa); The Potomac Edison Company, Holding Co. Act Release No. 25312 (May 14, 1991) (for-profit, economic development corporation created to stimulate and promote growth and retain jobs). The following companies engage in such approved investment activities promoting local economic development:

- Cleveland Development Partnership I. FirstEnergy Properties owns a 1.47% limited partnership interest in Cleveland Development Partnership I ("Cleveland Development"). Cleveland Development is a partnership created to provide a source of private sector funding for real estate development in the City of Cleveland.

- Cleveland Civic Vision Housing Fund, L.L.C. FirstEnergy owns a 5.5% limited partnership interest in the Cleveland Civic Vision Housing Fund, L.L.C. ("Cleveland Civic"). Cleveland Civic is an investment fund serving as a source of private sector financing for real estate development in the City of Cleveland.

- CID Ohio Equity Capital, Limited Partnership Fund IV. Ohio Edison owns a 10% limited partnership interest in CID Ohio Equity Capital, Limited Partnership Fund IV ("CID"), and FirstEnergy Properties owns a 5% interest in
CID. CID was initiated in 1994 to invest in a portfolio of private equity and equity-related securities of start-up and early-stage growth companies operating principally in Ohio. The partnership, which currently has three remaining portfolio companies, is winding down and is scheduled to dissolve in March 2004.

TAX PLANNING. As part of their tax planning strategy, companies within the FirstEnergy system have made investments in low-income housing and rehabilitation of old buildings. A tax credit is available for low-income housing that is constructed, rehabilitated or acquired after 1986 under ss.42 of the Internal Revenue Code of 1986. The credit may be claimed over a 10-year period in a maximum amount that depends on whether the low-income units are newly constructed, rehabilitated or acquired, and whether the cost was partially financed by federal subsidies. The Internal Revenue Service issues monthly credit rate tables that are based on the applicable federal rate. The credit is available on a per-unit basis and a single building will not be disqualified for the credit on the basis that some units do not qualify for the credit. However, a project must meet specified requirements for qualification for the credit. The investments are important for FirstEnergy's shareholders, as well as FirstEnergy's consumers, in that they reduce the tax expense of the FirstEnergy system. The Commission has permitted other newly registered holding companies to retain similar passive interests in tax-credit affordable housing. See Ameren Corporation, Holding Co. Act Release No. 26809 (Dec. 30, 1997) (permitting retention of tax credit properties located in the states in which those systems operate as utilities); Alliant Energy Corporation, Holding Co. Act Release No. 27198 (July 10, 2000) (approved applicants' proposal to modify existing limitation on investments in limited partnerships investing in properties outside the service territory); Exelon Corporation, supra, Holding Co. Act Release No. 27256 (permitting retention of passive interests in funds holding national portfolios of tax-credit properties). The following are investments made by FirstEnergy

and/or its subsidiaries that are eligible for credit under ss.42 of the Internal Revenue Code of 1986:

- McDonald Corporate Tax Credit Fund Limited Partnership. Ohio Edison owns a 12.37% limited partnership interest in McDonald Corporate Tax Credit Fund Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants, as qualified under ss.42 of the Internal Revenue Code of 1986; 94% of the investment activity is in Ohio; and 6% is in Illinois.

- McDonald Corporate Tax Credit Fund - 1995 Limited Partnership. Ohio Edison owns a 9.0% limited partnership interest in McDonald Corporate Tax Credit Fund - 1995 Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants as qualified under ss.42 of the Internal Revenue Code of 1986; 42% of the investment activity in Ohio; 25% is in Illinois; 5% is in Iowa; and 29% is in Texas.

- McDonald Ohio Tax Credit Fund - 1996 Limited Partnership. Ohio Edison owns a 42.13% limited partnership interest in McDonald Ohio Tax Credit Fund - 1996 Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants as qualified under ss.42 of the Internal Revenue Code of 1986; 91% of the investment activity is in Ohio; and 9% is in Indiana.

- McDonald Ohio Tax Credit Fund - 1998 Limited Partnership. Ohio Edison owns a 30.94% limited partnership interest in McDonald Ohio Tax Credit Fund - 1998 Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants, as qualified under ss.42 of the Internal Revenue Code of 1986; 53% of the investment activity is in Ohio; 18% is in Illinois; and 29% is in Texas.

- Ohio Equity Fund For Housing Limited Partnership II. Ohio Edison owns a 7.62% limited partnership interest in Ohio Equity Fund For Housing Limited Partnership II. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants, as qualified under ss.42 of the Internal Revenue Code of 1986, in Ohio.

- USA Institutional Tax Credit Fund VII, L.P. Ohio Edison owns an 8.11% limited partnership interest in USA Institutional Tax Credit Fund VII, L.P. ("USA ITCF"). USA ITCF is a low income housing tax credit limited partnership investing primarily in residential real estate targeted for lower income occupants, as qualified under ss.42 of the Internal Revenue Code of 1986; 8% of the investment activity is in California; 14% is in Illinois; 7% is in Maryland; 6% is in Massachusetts; 7% is in Michigan; 2% is in Mississippi; 14% is in New Jersey; 12% is in New York; 3% is in Puerto Rico; 1% is in Tennessee; 22% is in Texas; and 4% is in Virginia.

- Boston Financial Institutional Tax Credits III, a Limited Partnership. Ohio Edison owns a 5.38% limited partnership interest in Boston Financial Institutional Tax Credits III, a Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants, as qualified under ss.42 of the Internal Revenue Code of 1986; 8% of the investment activity is in Ohio; 5% is in Alabama; 6% is in Arkansas; 8% is in California; 8% is in Connecticut; 19% is in Florida; 7% is in Kentucky; 6% is in Maryland; 4% is in Michigan; 2% is in Minnesota; 2% is in Mississippi; 2% is in New York; 1% is in North Carolina; 5% is in Oregon; 4% is in Pennsylvania; 2% is in Puerto Rico; 2% is in Utah; 6% is in Virginia; and 3% is in West Virginia.

- Boston Financial Institutional Tax Credits V, a Limited Partnership. Ohio Edison owns a 3.24% limited partnership interest in Boston Financial Institutional Tax Credits V, a Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants, as qualified under ss.42 of the Internal Revenue Code of 1986; 6% of the investment activity is in Ohio; 18% is in California; 33% is in Florida; 5% is in Illinois; 4% is in Nevada; 8% is in New Mexico; 7% is in Puerto Rico; 1% is in South Carolina; 7% is in Tennessee; and 11% is in Virginia.

- Boston Financial Institutional Tax Credits XVI, a Limited Partnership. Ohio Edison owns a 5.83% limited partnership interest in Boston Financial Institutional Tax Credits XVI, a Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants as qualified under ss.42 of the Internal Revenue Code of 1986; 29% of the investment activity is in California; 27% is in Florida; 2% is in Iowa; 5% is in Maryland; 6% is in Massachusetts; 1% is in Minnesota; 1% is in Missouri; 4% is in Nevada; 3% is in New York; 3% is in Pennsylvania; 2% is Utah; 11% is in Virginia; 1% is in Washington; and 5% is in Wisconsin.

- Apollo Tax Credit Fund III, L.P. Ohio Edison owns a 33.33% limited partnership interest in Apollo Tax Credit Fund III, L.P. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants, as qualified under ss.42 of the Internal Revenue Code of 1986; 69% of the investment activity is in Ohio; 9% is in Iowa; 7% is in Kentucky; and 15% is in Wisconsin.

- Apollo Tax Credit Fund - IX, Limited Partnership. Ohio Edison owns a 99.99% limited partnership interest in Apollo Tax Credit Fund - IX, Limited Partnership. The general partner is Apollo Housing II LLC which owns the remaining .01%. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants, as qualified under ss.42 of the Internal Revenue Code of 1986; 44% of the investment activity is in Ohio; 12% is in Indiana; 4% is in Iowa; 11% is in Kansas; 9% is in New York; 7% is in Virginia; and 13% is in Wisconsin.

- Boston Capital Corporate Tax Credit Fund IV, a Limited Partnership. Ohio Edison owns a 2.95% limited partnership interest in Boston Capital Corporate Tax Credit Fund IV, a Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants as qualified under ss.42 of the Internal Revenue Code of 1986; 9% of the investment activity is in Arkansas; 3% is in California; 2% is in Colorado; 5% is in Delaware; 14% is in Florida; 7% is in

Georgia; 7% is in Illinois; 5% is in Iowa; 4% is in Kansas; 6% is in Louisiana; 4% is in Maine; 3% is in Maryland; 11% is in Michigan; 2% is in Mississippi; 9% is in Missouri; 2% is in Nebraska; and 7% is in New York.

- Boston Capital Corporate Tax Credit Fund X, a Limited Partnership. Ohio Edison owns a 10.93% limited partnership interest in Boston Capital Corporate Tax Credit Fund X, a Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants as qualified under ss.42 of the Internal Revenue Code of 1986; 2% of the investment activity is in Arkansas; 16% is in Georgia; 8% is in Indiana; 2% is in Maryland; 24% is in New York; 9% is in North Carolina; 16% is in Ohio; 3% is in Oklahoma; 7% is in Texas; 10% is in Virginia; and 3% is in West Virginia.

- Boston Capital Corporate Tax Credit Fund XIV, a Limited Partnership. Ohio Edison owns a 20.00% limited partnership interest in Boston Capital Corporate Tax Credit Fund XIV, a Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants as qualified under ss.42 of the Internal Revenue Code of 1986; 1% of the investment activity is in Alabama; 2% is in Arkansas; 6% is in Florida; 7% is in Georgia; 6% is in Indiana; 3% is in Kansas; 5% is in Kentucky; 5% is in Louisiana; 8% is in Massachusetts; 11% is in Michigan; 1% is in Mississippi; 2% is in New Hampshire; 15% is in New Jersey; 3% is in Oklahoma; 7% is in Pennsylvania; 2% is in Tennessee; 7% is in Texas; 1% is in Vermont; 3% is in Virginia; and 5% is in West Virginia.

- Marion Senior Housing Limited Partnership. FirstEnergy owns a 29.21% interest in Marion Senior Housing Limited Partnership ("Marion"). Marion is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants, as qualified under ss.42 of the Internal Revenue Code of 1986, in Ohio.

TELECOMMUNICATIONS. The Commission has allowed registered holding companies to own subsidiaries engaged in telecommunication activities which provide services to both affiliated and non-affiliated companies. In addition,
Section 34(e) expressly states that a registered holding company's ownership of an ETC shall be considered "reasonably incidental, or economically necessary or appropriate, to the operations of an integrated public utility system." The following non-utility investments should be retainable by FirstEnergy pursuant to Section 34 of the Act:

- Advanced Technologies. Advanced Technologies is a wholly owned subsidiary of FirstEnergy Ventures. Advanced Technologies owns fiber optic cables, communications towers and electronics for cell siting operations, as well as some proprietary software for telecommunications services. On October 20, 2000, Advanced Technologies applied for approval from the FCC as an ETC; ETC status is deemed effective as of the date of the filing.

- FirstEnergy Telecommunications. FirstEnergy Telecommunications is a wholly owned subsidiary of FirstEnergy Ventures. FirstEnergy Telecommunications is a competitive telecommunications services provider offering services only in the regulated

activities area. FirstEnergy Telecommunications applied to the PUCO on October 18, 2000, for approval to operate as a public utility within the definition of "utilities" in the State of Ohio. Approval from the PUCO and the FCC was received on December 24, 2000. On October 20, 2000, FirstEnergy Telecommunications applied for ETC approval from the FCC; ETC status is deemed effective as of the date of the filing.

- Fiber Venture. Centerior Communications owns 100% of Fiber Venture. Fiber Venture owns a 6.5% interest in AFN. AFN applied for ETC approval on October 25, 2000; ETC status is deemed effective as of the date of the filing.

- FELHC. FELHC is a wholly owned subsidiary of FirstEnergy. FELHC serves as a licensee on all FCC radio licenses for the FirstEnergy Operating Companies. An application was made by FELHC on January 18, 2001 for FCC approval as an ETC; ETC status is deemed effective as of the date of the filing.

- First Communications. FirstEnergy owns a 31.08% interest in First Communications (with options to acquire up to a 50% interest). First Communications provides telecommunications services utilizing a nationwide fiber optic network. First Communications offers a full plan of services including long distance, toll free services, advanced data solutions (including DSL, private line service and network applications) and PCS wireless. An application was made by First Communications to the FCC on November 29, 2000 for FCC approval as an ETC; ETC status is deemed effective as of the date of the filing.

- Pantellos. FirstEnergy owns a 5.38% interest in Pantellos. Pantellos operates and manages an open, independent Internet e-marketplace for the purchase of goods and services between the energy industry and its suppliers. An application was made by Pantellos on June 1, 2000 for FCC approval as an ETC; ETC status is deemed effective as of the date of the filing.

- AFN Finance Company No. 3, LLC. AFN Finance Company No. 3, LLC ("AFN No. 3") is a wholly owned subsidiary of Fiber Venture. AFN No. 3 was created for the exclusive purpose of seeking financing for the provision of radio communications, telecommunications services and information services. An application was made by AFN No. 3 on July 25, 2001 for FCC approval as an ETC; ETC status is deemed effective as of the date of the filing.

GAS RELATED ENTITIES. In prior orders, the Commission has approved the investments by registered holding companies in certain gas-related entities. See, e.g., CP&L Energy, Inc., Holding Co. Act Release No. 27284 (Nov. 27, 2000) (North Carolina Natural Gas Corporation had nonutility subsidiaries investing in an intrastate pipeline in North Carolina). The following companies engage in such approved gas-related activities:

- MARBEL. MARBEL is a wholly owned subsidiary of FirstEnergy. MARBEL is the parent company of a natural gas pipeline company, NONGC, and a holding company, Marbel Holdco. In addition, MARBEL is the contracting party to two large gas supply agreements.

- Great Lakes. Marbel Holdco owns a 50% interest in Great Lakes. Great Lakes is an oil and gas exploration and production company in a joint venture with Range Resources Corporation and holds a majority of its assets in the Appalachian Basin, including more than 7,700 oil and natural gas wells, drilling rights on nearly one million acres, proven resources of 450 billion cubic feet equivalent of natural gas and oil, and 5,000 miles of pipeline. Great Lakes also owns intrastate gas pipelines and a small interstate pipeline between Ohio and West Virginia.

EXEMPT WHOLESALE GENERATORS. Registered holding companies are permitted to acquire and own, without obtaining prior Commission approval, EWGs pursuant to Section 32 of the Act. Pursuant to the Act, EWGs are deemed to be functionally related to a registered holding company system's business. Section 32(h) expressly states that a registered holding company's ownership of an EWG shall be considered "reasonably incidental, or economically necessary or appropriate, to the operations of an integrated public utility system." Accordingly, FirstEnergy can retain its ownership interests in the following EWG:

- GenCo. GenCo is a wholly owned subsidiary of FirstEnergy Solutions. GenCo operates fossil fuel plants and the Seneca pumped storage plant (most of which it leases from the FirstEnergy Operating Companies, pursuant to the reorganization described under the "Corporate Separation Plan" herein). GenCo is an EWG that sells all of its output at wholesale prices to FirstEnergy Solutions. GenCo was approved by FERC as an EWG on April 6, 2001. See 95 FERC P. 62,018 (2001).

RULE 58 SUBSIDIARIES - GENERAL. Registered holding companies and their subsidiaries are permitted to invest in energy related companies, as defined under the Commission's Rule 58(b)(1), without prior Commission approval under the Act, if the aggregate investment in all such energy related companies ("Rule 58 Subsidiaries") does not exceed the greater of $50 million or 15% of the consolidated capitalization of the registered holding company. However, the Commission has disregarded existing investments in these types of activities for purposes of calculating the dollar limitation upon investments in energy related companies which were made by a holding company prior to its registration under the Act. See Exelon Corporation, supra, Holding Co. Act Release No. 27256. The Commission reached this conclusion in previous orders because the companies involved in the mergers were not previously subject to the Section 11(b)(1) restrictions on non-utility investments which apply only to registered holding companies. FirstEnergy requests that the Commission grant the same treatment to the FirstEnergy Non-Utility Subsidiaries, which may fall within the meaning of Rule 58(b) energy related companies.

RULE 58(b)(1)(i). A Rule 58(b)(1)(i) company is defined as an entity which engages in the rendering of energy management services and demand-side management services. The following companies engage in such activities within the meaning of Rule 58(b)(1)(i) and are retainable by FirstEnergy:

- Centerior Energy Services. Centerior Energy Services is a wholly owned subsidiary of FirstEnergy Ventures. Centerior Energy Services provides various consulting services related to energy management and procurement under the registered trade name "The E Group."

- OES Fuel. OES Fuel is a wholly owned subsidiary of Ohio Edison. OES Fuel finances and manages fuel inventories for Ohio Edison and Penn Power.

RULE 58(b)(1)(ii). A Rule 58(b)(1)(ii) company is defined as an entity which engages in the development and commercialization of electrotechnologies related to energy conservation, storage and conversion, energy efficiency, waste treatment, greenhouse gas reduction and similar innovations. The following companies engage in such activities within the meaning of Rule 58(b)(1)(ii) and are retainable by FirstEnergy:

- Nth Power Technologies II, LLC. FirstEnergy owns an 8.2% membership interest in Nth Power Technologies II, LLC ("Nth Power"), a venture capital fund. Nth Power invests in the energy industry with a focus on emerging technologies in the global energy industry. Nth Power was initially capitalized at $10,000,000. FirstEnergy's commitment for the fund is approximately $1,250,000.

- Kinetic Ventures I, LLC. FirstEnergy owns an 11.10% membership interest in Kinetic Ventures I, LLC ("KVI"), a venture capital fund, formerly known as Utility Competitive Advantage Fund I, LLC. KVI's focus is on early stage companies involved in energy related fields and technology as well as communications technologies. KVI was initially capitalized at $90,000,000; FirstEnergy's commitment for the fund is approximately $10,000,000.

- Kinetic Ventures II, LLC. FirstEnergy owns a 17.63% membership interest in Kinetic Ventures II, LLC ("KVII"), a venture capital fund, formerly known as Utility Competitive Advantage Fund II, LLC. KVII's focus is on energy related fields and energy related technology in early stage companies involved in energy related fields and technology as well as communications technologies. KVII was initially capitalized at $95,000,000; FirstEnergy's commitment is approximately $15,000,000.

- Active Power, Inc. FirstEnergy owns less than one hundredth of a percent interest - 0.006% - in Active Power, Inc. ("Active Power"), represented by 92,378 shares of common stock of 39 million shares outstanding.(22) This investment represented a distribution by Envirotech Investment Fund I, L.P. ("Envirotech"). Active Power is a developer of flywheel energy storage system for use in uninterruptible power supply and other power quality applications.

- PowerSpan Corp. FirstEnergy owns an 18.63% interest in PowerSpan Corp. ("PowerSpan") - formerly Zero Emissions Technology, Inc. - on an as-converted, fully diluted basis.(23) PowerSpan utilizes advanced technology to reduce emissions of NOx , SO2 and particulate matter from utility generation facilities. PowerSpan's technologies are applied in

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(22) The market value of this stock, as of June 30, 2001, was $1,540,865.

(23) FirstEnergy owns 2,000,000 shares of Series B Convertible Preferred Stock. FirstEnergy also has 100,000 warrants to acquire common stock at $4.74 per share and 150,000 warrants to acquire common stock at $7.50 per share.

coal, oil and gas-fired power generation facilities. The products reduce particulate emissions for a low cost and can provide a return on investment for the entity using the products.

RULE 58(b)(1)(v). A Rule 58(b)(1)(v) company is defined as an entity which engages in the brokering and marketing of energy commodities, including, but not limited to, electricity, natural or manufactured gas and other combustible fuels. The following companies engage in such activities within the meaning of Rule 58(b)(1)(v) and are retainable by FirstEnergy:

- FirstEnergy Solutions. FirstEnergy Solutions is a wholly owned subsidiary of FirstEnergy. FirstEnergy Solutions is an unregulated natural gas and power marketer in both wholesale and retail markets. FirstEnergy Solutions has two wholly owned subsidiaries, Penn Power Energy and GenCo. A filing was made with FERC and approval received on or about December 15, 2000 to merge FirstEnergy's wholesale trading function done through FirstEnergy Trading Services, Inc. ("FirstEnergy Trading") into FirstEnergy Solutions. The merger of FirstEnergy Trading and FirstEnergy Solutions was consummated on December 31, 2000.

- FirstEnergy Fuel Marketing. FirstEnergy Fuel Marketing is a wholly owned subsidiary of FirstEnergy Ventures. FirstEnergy Fuel Marketing provides products and services to electricity generators and industrial fuel suppliers, including logistics services, contract administration, inventory management and fuel blending.

- Utility.com, Inc. FirstEnergy owns a 5.0% interest in Utility.com, Inc. ("Utility.com"), represented by 192,308 shares owned and warrants for 23,077 shares of Series E preferred stock. Utility.com is currently registered to provide electricity in 10 states. Utility.com sells electricity to customers using the same lines and poles that are in place now with no interruption in service, but seeks to provide customers with savings over their existing electricity provider.

- Penn Power Energy. Penn Power Energy is a wholly owned subsidiary of FirstEnergy Solutions. Penn Power Energy is an energy marketing company, which provides service to Pennsylvania customers under Pennsylvania's Electric Choice Program. Penn Power Energy is a licensed competitive electric supplier providing competitive retail electricity service in Pennsylvania.

- Automated Power Exchange, Inc. FirstEnergy owns a 1.16% interest in Automated Power Exchange, Inc. ("APX"), represented by 1,000,000 shares of Series B-2 Preferred Stock and 218,975 shares of Series C Preferred Stock held through KVI. APX develops, owns and operates integrated low cost efficient internet-based electronic power exchanges and automated clearinghouses for the electric power industry.

RULE 58(b)(1)(vi). A Rule 58(b)(1)(vi) company is defined as an entity which engages in the production, conversion, sale and distribution of thermal energy products, such as process steam, heat, hot water, chilled water, air conditioning, compressed air and similar; alternate fuels; renewable energy resources; and the servicing of thermal energy facilities. The following company engages in such activities within the meaning of Rule 58(b)(1)(vi) and is retainable by FirstEnergy:

- Bay Shore. Bay Shore is a wholly owned subsidiary of FirstEnergy Ventures. Bay Shore is undergoing start-up operations and will own and operate a petroleum coke disposal facility that will supply steam for Bay Shore's turbines as fuel for the operation of the Bay Shore Power Plant and to BP.

RULE 58(b)(1)(vii). A Rule 58(b)(1)(vii) company is defined as an entity which engages in the sale of technical, operational, management, and other similar kinds of services and expertise, developed in the course of utility operations in such areas as power plant and transmission system engineering, development, design and rehabilitation; construction; maintenance and operation; fuel procurement, delivery and management; and environmental licensing, testing and remediation. The following companies engage in such activities within the meaning of Rule 58(b)(1)(vii) and are retainable by FirstEnergy:

- Ancoma. Ancoma is a wholly owned subsidiary of FirstEnergy Facilities. Ancoma provides HVAC equipment installation and service, process piping, plumbing, fire protection, refrigeration and energy management systems to the Rochester, New York area.

- Colonial Mechanical. Colonial Mechanical is a wholly owned subsidiary of FirstEnergy Facilities. Colonial Mechanical provides HVAC equipment installation and service, sheet metal fabrication, plumbing installation and service, process piping and electrical and pre-construction services to the Richmond, Virginia area.

- Webb Technologies. Webb Technologies is a wholly owned subsidiary of FirstEnergy Facilities. Webb Technologies provides installation and service of low-temperature refrigeration systems and HVAC equipment installation and service in the greater Norfolk, Virginia area.

- Dunbar Mechanical. Dunbar Mechanical is a wholly owned subsidiary of FirstEnergy Facilities. Dunbar Mechanical provides HVAC equipment and plumbing installation and service, process and utility piping, equipment moving, rigging and setting, material handling, equipment installation and mechanical system maintenance to the greater Toledo, Ohio market.

- Edwards E&M. Edwards E&M is a wholly owned subsidiary of FirstEnergy Facilities. Edwards E&M provides HVAC equipment installation and service, refrigeration, electrical service, sheet metal fabrication, process piping, automation controls, plumbing and certified welding to customers in Indianapolis, Indiana and the surrounding areas.

- Elliott-Lewis. Elliott-Lewis is a wholly owned subsidiary of FirstEnergy Facilities. Elliott Lewis provides HVAC equipment installation and service, energy management, facilities management and plumbing services to the greater Philadelphia, Pennsylvania markets. In addition, Elliot-Lewis owns all of the issued and outstanding shares of the following companies providing such services: Duckett, Sautter Crane and E-L Enterprises.

- Cranston and Sons. Cranston and Sons is a wholly owned subsidiary of FirstEnergy Facilities. Cranston and Sons installs and maintains HVAC equipment and electrical, plumbing and refrigeration systems in the Timonium, Maryland area.

- Roth Bros. Roth Bros. is a wholly owned subsidiary of FirstEnergy Facilities. Roth Bros. provides HVAC equipment installation and service, building automation control systems and monitoring services, roofing installation and maintenance, sheet metal and industrial metal fabrication and lighting retrofits in the Youngstown, Ohio area.

- Hattenbach. Hattenbach is a wholly owned subsidiary of FirstEnergy Facilities. Hattenback provides refrigeration sales and service to commercial entities in the Cleveland, Ohio market.

- R. P. C. Mechanical. R. P. C. Mechanical is a wholly owned subsidiary of FirstEnergy Facilities. R. P. C. Mechanical provides HVAC equipment installation and service, process piping and energy management and control systems in the greater Cincinnati, Ohio area.

- Spectrum. Spectrum is a wholly owned subsidiary of FirstEnergy Facilities. Spectrum provides installation and service of HVAC control systems to customers in the Cincinnati, Ohio area.

- FirstEnergy Engineering. Ohio Edison holds a 49% interest in FirstEnergy Engineering, which provides engineering services at cost as a subcontractor on construction projects undertaken by the FirstEnergy Subsidiaries. The engineering services provided include, but are not limited to, mechanical, HVAC, electrical, and civil engineering applications. Substantially all of the services are provided to the FirstEnergy Subsidiaries in support of FirstEnergy Solutions, GenCo and FirstEnergy Nuclear Operating Company.

- Duckett. Duckett is a wholly owned subsidiary of Elliot-Lewis. Duckett provides commercial HVAC installation and ancillary services to third parties and affiliated companies in the New Jersey area.

- Sautter Crane. Sautter Crane is a wholly owned subsidiary of Elliot-Lewis and provides crane rental services to affiliated companies and third parties, including other utilities and mechanical contractors.

- Modern AC. Modern AC is a wholly owned subsidiary of E-L Enterprises and provides HVAC equipment installation and service, energy management, facilities management and plumbing services.

- Airdex AC. Airdex AC is a wholly owned subsidiary of Modern AC and provides HVAC equipment installation and service, energy management, facilities management and plumbing services.

- R.L. Anderson. R.L. Anderson is a wholly owned subsidiary of E-L Enterprises and provides HVAC equipment installation and service, energy management, facilities management and plumbing services.

- BridgeCo. FirstEnergy owns a 10% interest in BridgeCo. BridgeCo is an entity created to manage the financial and other affairs of the ten members of the Alliance only

until that company begins operations, anticipated to be late 2001, when BridgeCo will be dissolved.

RULE 58(b)(1)(ix). A Rule 58(b)(1)(ix) company is defined as an entity which engages in the ownership, operation and servicing of fuel procurement, transportation, handling and storage facilities, scrubbers, and resource recovery and waste water treatment facilities. The following company engages in such activities within the meaning of Rule 58(b)(1)(ix) and is retainable by FirstEnergy:

- Warrenton River. Warrenton River is a wholly owned subsidiary of FirstEnergy Ventures. Warrenton River owns facilities for the transloading of bulk materials on the Ohio River - primarily coal. The coal unloaded at Warrenton River is in part used by the FirstEnergy Operating Companies at various generation facilities, but not all transloaded materials handled at Warrenton River are for the use and benefit of FirstEnergy or any of the FirstEnergy Subsidiaries; about two-thirds of these materials are for the use and benefit of third parties.

RULE 58(b)(1)(x). A Rule 58(b)(1)(x) company is defined as an entity which engages in the development and commercialization of technologies or processes that utilize coal waste by-products as an integral component of such technology or process. The following companies engage in energy management activities within the meaning of Rule 58(b)(1)(x) and are retainable by FirstEnergy:

- Engineered Processes. FirstEnergy Ventures has a 50% interest in Engineered Processes. Engineered Processes holds the patent on beta plaster, which is primarily used in wallboard applications. Beta plaster is manufactured using the by-products of coal-fired generating facilities to create wallboard material. FirstEnergy has a 20-year royalty agreement with Engineered Processes.

- Eastroc Technologies. FirstEnergy Ventures has a 50% interest in Eastroc Technologies. Eastroc Technologies holds the patent for alpha plaster, which is typically used in plaster of paris applications. Alpha plaster is manufactured using the by-products of coal-fired generation facilities to create plaster of paris materials.

INACTIVE NON-UTILITY SUBSIDIARIES. FirstEnergy has several inactive non-utility subsidiaries:

- Centerior Service. Centerior Service is a direct inactive subsidiary of FirstEnergy.

- FE Holdings. FE Holdings is a direct inactive subsidiary of FirstEnergy.

- Ohio Edison Financing Trust II. Ohio Edison Financing Trust II is a direct inactive subsidiary of Ohio Edison.

- CIT. CIT is a wholly owned subsidiary of FirstEnergy. CIT is the remnant of an executive compensation program that required the creation of a trust if the rating

on Centerior Energy Corporation dropped below investment grade. That event did occur, and the trust was funded using short term debt instruments, but it is expected that the trust will cease to exist between December 2001 and June 2002.

- Centerior Power. Centerior Power is a wholly owned subsidiary of FirstEnergy Ventures. Centerior Power is to be dissolved upon the planned cancellation of a contract, which required Centerior Power, together with CPICOR, a non-affiliate, to implement the DOE clean coal project. FirstEnergy plans to dispose of these interests.

- Mid-Atlantic. FE Acquisition holds all of the outstanding shares of Mid-Atlantic. Mid-Atlantic is an inactive subsidiary of FE Acquisition. Mid-Atlantic owned three 130 MW gas-fired peaking turbines at Richland, Ohio. Mid-Atlantic sold those turbines to GenCo effective January 1, 2001, prior to their going into service.

- Cleveland Electric Financing Trust I. Cleveland Electric Financing Trust I ("CEI Financing Trust I") is a wholly owned subsidiary of Cleveland Electric, which was formed to issue and sell up to $245 million liquidation amount of its preferred trust securities, the proceeds of which will be used, along with the proceeds of the concurrent issuance to Cleveland Electric of up to $7.6 million liquidation amount of CEI Financing Trust I's common trust securities, to purchase subordinated debentures of Cleveland Electric having an interest rate identical to the "coupon" on the preferred securities. CEI Financing Trust I's sole purpose will be to hold the Cleveland Electric subordinated debentures and to use the debt service thereon to pay distributions on its preferred trust securities. Although CEI Financing Trust I and Cleveland Electric jointly filed a Registration Statement on Form S-2 with the Commission on July 9, 2001 to register the preferred securities, the timing of the issuance and sale of the preferred trust securities is subject to, among other things, the Commission's review, if any, of the Form S-2 and general market conditions, and, therefore, is uncertain. Other than such registration and other ministerial activities in preparation for the offering of its preferred trust securities, CEI Financing Trust I is not currently engaged in any activities.

- ServeCo. ServeCo is a wholly owned subsidiary of FirstEnergy, which will act as a new service company for the post-Merger FirstEnergy system.

DE MINIMIS OR PASSIVE FINANCIAL INVESTMENTS RECEIVED IN CUSTOMERS' BANKRUPTCIES. The following de minimis and passive investments are held by FirstEnergy and/or the FirstEnergy Subsidiaries pursuant to the bankruptcies of customers of FirstEnergy and/or the FirstEnergy Subsidiaries. Such interests were acquired in lieu of payment for services rendered. Where available, percentages of the investments held, relative to the total amount of investments by others in the companies, are provided.

There is no market for the interests listed below held by FirstEnergy and/or the FirstEnergy Subsidiaries. These companies are bankrupt, and the interests, unless otherwise noted, are worthless. FirstEnergy plans to dispose of the interests when, and if, the interests become marketable.

NAME OF COMPANY IN WHICH INTEREST IS HELD (24)	COMPANY WITHIN FIRSTENERGY SYSTEM HOLDING INTEREST	AMOUNT OF SHARES OR OTHER INTEREST WITH PERCENTAGE OF OWNERSHIP (25)
Smarthouse, Inc.	Cleveland Electric	860 shares of common stock
Silas Creek Retail, Inc.	Ohio Edison	104 shares of common stock
Smith International, Inc.	Ohio Edison	17 warrants to acquire 17 shares of common stock
Steel City Products, Inc.	FirstEnergy	27 shares of common stock (0.001%)
Madisons of Columbus, Inc.	Cleveland Electric	41 shares of common stock
The Mason And Dixon Lines, Inc.	Cleveland Electric	640 shares of Class B preferred stock(26)
Luckey Farmers, Inc.	Toledo Edison	74 shares of Class C preferred stock
The Lionel Corp.	Toledo Edison	72 shares of common stock
Jewel Recovery L.P.	Ohio Edison	26.44 non-transferable limited partnership units (less than 0.001%) (d/b/a Zales Corp.)
Hermans Sporting Goods, Inc.	Ohio Edison	51 shares of common stock
	Cleveland Electric	460 shares of common stock
	Toledo Edison	69 shares of common stock
		(Total less than 0.001%)

(24) The interest was received by FirstEnergy or one of its subsidiaries when a customer went bankrupt, unless otherwise specified. The value of the interest is zero, and the interest is unmarketable, unless otherwise specified.

(25) The total number of shares, or the total amount of any other type of interest, is unknown unless otherwise specified.

(26) The stock will be surrendered for $640.00 in 2006.

NAME OF COMPANY IN WHICH INTEREST IS HELD (24)	COMPANY WITHIN FIRSTENERGY SYSTEM HOLDING INTEREST	AMOUNT OF SHARES OR OTHER INTEREST WITH PERCENTAGE OF OWNERSHIP (25)
Homeplace of America, Inc.	Cleveland Electric	5,312 shares of common stock
	Ohio Edison	623 shares of common stock
	Penn Power	610 shares of common stock
		(Total less than 0.001%)
House of Fabrics, Inc.	Toledo Edison	356 shares of common stock
Federals, Inc.	FirstEnergy	920 shares of common stock
Country Spring Farms Co-Op, Inc.	Toledo Edison	Memoranda of Capital Credit in the amount of $174.00
Cook United, Inc.	Toledo Edison	16,373 shares of common stock
County Seat Stores, Inc.	Toledo Edison	58 shares of common stock
	Cleveland Electric	1,102 shares of common stock
	Ohio Edison	793 shares of common stock
Busy Beavers Building Centers, Inc.	Ohio Edison	102 shares of common stock
Bulk Materials, Inc.	Cleveland Electric	38 shares of cumulative preferred stock
	Toledo Edison	20 shares of cumulative preferred stock
	Ohio Edison	10 shares of cumulative preferred stock
Best Products Co., Inc.	FirstEnergy	1,699 shares of common stock
Value Merchants Inc.	FirstEnergy	176 shares of common stock
COLOROCS Corp.	FirstEnergy	25 shares of common stock

NAME OF COMPANY IN WHICH INTEREST IS HELD (24)	COMPANY WITHIN FIRSTENERGY SYSTEM HOLDING INTEREST	AMOUNT OF SHARES OR OTHER INTEREST WITH PERCENTAGE OF OWNERSHIP (25)
United Merchants and Manufacturers, Inc.	Ohio Edison	39 shares of common stock 2 shares of Series 1 preferred stock
Edison Brothers Stores, Inc.	Ohio Edison	69 shares of common stock
EBS Pension, L.L.C.	Ohio Edison	71 membership units
EBS Building, L.L.C.	Ohio Edison	71 membership units
EBS Litigation, L.L.C.	Ohio Edison	69 membership units
EnviroSource, Inc.	Ohio Edison	66 shares of non-assignable Class B preferred stock
Oakhurst Capital, Inc.	Ohio Edison	27 shares of common stock

NON-UTILITY HOLDING COMPANIES. In addition to the companies discussed above, FirstEnergy has several other subsidiaries whose functions are to be the non-utility holding companies of certain of FirstEnergy's Non-Utility Subsidiaries described above. Through their subsidiaries, they are engaged in a variety of businesses and are retainable because all of their investments are in companies described above, which have been demonstrated to be retainable under the Act.

- FirstEnergy Facilities. FirstEnergy Facilities is a wholly owned subsidiary of FirstEnergy. FirstEnergy Facilities acts as the parent company for 11 direct subsidiaries engaged in mechanical contracting, facilities management and energy management services: (i) Ancoma; (ii) Colonial Mechanical; (iii) Webb Technologies; (iv) Dunbar Mechanical; (v) Edwards E & M; (vi) Elliott-Lewis; (vii) Cranston and Sons; (viii) Roth Bros.; (ix) Hattenbach; (x) R. P. C. Mechanical; and (xi) Spectrum.

- FirstEnergy Ventures. FirstEnergy Ventures is a wholly owned subsidiary of FirstEnergy. FirstEnergy Ventures owns equity investments in certain unregulated enterprises and business ventures, and has eight wholly owned subsidiaries: (i) Centerior Power; (ii) Centerior Energy Services; (iii) Advanced Technologies; (iv) Centerior Communications; (v) Bay Shore; (vi) FirstEnergy Fuel Marketing; (vii) FirstEnergy Telecommunications; and (viii) Warrenton River. FirstEnergy Ventures is part owner of two other companies: Eastroc Technologies and Engineered Processes.

- FE Acquisition. FE Acquisition is a wholly owned subsidiary of FirstEnergy. FE Acquisition holds all of the outstanding shares in Mid-Atlantic, an inactive holding company.

- Marbel Holdco. Marbel Holdco is a wholly owned subsidiary of MARBEL. It holds FirstEnergy's 50% ownership in Great Lakes.

- OES Ventures. OES Ventures is a wholly owned subsidiary of Ohio Edison. It holds PNBV.

- Centerior Communications. Centerior Communications is a wholly owned subsidiary of FirstEnergy Ventures. Centerior Communications was granted ETC status by the FCC in July 1997. Centerior Communications holds an interest in Fiber Venture.

- E-L Enterprises. E-L Enterprises is a wholly owned subsidiary of Elliot-Lewis. E-L Enterprises holds all of the issued and outstanding stock of Modern AC and R.L. Anderson and, indirectly, Airdex AC.

OTHER RETAINABLE INVESTMENTS. The following investments are also retainable:

- FirstEnergy Nuclear Operating Company. FirstEnergy Nuclear Operating Company is a wholly owned subsidiary of FirstEnergy. FirstEnergy Nuclear Operating Company is not an electric utility company within the meaning of the 1935 Act pursuant to the Commission's series of no-action letters following Ebasco Services, Incorporated, SEC No-Action Letter (Sept. 16, 1982). FirstEnergy Nuclear Operating Company operates the Davis-Besse Nuclear Power Station, Perry and the Beaver Valley under the supervision and direction of the owners of those facilities. Such company is retainable under existing Commission precedent. See, e.g., Entergy Corporation, Holding Co. Act Release No. 27039 (June 22, 1999) (Entergy Operations, Inc. "operates the systems' nuclear-fueled generating facilities"); compare, e.g., New Century Energies, Inc., supra, Holding Co. Act Release No. 27212 (Northern States Power Company's non-utility subsidiaries included Nuclear Management Company, which provides "services to the nuclear operations of its members," and NSP Nuclear Corporation, formed to hold NSP's interest in Nuclear Management Company).

- Envirotech. FirstEnergy owns a 6.36% partnership interest in Envirotech. Envirotech is a venture capital fund that invests assets in energy-related technologies relating to environmental issues. Envirotech was initially capitalized at $32,000,000, of which FirstEnergy's commitment is approximately $2,000,000. Interests held in Envirotech have been approved by the Commission. See, e.g., General Public Utilities Corporation, Holding Co. Act Release No. 26230 (Feb. 8, 1995) (order issued requiring that certificate be filed annually within 180 days of the end of each calendar year containing, among other things, a description of each of Envirotech's portfolio company investments, the costs incurred by Envirotech for such investments and their current valuation.)

- Republic Technologies International, Inc. FirstEnergy owns 30,000 shares of Series C Convertible Preferred Stock (the "Series C Shares") in Republic Technologies

International, Inc. ("Republic"). These shares are convertible at FirstEnergy's discretion. The Series C Shares would be converted to 429,478 shares of Common Stock representing a 5.3% equity ownership in Republic. At the present time, FirstEnergy has no intention to convert the shares to common stock. Republic is a large steel manufacturer combining the resources and expertise of Canadian Drawn Republic Steel Company, Inc., Bliss & Laughlin Steel, Republic Engineered Steels, Bar Technologies, and USS/KOBE. FirstEnergy's interest in Republic arises from FirstEnergy's subscription to purchase shares in Bar Technologies, Inc. ("Bar Tech"), a Delaware corporation renamed "Republic Technologies International, Inc." FirstEnergy's purchase of that stock, along with the investments of others, was used to finance certain debt of Bar Tech concerning a restructuring of Bar Tech. Republic, BarTech and the above mentioned affiliated companies filed a consolidated Chapter 11 bankruptcy petition on April 2, 2001 in the Northern District of Ohio. Such case is pending and FirstEnergy's interest in the Series C Shares is uncertain at this time. At the present time, FirstEnergy has no intention of converting its ownership interest into common stock assuming such action is permitted under the bankruptcy code.

- Cranberry Square Associates, L.P. Penn Power owns a 50% limited partnership interest in Cranberry Square Associates, L.P. ("Cranberry Square"). Cranberry Square is a limited partnership with the purpose of acquiring, developing, constructing, owning, operating, improving, leasing or otherwise managing a strip shopping center containing approximately 215,000 square feet of rentable space and other incidental improvements on approximately 24 acres located in Cranberry Township, Butler County, Pennsylvania.

- Corvis Corporation. FirstEnergy owns less than one hundredth of a percentage interest - 0.007% - in Corvis Corporation ("Corvis") represented by 535,761 shares of common stock out of 94,311,463 authorized shares as of March 1, 2001.(27) This investment represented a distribution of Kinetic Ventures I, LLC ("KVI"). Corvis is a developer of new technology for transmitting signals across fiber optic cables for optical switching equipment.

- Cisco Systems Inc. FirstEnergy owns a de minimis interest in Cisco Systems Inc. ("Cisco"). Cisco is a world leader in networking solutions for the Internet providing end-to-end networking solutions to customers used to build a unified information infrastructure of their own or to connect to someone else's network. The market value of this stock as of June 30, 2001 was $244,808. FirstEnergy plans to sell this interest within three years of the date of the order in this proceeding.

- S1 Corporation. FirstEnergy owns a de minimis interest in S1 Corporation ("S1"). This investment represented a distribution by KVI. S1 acquired the portfolio company, VerticalOne, an internet personal information aggregator. The market value of this stock as of June 30, 2001 was $323,316. FirstEnergy plans to sell this interest within three years of the date of the order in this proceeding.

2. Section 10(c)(2); Efficiencies and Economies. As the following discussion will demonstrate, the Merger will serve the public interest by tending towards the

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(27) The market value of this stock, as of June 30, 2001, was $2,351,991.

efficient and economical development of an integrated public-utility system, as required by Section 10(c)(2) of the Act.

The acquisition by FirstEnergy of all of the issued and outstanding voting securities of the GPU Energy Companies, York Haven and Waverly Electric will produce efficiencies and economies more than sufficient to satisfy the standards of Section 10(c)(2) of the Act. FirstEnergy anticipates that its acquisition of all of the issued and outstanding voting securities of the GPU Energy Companies, York Haven and Waverly Electric will result in cost reductions. The savings for all of FirstEnergy following the Merger are estimated to be approximately $1.5 billion over ten years (or an average of $150 million per year), net of implementation costs. This estimate is based upon an assumed five percent reduction in nongenerating operating and maintenance costs which has been typical of other mergers of public utility companies. It is not possible at this time to make a specific allocation of such projected savings among the FirstEnergy Operating Companies, ATSI and the GPU Energy Companies.

Generally, these estimated net cost savings result from a combination of improved operating efficiencies, elimination of duplicative activities and procurement efficiencies. In addition, other benefits will be realized by post-Merger FirstEnergy system. While difficult to quantify, FirstEnergy believes that these benefits are substantial and include operating efficiencies and administrative savings. These additional benefits are described below.

OPERATING EFFICIENCIES. FirstEnergy expects that the Merger will create operating efficiencies, such as enhanced system flexibility in the delivery of energy and a potentially increased capacity factor for its generating plants as a result of off-peak power being available for use by the GPU Energy Companies.

ADMINISTRATIVE SAVINGS. FirstEnergy believes that labor reductions will be obtained through attrition, controlled hiring and voluntary and involuntary severance programs. FirstEnergy anticipates that, over time, the Merger will permit the elimination of certain duplicative activities and will allow for the more efficient use of combined staffing, particularly with respect to corporate and administrative positions at the service company and holding company levels. FirstEnergy also expects reductions in duplicative corporate and administrative expenses to come from such areas as insurance, facilities, professional services and advertising.

From a reliability perspective, the Merger is expected to facilitate synergies between FirstEnergy and GPU and build upon areas of expertise and common experience. One major component of customer service reliability will be fostered by making additional resources available when needed to meet emergencies, such as storms and other related matters.

As of December 31, 2000, FirstEnergy, based on assets of approximately $39 billion on a pro forma basis, would have been the fourth largest investor-owned electric utility system in the United States. The scale of post-Merger FirstEnergy will enable it to compete more effectively in the increasingly competitive electric utility industry. Post-Merger FirstEnergy will possess the management, employee experience, technical expertise, retail customer base, energy and related services platform and financial resources to grow and succeed in the rapidly changing energy marketplace.

It has become apparent over the last few years that the evolving competitive electricity market requires participants to seek and create economies of scale, reduce duplicative activities and practices and enhance operating and procurement efficiencies in an effort to be competitive. By combining their resources, their years of utility experience and considerable expertise, GPU and FirstEnergy will significantly enhance each other's overall capabilities. The sum of these companies will be better than their individual components. The Merger will create a stronger parent company that is better positioned to compete and to attract capital on reasonable terms for its public utility subsidiaries.

C. REQUEST REGARDING FINANCING AND RELATED MATTERS - GENERAL

This Application/Declaration seeks the authorization and approval of the Commission with respect to the ongoing financing activities, the provision of intra-system services and guarantees, certain investments and other matters pertaining to FirstEnergy and its Subsidiaries after giving effect to the Merger and registration of FirstEnergy as a holding company. Specifically, this Application/Declaration seeks the following authorizations and approvals of the Commission:

- In order to ensure that the FirstEnergy system is able to meet its capital requirements immediately following registration and plan its future financing, FirstEnergy and the Subsidiaries identified below hereby request authorization for financing transactions resulting in additions to its capitalization for the period beginning with the effective date of an order issued pursuant to this filing and continuing to and including June 30, 2003 (the "Authorization Period").

- FirstEnergy requests that the Commission approve the issuance of 30 million shares of common stock under dividend reinvestment and stock-based management incentive and employee benefit plans pursuant to Sections 6(a) and 7 of the Act, all as more specifically described below.

- FirstEnergy requests that the Commission approve the issuance of one purchase right (a "Right") together with each share of common stock issued in accordance with the authority requested herein and related matters.

- FirstEnergy requests that the Commission approve the aggregate financing request in the amount of $8.0 billion, representing additions to capital, additional equity securities, preferred securities and debt (which amount includes debt required to finance the cash portion of the Merger), in each case including refinancings which do not alter outstanding capital but which will not count against the limits, as more fully described in this Application/Declaration for FirstEnergy and its Subsidiaries.

- FirstEnergy and the Subsidiaries referred to below request that the Commission approve the issuance by FirstEnergy and the Subsidiaries of

guarantees in an aggregate amount not to exceed $4.0 billion outstanding at any time in exposure as more fully described below.

- FirstEnergy requests the authorization and approval of the Commission under other sections of the Act and applicable rules and regulations of the Commission promulgated thereunder with respect to intra-system guarantees, the formation and operation of a utility money pool (the "Utility Money Pool") and a non-utility money pool (the "Non-Utility Money Pool") as more fully described in this Application/Declaration.

- FirstEnergy requests the authorization and approval of the Commission to make future investments in EWGs, foreign utility companies ("FUCOs") or ETCs (collectively, "Exempt Subsidiaries"), Rule 58 Subsidiaries, energy related companies ("Energy Related Companies"),(28) and certain other types of Non-Utility Subsidiaries.

- FirstEnergy requests the authorization and approval of the Commission to consolidate the direct and indirect ownership interests in certain existing non-utility businesses and former subsidiaries of GPU under FirstEnergy Facilities, MYR and certain other first-tier non-utility holding companies (collectively, the "Non-Utility Holding Company").

- FirstEnergy and the Subsidiaries request the authorization and approval of the Commission to organize and acquire the securities of one or more additional Subsidiaries to act as a holding company for non-utility investments if, in FirstEnergy's judgment, there are organizational, functional, tax or other benefits to be derived in separating non-utility businesses at the first-tier level. Accordingly, unless otherwise indicated, references to the Non-Utility Holding Company in this Application/Declaration shall include such other first-tier Subsidiaries as FirstEnergy may choose to organize to serve a similar purpose.

- FirstEnergy requests that the Commission approve an exemption from Rule 45 with respect to FirstEnergy's agreement for the allocation of consolidated tax among FirstEnergy and the Subsidiaries (the "Tax Allocation Agreement").

- FirstEnergy and the Subsidiaries identified below request that the Commission approve the payment of dividends out of capital or unearned surplus as described herein.

- FirstEnergy requests that the Commission grant FirstEnergy approvals substantially similar to outstanding approvals granted to GPU in matters that

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(28) An Energy Related Company is any investment that would qualify to be a Rule 58 Subsidiary but for the fact that a substantial portion of its revenues are derived from activities outside the United States provided that the Commission has approved such investment. FirstEnergy seeks approval to invest in certain Energy Related Companies in Item 3.N herein.

will have continuing applicability following the Merger as more specifically identified herein.

D. OVERVIEW OF THE FINANCING REQUEST

FirstEnergy hereby requests authorization to engage in the Acquisition Financing and other financing transactions set forth herein during the Authorization Period. The approval by the Commission of this Application/Declaration will give FirstEnergy the flexibility that will allow it to respond quickly and efficiently to its financing needs and to changes in market conditions, allowing it to efficiently and effectively carry on competitive business activities designed to provide benefits to customers and shareholders. Approval of this Application/Declaration is consistent with existing Commission precedent, both for newly registered holding company systems(29) and holding company systems that have been registered for a longer period of time.(30)

The total consideration to be paid in the Merger is approximately $4.5 billion, which will be paid 50% through the issuance by FirstEnergy of additional common stock and 50% with cash. FirstEnergy will issue between 74 million and 95 million shares of common stock in connection with the Merger (including any shares issued in connection with employee stock options of GPU or FirstEnergy or other employee benefit plans where awards are payable as a result of the Merger.)(31) Approximately $2.2 billion of cash will be used at closing to fund the cash portion of the Merger consideration. In addition to this Merger consideration, FirstEnergy plans to refinance at or about the effective time of the Merger certain then outstanding GPU-related short-term debt (expected to be approximately $1.8 billion). This GPU-related short-term debt as of March 31, 2001 was as follows:

COMPANY	AMOUNT
	($ IN MILLIONS)
GPU and GPU Utility Subsidiaries	$433
GPU Capital	798
EIUK Holdings	357

(29) See, e.g., Exelon Corporation, supra, Holding Co. Act Release No. 27266; supplemented by Holding Co. Act Release No. 27296 (Dec. 8, 2000); New Century Energies, Inc., Holding Co. Act Release No. 26750 (Aug. 1, 1997); Ameren Corporation, supra, Holding Co. Act Release No. 26809; Conectiv, Inc., supra, Holding Co. Act Release No. 26833; Dominion Resources, Inc., supra, Holding Co. Act Release No. 27112; SCANA Corporation, Holding Co. Act Release No. 27137 (Feb. 14, 2000).

(30) See, e.g., The Columbia Gas System, Inc., Holding Co. Act Release No. 26634 (Dec. 23, 1996); Gulf States Utilities Company, Holding Co. Act Release No. 264451 (Jan. 16, 1996).

(31) See Item 1.B.

COMPANY	AMOUNT ($ IN MILLIONS)
GPU Australia Holdings	176
Total	$1,764

FirstEnergy plans to meet the Acquisition Financing requirements through a short-term bank bridge loan, but may use any form of long-term or short-term financing described herein, including preferred stock and preferred stock equivalent securities (collectively, "Preferred Securities") or securities convertible into common stock. The bridge loan will ultimately be repaid with proceeds from permanent debt financing by FirstEnergy or other entities in the FirstEnergy system as approved by the Commission pursuant to the general financing request herein or in subsequent dockets.

The financing authorizations requested herein relate to:

(1) (a) external issuances by FirstEnergy of common stock, Preferred Securities, long-term debt, short-term debt and other securities, (b) guarantees of obligations of affiliated or unaffiliated persons in favor of other unaffiliated persons and (c) the entering into by FirstEnergy of transactions to manage interest rate risk ("Hedging Transactions");(32)

(2) the entering into of hedging transactions by the Utility Subsidiaries to the extent not exempt pursuant to Rule 52;

(3) lending to non-wholly owned Non-Utility Subsidiaries at a rate not less than the cost of capital of the lending associate company;

(4) the establishment of the Utility Money Pool and the Non-Utility Money Pool and the issuance of intra-system guarantees by FirstEnergy and the Non-Utility Subsidiaries on behalf of the Subsidiaries;

(5) the continuation of existing intra-system debt, guarantees and other financing arrangements;

(6) the ability of 50% or more owned Subsidiaries to alter their capital stock in order to engage in financing transactions with their parent company;

(7) the ability of FirstEnergy and those Subsidiaries identified below to pay dividends out of capital or unearned surplus; and

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(32) "Hedging Transactions" include only those transactions related to financing activities. Engaging in futures and other commodity-related risk management by FirstEnergy and its subsidiaries constitute part of their normal business activities and as such do not require Commission approval. See Southern Energy, Inc., Holding Co. Act Release No. 27020 (May 13, 1999); Entergy Corporation, Holding Co. Act Release No. 26812 (Jan. 6, 1998); New Century Energies, Holding Co. Act Release No. 26748; National Fuel Gas Company, Holding Co. Act Release No. 26666 (Feb. 12, 1997).

(8) the formation of financing entities ("Financing Subsidiaries") and the issuance by such entities of securities otherwise authorized to be issued and sold pursuant to this Application/Declaration or pursuant to applicable exemptions under the Act, including intra-system guarantees of such securities and the retention of existing Financing Subsidiaries.

E. PARAMETERS FOR FINANCING AUTHORIZATION

Authorization is requested herein to engage in certain financing transactions during the Authorization Period for which the specific terms and conditions are not at this time known, and which may not be covered by Rule 52, without further prior approval by the Commission. The following general terms will be applicable where appropriate to the financing transactions requested to be authorized hereby:

1. Effective Cost of Money; Security. The effective cost of money on long-term debt borrowings occurring pursuant to the authorizations granted under this Application/Declaration will not exceed the greater of (a) 350 basis points over the comparable term U.S. Treasury securities or (b) a gross spread over U.S. Treasuries that is consistent with similar securities of comparable credit quality and maturities (or perpetual preferred) issued by other companies. The effective cost of money on short-term debt borrowings pursuant to authorizations granted under this Application/Declaration will not exceed the greater of (i) 350 basis points over the comparable term London Interbank Offered Rate ("LIBOR") or (ii) a gross spread over LIBOR that is consistent with similar securities of comparable credit quality and maturities issued by other companies.(33) The dividend rate on any series of Preferred Securities will not exceed the greater of (x) 500 basis points over the yield to maturity of a U.S. Treasury security having a remaining term equal to the term of such series of Preferred Securities or (y) a rate that is consistent with similar securities of comparable credit quality and maturities (or perpetual preferred) issued by other companies.

Any securities issued under these approvals may be secured by property of the issuer or unsecured.

2. Maturity of Debt and Final Redemption on Preferred Securities. The maturity of indebtedness will not exceed 50 years. All Preferred Securities (other than perpetual preferred) will be redeemed no later than 50 years after the issuance thereof.

3. Issuance Expenses. The underwriting fees, commissions or other similar remuneration paid in connection with the non-competitive issue, sale or distribution of a security pursuant to this Application/Declaration (not including any original issue discount) will not exceed 5% of the principal or total amount of the security being issued.

4. Use of Proceeds. The proceeds from the sale of securities in external financing transactions will be used for general corporate purposes, including:

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(33) See Exelon Corporation, supra, Holding Company Act Release No. 27266; The Southern Company, supra, Holding Company Act Release No. 27134.

- financing the cash and stock portion of the Merger consideration under the Merger Agreement;

- the financing, in part, of the capital expenditures of FirstEnergy and its Subsidiaries;

- the financing of working capital requirements of FirstEnergy and its Subsidiaries;

- the acquisition, retirement or redemption pursuant to Rule 42 of securities previously issued by FirstEnergy or its Subsidiaries; and

- other lawful purposes, including direct or indirect investment in EWGs, FUCOs, ETCs, Rule 58 Subsidiaries, Energy Related Companies or other businesses approved by the Commission.(34) The Applicants represent that no such financing proceeds will be used to acquire or form a new subsidiary unless such financing is consummated in accordance with an order of the Commission or an available exemption under the Act.

5. Financial Condition. FirstEnergy and each of the Primary Operating Utilities are financially sound and each have investment grade ratings from major national rating agencies, except as noted below.(35) Information regarding the pro forma capital structure of FirstEnergy is included in Item 3.A.3(a). Further financial information is included in Item 3.F and Item 3.G.

As described in Item 3.A.3, FirstEnergy's pro forma common equity ratio at the assumed closing date of the Merger will be 29.5%. For this purpose, consolidated capitalization includes common equity, preferred stock, including preferred stock subject to mandatory redemption within one year, and long-term and short-term debt, including current maturities of long-term debt.

FirstEnergy commits that it will achieve consolidated common equity (as reflected on the balance sheets contained in its most recent 10-K or 10-Q filed with the Commission pursuant to the Securities Exchange Act of 1934 ("1934 Act")) of at least 30% of consolidated capitalization by December 31, 2002 and, at all times thereafter during the Authorization Period, its common equity so determined will be at least 30% of its consolidated capitalization.

FirstEnergy does not currently have any securities ratings. FirstEnergy will seek ratings to be in effect at or near the time of the Merger. FirstEnergy commits that within nine months following the date of the order in this matter, throughout the Authorization Period it will

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(34) FirstEnergy will make additional investments in EWGs and FUCOs during the Authorization Period. Accordingly, Rules 53 and 54 apply to this Application/Declaration. Compliance with these rules is addressed below.

(35) The ratings for FirstEnergy and each of the Primary Operating Utilities is included in Item 3.H.2 below.

maintain at least an investment grade corporate or senior secured debt rating by at least one nationally recognized rating agency.

Further, each Primary Operating Utility, except Cleveland Electric, currently has a common equity component of total capitalization in excess of 30%. FirstEnergy commits that each Primary Operating Utility, other than Cleveland Electric, will maintain common equity of at least 30% of its capitalization (calculated in the same manner as described above) and at least an investment grade senior secured debt rating by at least one nationally recognized rating agency. Cleveland Electric's common equity ratio was adversely affected by accounting adjustments in the merger with Ohio Edison in 1997. Further, rate making activities led to higher debt levels in the period 1990 to 1996. FirstEnergy commits that Cleveland Electric will achieve a 30% common equity ratio and an investment grade senior secured debt rating by June 30, 2003.

The consequence of failing to maintain an investment grade rating or common equity of at least 30% of consolidated capitalization when required is that FirstEnergy and its Subsidiaries (or if such failure were only by a Primary Operating Utility, such company) would not be authorized to issue securities in a transaction subject to Commission approval except for securities which would result in an increase in such common equity percentage or restoration of such rating.(36)

Notwithstanding the commitments described in the next preceding paragraph regarding investment grade ratings and the 30% common equity criteria, FirstEnergy requests that the Commission authorize the continued issuance of securities as described herein through the Authorization Period in circumstances where FirstEnergy is not in compliance with one or more of such requirements. FirstEnergy requests that the Commission reserve jurisdiction over the issuance of securities in those circumstances where FirstEnergy does not comply with either the investment grade ratings or the 30% common equity criteria, pending completion of the record.

Except as otherwise approved by the Commission pursuant to the request contained in Item 3.H.2, FirstEnergy represents that it also will be in compliance with Commission Rule 53.

F. DESCRIPTION OF SPECIFIC TYPES OF FINANCING

1. FirstEnergy External Financing. FirstEnergy requests authorization to obtain funds externally through sales of common stock, Preferred Securities, long-term debt and short-term debt securities. With respect to common stock, FirstEnergy also requests authority to issue common stock to third parties in consideration for the acquisition by FirstEnergy or a Non-Utility Subsidiary of equity or debt securities of a company being acquired pursuant to Rule 58 or Sections 32, 33 or 34 of the Act. In addition, FirstEnergy seeks the flexibility to enter into certain hedging transactions to manage rate risk and for other lawful purposes. Existing outstanding securities and financing arrangements of FirstEnergy are summarized on Exhibit N-1

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(36) Securities issuances not subject to Commission approval such as state commission approved utility financing or financings for ETCs would be unaffected. Such issuance would have to otherwise satisfy the conditions of the Commission's order in this case, such as being within the maximum amount of additional financing approved, if applicable.

hereto. FirstEnergy seeks approval to the extent required for these securities and arrangements to remain in place following consummation of the Merger.

(a) Common Stock. FirstEnergy is authorized under its restated articles of incorporation to issue 300 million shares of common stock ($.10 par value).(37) FirstEnergy will issue not more than 95 million shares of common stock in connection with the Merger.(38) The aggregate amount of additional capitalization obtained by FirstEnergy during the Authorization Period from issuance and sale of common stock (other than for employee benefit plans or stock purchase and dividend reinvestment plans as discussed below and other than shares issued in the Merger), when combined with the long-term debt, short-term debt and Preferred Securities issued and then outstanding, as described in this section, shall not exceed $8.0 billion for the uses set forth in Item 3.E.4. FirstEnergy common stock issued in any of the circumstances described in Item 3.F.1(a)(ii) relating to future acquisitions shall be valued, for purposes of determining compliance with the aggregate financing limitation set out herein, at its market value as of the date of issuance (or if appropriate at the date of a binding contract providing for the issuance thereof).

(i) General. Subject to the foregoing, FirstEnergy may issue and sell common stock or options, warrants or other stock purchase rights exercisable for common stock. FirstEnergy may also buy back shares of such stock or such options during the Authorization Period in accordance with Rule 42.

Common stock financings may be effected pursuant to underwriting agreements of a type generally standard in the industry. Public distributions may be pursuant to private negotiation with underwriters, dealers or agents as discussed below or effected through competitive bidding among underwriters. In addition, sales may be made through private placements or other non-public offerings to one or more persons. All such common stock sales will be at rates or prices and under conditions negotiated or based upon, or otherwise determined by, competitive capital markets.

FirstEnergy may sell common stock covered by this Application/Declaration in any one of the following ways: (i) through underwriters or dealers; (ii) through agents; (iii) directly to a limited number of purchasers or a single purchaser; or (iv) directly to employees (or to trusts established for their benefit), shareholders and others through its employee benefit plans or stock purchase and dividend reinvestment plans. If underwriters are used in the sale of the securities, such securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The securities may be offered

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(37) Under its articles of incorporation, FirstEnergy is authorized to issue 305 million shares consisting of 300 million shares of common stock and 5 million shares of preferred stock. As of December 31, 2000, FirstEnergy had 224,531,580 shares of common stock outstanding and no shares of preferred stock outstanding. Upon consummation of the Merger, FirstEnergy will be authorized to issue up to 375 million shares of common stock and 5 million shares of preferred stock.

(38) The exact number of shares issued depends on the exact proration of the cash and stock portion of the amount payable in the Merger and assumes all options and restricted stock will be exercised for outstanding shares of GPU and converted to FirstEnergy shares in the Merger. See Item 1.B for a description of the adjustment.

to the public either through underwriting syndicates (which may be represented by a managing underwriter or underwriters designated by FirstEnergy) or directly by one or more underwriters acting alone. The securities may be sold directly by FirstEnergy or through agents designated by FirstEnergy from time to time. If dealers are utilized in the sale of any of the securities, FirstEnergy will sell such securities to the dealers as principals. Any dealer may then resell such securities to the public at varying prices to be determined by such dealer at the time of resale. If common stock is being sold in an underwritten offering, FirstEnergy may grant the underwriters thereof a "green shoe" option permitting the purchase from FirstEnergy at the same price of additional shares then being offered solely for the purpose of covering over-allotments.

(ii) Future Acquisitions. Under Rule 58 and Sections 32, 33 and 34 of the Act, FirstEnergy is or will be authorized to acquire securities of companies engaged in functionally related businesses, Rule 58 Subsidiaries, EWGs, FUCOs, ETCs and, to the extent approved herein, Energy Related Companies. FirstEnergy may also issue common stock or options, warrants or other stock purchase rights exercisable for common stock in public or privately-negotiated transactions as consideration for the equity securities or assets of other companies, provided that the acquisition of any such equity securities or assets has been authorized in this proceeding or in a separate proceeding or is exempt under the Act or the rules thereunder.(39)

(b) Rights. Each Right entitles the registered holder of the associated common stock to purchase from FirstEnergy one share of common stock at a price of $70 per share when the Rights become exercisable. The Rights are issued pursuant to the Rights Agreement (the "Rights Agreement") between FirstEnergy and The Bank of New York, as rights agent. The provisions relating to the Rights are described in FirstEnergy's Form 8-K dated December 1, 1997, which is incorporated herein by reference. FirstEnergy seeks approval to implement the Rights Agreement in accordance with its terms. The Commission has approved shareholder rights plans adopted for the purpose of preserving for shareholders the value of their shares in the event of an attempted takeover that the board of directors of its subject company determines is not in the best interests of shareholders.(40)

(c) Preferred Securities. FirstEnergy seeks to have the flexibility to issue its authorized preferred stock or other types of Preferred Securities (including, without limitation, trust Preferred Securities or monthly income Preferred Securities) directly or indirectly through one or more special-purpose Financing Subsidiaries organized by FirstEnergy specifically for such purpose as described herein. The aggregate amount of additional capitalization obtained by FirstEnergy during the Authorization Period from issuance and sale of Preferred Securities, when combined with the amount of common stock (other than for benefit plans or stock purchase and dividend reinvestment plans and other than shares issued in the

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(39) The Commission has previously approved the issuance of common stock as consideration for the acquisition of a new business in an exempt transaction or transaction that has been approved in a separate proceeding. See, e.g., SCANA Corporation, supra, Holding Co. Act Release No. 27137.

(40) See, e.g., Xcel Energy, Inc., Holding Co. Act Release No. 27413 (June 5, 2001); NiSource, Inc., Holding Co. Act Release No. 27265 (Nov. 1, 2000) (existing rights plan of company becoming registered as a result of a merger); GPU, Inc., Holding Co. Act Release No. 26937 (Nov. 4, 1998).

Merger), short-term debt and long-term debt issued and then outstanding, as described in this section, shall not exceed $8.0 billion for the uses set forth in Item 3.E.4. The proceeds of Preferred Securities would provide an important source of future financing for the operations of and investments in non-utility businesses, which are exempt under the Act or have been approved by the Commission.(41) Preferred stock or other types of Preferred Securities may be issued in one or more series with such rights, preferences and priorities as may be designated in the instrument creating each such series, as determined by FirstEnergy's Board of Directors. Dividends or distributions on Preferred Securities will be made periodically and to the extent funds are legally available for such purpose, but may be made subject to terms which allow the issuer to defer dividend payments for specified periods. Preferred Securities may be convertible or exchangeable into shares of FirstEnergy common stock or indebtedness.

Preferred Securities may be sold directly through underwriters or dealers in connection with an acquisition in a manner similar to that described for common stock in Item 3.F.1(a).

(d) Long-Term Debt. The aggregate amount of additional capitalization obtained by FirstEnergy during the Authorization Period from issuance and sale of long-term debt securities, when combined with the common stock (other than for benefit plans or stock purchase and dividend reinvestment plans and other than shares issued in the Merger), short-term debt and Preferred Securities issued and then outstanding, as described in this section, shall not exceed $8.0 billion for the uses set forth in Item 3.E.4. This request includes the debt portion of the Acquisition Financing. Such long-term debt securities would be comprised of bonds, notes, medium-term notes or debentures under one or more indentures (each, the "FirstEnergy Indenture") or long-term indebtedness under agreements with banks or other institutional lenders.

Any long-term debt security would have such designation, aggregate principal amount, maturity, interest rate(s) or methods of determining the same, terms of payment of interest, redemption provisions, sinking fund terms and other terms and conditions as FirstEnergy may determine at the time of issuance. Any long-term debt (a) may be convertible into any other securities of FirstEnergy, (b) will have maturities ranging from one to 50 years, (c) may be subject to optional and/or mandatory redemption, in whole or in part, at par or at various premiums above the principal amount thereof, (d) may be entitled to mandatory or optional sinking fund provisions, (e) may provide for reset of the coupon pursuant to a remarketing arrangement, (f) may be subject to tender or the obligation of the issuer to repurchase at the election of the holder or upon the occurrence of a specified event, (g) may be called from

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(41) Recently, the Commission approved a similar financing application filed by Southern Company in which Southern Company requested approval to issue preferred securities and long-term debt, directly or indirectly through special-purpose financing entities. See The Southern Company, supra, Holding Co. Act Release No. 27134. In that case, the Commission took account of the changing needs of registered holding companies for sources of capital other than common equity and short-term debt brought about primarily by the elimination of restrictions under the Act on investments in various types of non-core businesses (e.g., EWGs, FUCOs, ETCs and businesses allowed by Rule 58). The Commission noted that, without the ability to raise capital in external markets that is appropriate for such investments, registered holding companies would be at a competitive disadvantage to other energy companies that are not subject to regulation under the Act.

existing investors by a third party and (h) may be entitled to the benefit of positive or negative financial or other covenants.

The maturity dates, interest rates, redemption and sinking fund provisions, tender or repurchase and conversion features, if any, with respect to the long-term securities of a particular series, as well as any associated placement, underwriting or selling agent fees, commissions and discounts, if any, will be established by negotiation or competitive bidding.

Borrowings from the banks and other financial institutions may be unsecured and pari passu with debt securities issued under the FirstEnergy Indenture and the short-term credit facilities (as described below). Long-term debt may be secured by property of FirstEnergy. Specific terms of any borrowings will be determined by FirstEnergy at the time of issuance and will comply in all regards with the parameters on financing authorization set forth in Item 3.E.

The request for authorization for FirstEnergy to issue long-term debt securities is consistent with authorization that the Commission has granted to other holding companies.(42)

In addition to the long-term debt noted above, FirstEnergy expects to assume $300 million of GPU debentures (7.7% Series A, due December 1, 2005) upon consummation of the Merger.

(e) Short-Term Debt. FirstEnergy requests approval for any short-term debt outstanding or credit facility of GPU existing at the time of the Merger to be assumed by FirstEnergy.

FirstEnergy seeks authority to issue short-term debt to provide for the reissuance of pre-Merger letters or lines of credit or commercial paper and to provide financing for general corporate purposes, working capital requirements and temporary financing of Subsidiary capital expenditures. The aggregate amount of additional capitalization obtained by FirstEnergy during the Authorization Period from issuance and sale of short-term debt, when combined with common stock (other than for employee benefit plans or stock purchase and dividend reinvestment plans as discussed below and other than shares issued in the Merger), long-term debt, and Preferred Securities issued then outstanding, as described in this section, shall not exceed $8.0 billion for the uses set forth in Item 3.E.4. However, FirstEnergy will limit the amount of short-term debt issued and outstanding at any time pursuant to the authority sought herein plus any short-term debt outstanding at the date of the Merger to $5.0 billion.

FirstEnergy may also sell commercial paper, from time to time, in established domestic or European commercial paper markets. Such commercial paper would be sold to dealers at the discount rate or the coupon rate per annum prevailing at the date of issuance for commercial

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(42) See Cinergy Corp., Holding Co. Act Release No. 27190 (June 23, 2000); The National Grid Group plc, supra, Holding Co. Act Release No. 27154; SCANA Corporation, supra, Holding Co. Act Release No. 27137; The Southern Company, supra, Holding Co. Act Release No. 27134; Dominion Resources, Inc., supra, Holding Co. Act Release No. 27112; Cinergy Corp., Holding Co. Act Release No. 26909 (Aug. 21, 1998) (authorizing the issuance of up to $400 million of unsecured debt securities); Conectiv, Inc., Holding Co. Act Release No. 26921 (Sept. 28, 1998) (authorizing issuance of up to $250 million of debentures).

paper of comparable quality and maturities sold to commercial paper dealers generally. It is expected that the dealers acquiring commercial paper from FirstEnergy will reoffer such paper at a discount to corporate, institutional and, with respect to European commercial paper, individual investors. Institutional investors are expected to include commercial banks, insurance companies, pension funds, investment trusts, foundations, colleges and universities and finance companies.

FirstEnergy may, without counting against the limit set forth above, maintain back-up lines of credit in connection with a commercial paper program in an aggregate amount not to exceed the amount of authorized commercial paper.

Credit lines may be set up for use by FirstEnergy for general corporate purposes in addition to credit lines to support commercial paper as described in this subsection. FirstEnergy will borrow and repay under such lines of credit, from time to time, as it is deemed appropriate or necessary.

(f) Total Financing Sought. The aggregate amount of new equity, Preferred Securities, long-term debt and short-term debt financing to be obtained by FirstEnergy during the Authorization Period shall be not more than $8.0 billion, which includes the common stock and debt portions of the Acquisition Financing. FirstEnergy seeks authority to refinance or refund existing securities for the purpose of lowering interest cost, changing from fixed rate to variable rate, refunding short-term debt with long-term debt (including any refinancing of the Acquisition Financing), extending the maturity, altering covenants, changing capitalization ratios or for other proper financial purposes.(43) Such refinancing or refunding of outstanding securities whether such securities were issued before or after the Merger shall not count against the $8.0 billion total new capitalization sought herein. In addition, FirstEnergy shall have the authority to issue guarantees up to $4.0 billion.

(g) Financing Risk Management Devices.

(i) Interest Rate Risk. FirstEnergy requests authority to enter into, perform, purchase and sell financial instruments intended to reduce or manage the volatility of interest rates, including but not limited to interest rate swaps, caps, floors, collars and forward agreements or any other similar agreements. Hedges may also include issuance of structured notes (i.e., a debt instrument in which the principal and/or interest payments are indirectly linked to the value of an underlying asset or index), or transactions involving the purchase or sale, including short sales, of U.S. Treasury or Agency (e.g., FNMA) obligations or LIBOR based swap instruments (collectively referred to as "Hedge Instruments"). The transactions would be for fixed periods and stated notional amounts. FirstEnergy would employ interest rate derivatives as a means of prudently managing the risk associated with any of its outstanding debt issued pursuant to this authorization or an applicable exemption by, in effect, synthetically (i) converting variable rate debt to fixed rate debt, (ii) converting fixed rate debt to variable rate debt and (iii) limiting the impact of changes in interest rates resulting from variable rate debt. In

(43) Refunding or refinancing will be subject to the Applicants' commitments regarding the 30% common equity ratio.

no case will the notional principal amount of any interest rate swap exceed the greater of the value of the underlying debt instrument or the present market value of the underlying debt instrument and related interest rate exposure. Transactions will be entered into for a fixed or determinable period. Thus, FirstEnergy will not engage in speculative transactions unassociated with its financing needs and activities. FirstEnergy will only enter into agreements with counterparties ("Approved Counterparties") whose senior debt ratings, as published by a national recognized rating agency, are greater than or equal to "BBB," or an equivalent rating.

(ii) Anticipatory Hedges. In addition, FirstEnergy requests authorization to enter into interest rate hedging transactions with respect to anticipated debt offerings (the "Anticipatory Hedges"), subject to certain limitations and restrictions. Such Anticipatory Hedges would only be entered into with Approved Counterparties, and would be utilized to fix and/or limit the interest rate risk associated with any new issuance through (i) a forward sale of exchange-traded Hedge Instruments (a "Forward Sale"), (ii) the purchase of put options on Hedge Instruments (a "Put Options Purchase"), (iii) a Put Options Purchase in combination with the sale of call options Hedge Instruments (a "Zero Cost Collar"), (iv) transactions involving the purchase or sale, including short sales, of Hedge Instruments, or (v) some combination of a Forward Sale, Put Options Purchase, Zero Cost Collar and/or other derivative or cash transactions, including, but not limited to, structured notes, caps and collars, appropriate for the Anticipatory Hedges. Anticipatory Hedges may be executed on-exchange ("On-Exchange Trades") with brokers through the opening of futures and/or options positions traded on the Chicago Board of Trade ("CBOT"), the opening of over-the-counter positions with one or more counterparties ("Off-Exchange Trades"), or a combination of On-Exchange Trades and Off-Exchange Trades. FirstEnergy or the appropriate Subsidiary will determine the optimal structure of each Anticipatory Hedge transaction at the time of execution. FirstEnergy or the appropriate Subsidiary may decide to lock in interest rates and/or limit its exposure to interest rate increases.(44)

(iii) Accounting Standards. FirstEnergy will comply with Statement of Financial Accounting Standards ("SFAS") 80 ("Accounting for Futures Contracts"), SFAS 133 ("Accounting for Derivative Instruments and Hedging Activities"), SFAS
138 ("Accounting for Certain Derivative Instruments and Certain Hedging Activities") or such other standards relating to accounting for derivative transactions as are adopted and implemented by the Financial Accounting Standards Board ("FASB"). The Hedge Instruments and Anticipatory Hedges approved hereunder will qualify for hedge accounting treatment under the current FASB standards in effect and as determined at the date such Hedge Instruments or Anticipatory Hedges are entered into. FirstEnergy also requests authority to enter into Hedge Instruments and Anticipatory Hedges which do not qualify for hedge accounting treatment by the

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(44) The proposed terms and conditions of the Hedge Instruments and Anticipatory Hedges are substantially the same as the Commission has approved in other cases. See SCANA Corporation, supra, Holding Co. Act Release No. 27137; New Century Energies, Inc., Holding Co. Act Release No. 27000 (April 7, 1999); Ameren Corp., Holding Co. Act Release No. 27053 (July 23, 1999). FirstEnergy has engaged in Hedge Instruments and Anticipatory Hedges in the past and certain positions may remain unsettled at the consummation of the Merger.

FASB, and requests that the Commission reserve jurisdiction on this request until the record is complete.

2. Financing Subsidiaries. FirstEnergy and the Subsidiaries request authority to acquire, directly or indirectly, the equity securities of one or more Financing Subsidiaries. Financing Subsidiaries may be corporations, trusts, partnerships or other entities created specifically for the purpose of facilitating the financing of the authorized and exempt activities (including exempt and authorized acquisitions) of FirstEnergy and the Subsidiaries through the issuance of long-term debt, Preferred Securities or equity securities, to third parties and the transfer of the proceeds of such financings to FirstEnergy or such Subsidiaries.(45) FirstEnergy or a Subsidiary may, if required, guarantee or enter into support or expense agreements in respect of the obligations of any such Financing Subsidiaries. Subsidiaries may also provide guarantees and enter into support or expense agreements, if required, on behalf of such entities pursuant to Rules 45(b)(7) and 52, as applicable. Each of the Subsidiaries also requests authorization to enter into an expense agreement with its respective financing entity, pursuant to which it would agree to pay all expenses of such entity. Any amounts issued by such financing entities to third parties pursuant to this authorization will be included in the overall external financing limitation authorized herein for the immediate parent of such financing entity. However, the underlying intra-system mirror debt and parent guarantee shall not be so included.(46)

3. Assignments, Assumptions or Transfers of Indebtedness. In connection with the corporate restructuring of its Utility Subsidiaries described in this Application/Declaration, FirstEnergy may find it desirable from time to time during the Authorization Period to have one Subsidiary assume the indebtedness of another Subsidiary so as to accurately match liabilities with associated assets. For example, the Utility Subsidiaries may have outstanding obligations relating to pollution control and solid waste disposal facilities which are closely related to the generating facilities which have been or will be transferred to GenCo. Details regarding this request are contained in Item 3.S which discusses other approvals in connection with such restructuring. The Commission has approved the transfer of liabilities from one entity to another in the holding company system to facilitate such corporate restructurings.(47)

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(45) One of the special purpose subsidiaries already in existence, such as OES Capital or Centerior Funding, may be used for these purposes as well.

(46) The authorization sought herein with respect to financing entities is substantially the same as that given to: New Century Energies, Inc., supra, Holding Co. Act Release No. 26750; Conectiv, Inc., supra, Holding Co. Act Release No. 26833; Cinergy Corp., Holding Co. Act Release No. 26984 (March 1, 1999); Dominion Resources, Inc., supra, Holding Co. Act Release No. 27112, SCANA Corporation, supra, Holding Co. Act Release No. 27137.

(47) See Exelon Corporation, supra, Holding Co. Act Release No. 27266.

4. Utility Subsidiary Financing. Existing outstanding securities and financing arrangements of the existing FirstEnergy Utility Subsidiaries are summarized on Exhibit N-1 hereto.(48) FirstEnergy seeks approval to the extent required for these securities and arrangements to stay in place following the Merger.

(a) Rule 52 Securities Issuances. Rule 52 provides an exemption from the prior authorization requirements of the Act for most of the issuances and sales of securities by the Utility Subsidiaries because they must be approved by the relevant state public utility commission. In general, all securities issuances of the Utility Subsidiaries must be approved by the applicable state commission except as noted below. Because of the approvals in place or which will be required, none of the Utility Subsidiaries is seeking any further approval from the Commission hereunder for the issuance of securities (except as noted in Item 3.F.4.(b) and (c) below).

The PUCO regulates the issuance of all securities by public utility companies except for securities with a maturity of less than 12 months in an amount not greater than five percent of the par value of the other stocks, bonds, notes or other evidences of indebtedness of such companies and securities subject to an order of approval under the Act. Ohio Rev. Code ss. 4905.401.

Ohio Edison, Toledo Edison and Cleveland Electric each have approval from the PUCO to issue short term indebtedness in excess of the five percent basket. Accordingly, Ohio Edison, Toledo Edison and Cleveland Electric will rely on Rule 52(a) for any securities issuance in the future (except as noted in Item
3.F.4(c) below).

The PPUC regulates all securities issuances other than securities with a maturity of one year or less or having no fixed maturity but payable on demand. 66 Pa. C.S. ss.ss.1901(b)(4) and (5). Penn Power has approval from the PPUC to make short term borrowings from its parent company, Ohio Edison. Accordingly, Penn Power will rely on Rule 52(a) for any securities issuance in the future (except as noted in Item 3.F.4 (c) below).

The NJBPU has jurisdiction over the issuance and sale of securities by public utilities except with respect to indebtedness having a maturity of less than 12 months from the date of issuance. N.J. Stat. Ann.ss.ss.48:3-9.

The GPU Energy Companies will rely on Rule 52 for all securities issuances except for the issuance of short-term debt which is exempt from approval in the applicable states and therefore is subject to Commission approval under the Act. Each of the GPU Energy Companies has in place approval from the Commission for the issuance of short term debt.(49) FirstEnergy and the GPU Energy Companies request confirmation by the Commission that such approvals

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(48) All GPU Subsidiaries' financings have been approved by the Commission or were exempt from Commission approval.

(49) Holding Co. Act Release No. 26544 (June 22, 1999), supplemented by, Holding Co. Act Release No. 27302 (Dec. 15, 2000), Holding Co. Act Release No. 26544 (July 17, 1996) and Holding Co. Act Release No. 26801 (Dec. 22, 1997); Docket 70-7926. York Haven and Waverly Electric will obtain financing through intercompany borrowings from their parent corporations or otherwise through the Utility Money Pool and likely will not engage in third-party financing.

will remain in place following the Merger and to the extent any such approval contemplated a transaction between GPU and a GPU Energy Company, FirstEnergy will succeed to the rights and duties of GPU thereunder.

Financings obtained by the Utility Subsidiaries pursuant to Rule 52 (or hereunder as requested in Item 3.F.4(b) and (c)) will be used for general corporate purposes and working capital requirements, including contributions to the Utility Money Pool. These financings may be made under instruments in place at the time of the Merger or new agreements. The Utility Subsidiaries may sell commercial paper, from time to time, in established domestic commercial paper markets in a manner similar to FirstEnergy as discussed above also pursuant to Rule 52(a). Such Utility Subsidiaries may maintain back up lines of credit in connection with a commercial paper program in an aggregate amount not to exceed the amount of authorized commercial paper pursuant to state authority.

Credit lines may be set up for use by the Utility Subsidiaries for general corporate purposes in addition to credit lines to support commercial paper as described in this subsection. The Utility Subsidiaries will borrow and repay under such lines of credit, from time to time, as it is deemed appropriate or necessary. Subject to the limitations described herein, each such Utility Subsidiary may engage in other types of short-term financings as it may deem appropriate in light of its needs and market conditions at the time of issuance.

(b) Other Financing for ATSI and NONGC. ATSI and NONGC seek approval to issue debt or Preferred Securities on the same terms and conditions as FirstEnergy as described above; provided that the maximum amount of new financing obtained by ATSI and NONGC during the Authorization Period shall not exceed $500 million for ATSI and $200 million for NONGC. Furthermore, any such securities shall be included in determining compliance with the overall financing limitation of $8.0 billion for FirstEnergy.

(c) Financing Risk Management Devices. To the extent not exempt under Rule 52, the Utility Subsidiaries request authority to enter into, perform, purchase and sell interest rate management devices and Anticipatory Hedges subject to the limitations and requirements applicable to FirstEnergy described in Item 3.F.1(g).

5. Non-Utility Subsidiary Financings. Existing outstanding securities and financing arrangements of the existing FirstEnergy Non-Utility Subsidiaries are summarized on Exhibit N-1 hereto. FirstEnergy seeks approval to the extent required for these arrangements to remain in place following consummation of the Merger. Certain guarantees in favor of a direct or indirect Non-Utility Subsidiary issued by another Subsidiary may be replaced by FirstEnergy guarantees as described below. In addition, other approvals of the Commission may or will contemplate the formation or retention of other Non-Utility Subsidiaries named therein which do not currently have outstanding debt. It is expected that future financing by all such Non-Utility Subsidiaries will be made pursuant to the terms of Rule 52.

The Non-Utility Subsidiaries are engaged in and expect to continue to be active in the development and expansion of their existing energy-related or otherwise functionally-related, non-utility businesses. They will be competing with large, well-capitalized companies in different sectors of the energy industry and other industries. In order to quickly and effectively

invest in such competitive arenas, it will be necessary for the Non-Utility Subsidiaries to have the ability to engage in financing transactions which are commonly accepted for such types of investments. These financings will include issuance by Non-Utility Subsidiaries of common stock or other equity, Preferred Securities or debt in capital raising transactions and to be used to acquire stock or assets in then existing unaffiliated companies which will become "affiliates" (within the meaning of the Act) or Subsidiaries so long as such acquisitions are consistent with the Non-Utility Subsidiaries' then existing businesses in accordance with Rule 52(b) and Rule 58. The majority of such financings will be exempt from prior Commission authorization pursuant to Rule 52(b).

In order to be exempt under Rule 52(b), any loans by FirstEnergy to a Non-Utility Subsidiary or by one Non-Utility Subsidiary to another must have interest rates and maturities that are designed to parallel the lending company's effective cost of capital. However, in the limited circumstances where the Non-Utility Subsidiary making the borrowing is not wholly owned by FirstEnergy, directly or indirectly, authority is requested under the Act for FirstEnergy or a Non-Utility Subsidiary, as the case may be, to make such loans to such Subsidiaries at interest rates and maturities designed to provide a return to the lending company of not less than its effective cost of capital.(50) If such loans are made to a Non-Utility Subsidiary, such company will not sell any services to any associate Non-Utility Subsidiary unless such company falls within one of the categories of companies to which goods and services may be sold on a basis other than "at cost" as described in this Application/Declaration. Furthermore, in the event any such loans are made, FirstEnergy will include in the next certificate filed pursuant to Rule 24 in this proceeding substantially the same information as that required on Form U-6B-2 with respect to such transaction.

6. Guarantees, Intra-System Advances and Intra-System Money Pool.

(a) Guarantee and Intra-System Advances. FirstEnergy requests authorization to enter into guarantees, obtain letters of credit, enter into support or expense agreements or otherwise provide credit support with respect to the obligations of its Subsidiaries as may be appropriate or necessary to enable such Subsidiaries to carry on in the ordinary course of their respective businesses in an aggregate principal amount, and to enter into guarantees of non-affiliated third parties(51) obligations in the ordinary course of FirstEnergy's business ("FirstEnergy Guarantees") in an amount, together with Non-Utility Subsidiary Guarantees (defined below), not to exceed $4.0 billion outstanding at any one time (not taking into account obligations exempt pursuant to Rule 45). Excluded from this amount are guarantees and other credit support mechanisms by FirstEnergy and GPU in favor of their respective Subsidiaries which were previously issued as described below. The existing intra-system guarantees and support provided by FirstEnergy and GPU, which are expected to remain in place following the Merger, are as follows:

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(50) The Commission has granted similar authority to another registered holding company. See Entergy Corporation, et al., supra, Holding Co. Act Release No. 27039.

(51) Guaranties of third parties' obligations were approved in Exelon Corporation, supra, Holding Co. Act Release No. 27266.

EXISTING GUARANTEES

FIRST ENERGY	AMOUNT (IN MILLIONS OF DOLLARS)
FES - Electric Trading	214
FES - Gas Trading	218
FES - Retail	24
Fuel Marketing	20
Long-Term Supply Contracts	40
Facilities Service Group	20
FE Ventures	1
Other Credit Enhancements Issued	24
AFN Financing Facility (30% Equity Participation)	60
Richland/West Lorain (Lease Obligation for Turbines)	225
First Energy Total	846

GPU	AMOUNT (IN MILLIONS OF DOLLARS)
Tebsa Project	21
GPUI Columbia, Ltd. & International Power Advisors	5
GPU Advance Resources (Energy/Capacity Purchases)	19
Workers Compensation Claims (NJ, PA)	13
GPU Total	58
Combined FirstEnergy and GPU Total	904

Any such guarantees shall also be subject to the limitations of Rule 53(a)(1) or Rule 58(a)(1), as applicable. FirstEnergy may charge each Subsidiary a fee for each guarantee

provided on its behalf that is not more than that obtainable by the beneficiary of the guarantee from third parties.

Certain of the guarantees referred to above may be in support of the obligations of Subsidiaries which are not capable of exact quantification. In such cases, FirstEnergy will determine the exposure under such guarantee for purposes of measuring compliance with the $4.0 billion limitation by appropriate means including estimation of exposure based on loss experience or projected potential payment amounts. If appropriate, such estimates will be made in accordance with GAAP. Such estimation will be reevaluated periodically.

FirstEnergy requests that this guarantee authority include the ability to guarantee debt. The debt guaranteed will comply with the parameters for financing authorization set forth in Item 3.E. Any guarantees or other credit support arrangements outstanding at the end of the Authorization Period will continue until expiration or termination in accordance with their terms.

(b) Non-Utility Subsidiary Guarantees. In addition to guarantees that may be provided by FirstEnergy, the Non-Utility Subsidiaries request authority to provide to other Non-Utility Subsidiaries guarantees and other forms of credit support ("Non-Utility Subsidiary Guarantees"). The Non-Utility Subsidiary Guaranties, together with FirstEnergy Guaranties, will not exceed $4.0 billion outstanding at any one time in an aggregate principal amount, exclusive of any guarantees and other forms of credit support that are exempt pursuant to Rule 45(b) and Rule 52 (b), provided, however, that the amount of Non-Utility Guarantees in respect of obligations of any Rule 58 Subsidiaries and Energy Related Companies shall remain subject to the limitations of Rule 58(a)(1). The Non-Utility Subsidiary providing any such credit support may charge its associate company a fee for each guarantee provided on its behalf determined in the same manner as specified above.

(c) Authorization and Operation of the Money Pools. FirstEnergy and the Utility Subsidiaries hereby request authorization to establish the Utility Money Pool, and the Utility Subsidiaries, to the extent not exempted by Rule 52, also request authorization to make unsecured short-term borrowings from the Utility Money Pool and to contribute surplus funds to the Utility Money Pool and to lend and extend credit to (and acquire promissory notes from) one another through the Utility Money Pool.

In addition, FirstEnergy and the remaining Subsidiaries, all of which are Non-Utility Subsidiaries, hereby request authorization to establish the Non-Utility Money Pool.(52) The Non-Utility Money Pool activities of all of the Non-Utility Subsidiaries are exempt from the prior approval requirements of the Act under Rule 52. FirstEnergy is requesting authorization to contribute surplus funds and to lend and extend credit to (i) the Utility Subsidiaries through the Utility Money Pool and (ii) the Non-Utility Subsidiaries through the Non-Utility Money Pool.

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(52) Initial participants in the Non-Utility Money Pool will be FE Acquisition, FirstEnergy Properties, FirstEnergy Facilities, FE Holdings, FELHC, FirstEnergy Transfer, FENOC, FirstEnergy Solutions, GenCo, FirstEnergy Ventures, MARBEL, CIT, Centerior Service, GPU Capital, GPU Electric, GPUDH, GPU EnerTech, GPU Power, GPUAR, GPU Service, GPU Telcom, GPU Nuclear and MYR.

The Applicants believe that the cost of the proposed borrowings through the two Money Pools will generally be more favorable to the borrowing participants than the comparable cost of external short-term borrowings, and the yield to the participants contributing available funds to the two Money Pools will generally be higher than the typical yield on short-term investments.

(i) Utility Money Pool. Under the proposed terms of the Utility Money Pool, short-term funds would be available from the following sources for short-term loans to the Utility Subsidiaries from time to time: (1) surplus funds in the treasuries of Utility Money Pool participants other than FirstEnergy; (2) surplus funds in the treasury of FirstEnergy (such funds in clauses (1) and (2) being referred to as "Internal Funds"); and (3) proceeds from bank borrowings by Utility Money Pool participants or the sale of commercial paper by FirstEnergy or the Utility Subsidiaries for loan to the Utility Money Pool (such funds being referred to as "External Funds"). Funds would be made available from such sources in such order as the administrator of the Utility Money Pool (likely ServeCo) may determine would result in a lower cost of borrowing, consistent with the individual borrowing needs and financial standing of the companies providing funds to the pool. The determination of whether a Utility Money Pool participant at any time has surplus funds to lend to the Utility Money Pool or shall lend funds to the Utility Money Pool would be made by such participant's chief financial officer or treasurer, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in such participant's sole discretion. See Exhibit N-2 for a copy of the Form of Utility Money Pool Agreement.

As discussed in more detail below, a separate Non-Utility Money Pool will be established by FirstEnergy with certain Non-Utility Subsidiary companies of FirstEnergy.(53)

Utility Money Pool participants that borrow would borrow pro rata from each company that lends, in the proportion that the total amount loaned by each such lending company bears to the total amount then loaned through the Utility Money Pool. On any day when more than one fund source (e.g., if there are External Funds as well as Internal Funds), with different rates of interest, is used to fund loans through the Utility Money Pool, each borrower would borrow pro rata from each such fund source in the Utility Money Pool in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available to the Utility Money Pool. Amounts borrowed by each Utility Subsidiary from the Utility Money Pool would be limited to amounts authorized by each applicable state commission and exempt pursuant to Rule 52(a) as referred to in Item 3.F.4(a).

Borrowings from the Utility Money Pool would require authorization by the borrower's chief financial officer or treasurer, or by a designee thereof. No party would be required to effect a borrowing through the Utility Money Pool if it is determined that it could (and had authority to) effect a borrowing at lower cost directly from banks or through the sale of its own commercial paper. No loans through the Utility Money Pool would be made to, and no borrowings through the Utility Money Pool would be made by, FirstEnergy.

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(53) Such other subsidiaries consist of each of the Non-Utility Subsidiaries including ServeCo.

The cost of compensating balances, if any, and fees paid to banks to maintain credit lines and accounts by Utility Money Pool participants lending External Funds to the Utility Money Pool would initially be paid by the participant maintaining such line. A portion of such costs - or all of such costs in the event a Utility Money Pool participant establishes a line of credit solely for purposes of lending any External Funds obtained thereby into the Utility Money Pool - would be retroactively allocated every month to the companies borrowing such External Funds through the Utility Money Pool in proportion to their respective daily outstanding borrowings of such External Funds.

If only Internal Funds make up the funds available in the Utility Money Pool, the interest rate applicable and payable to or by Subsidiaries for all loans of such Internal Funds will be the greater of the 30-day LIBOR rate as quoted in The Wall Street Journal or the money market rate that a lending Subsidiary could have obtained if it placed its excess cash in such an investment.

If only External Funds comprise the funds available in the Utility Money Pool, the interest rate applicable to loans of such External Funds would be equal to the lending company's cost for such External Funds (or, if more than one Utility Money Pool participant had made available External Funds on such day, the applicable interest rate would be a composite rate equal to the weighted average of the cost incurred by the respective Utility Money Pool participants for such External Funds).

In cases where both Internal Funds and External Funds are concurrently borrowed through the Utility Money Pool, the rate applicable to all loans comprised of such "blended" funds would be a composite rate equal to the weighted average of (a) the cost of all Internal Funds contributed by Utility Money Pool participants (as determined pursuant to the second-preceding paragraph above) and (b) the cost of all such External Funds (as determined pursuant to the immediately preceding paragraph above). In circumstances where Internal Funds and External Funds are available for loans through the Utility Money Pool, loans may be made exclusively from Internal Funds or External Funds, rather than from a "blend" of such funds, to the extent it is expected that such loans would result in a lower cost of borrowings.

Funds not required by the Utility Money Pool to make loans (with the exception of funds required to satisfy the Utility Money Pool's liquidity requirements) would ordinarily be invested in one or more short-term investments, including: (i) interest-bearing accounts with banks; (ii) obligations issued or guaranteed by the U.S. government and/or its agencies and instrumentalities, including obligations under repurchase agreements; (iii) obligations issued or guaranteed by any state or political subdivision thereof, provided that such obligations are rated not less than "A" by a nationally recognized rating agency; (iv) commercial paper rated not less than "A-1" or "P-1" or their equivalent by a nationally recognized rating agency; (v) money market funds; (vi) bank certificates of deposit; (vii) Eurodollar funds; and
(viii) such other investments as are permitted by Section 9(c) of the Act and Rule 40 thereunder.

The interest income and investment income earned on loans and investments of surplus funds would be allocated among the participants in the Utility Money Pool in accordance with the proportion each participant's contribution of funds bears to the total amount of funds in the Utility Money Pool and the cost of funds provided to the Utility Money Pool by such participant.

Each applicant receiving a loan through the Utility Money Pool would be required to repay the principal amount of such loan, together with all interest accrued thereon, on demand and in any event not later than one year after the date of such loan. All loans made through the Utility Money Pool may be prepaid by the borrower without premium or penalty.

(ii) Non-Utility Money Pool. The Non-Utility Money Pool will be operated on the same terms and conditions as the Utility Money Pool, except that FirstEnergy funds made available to the two money pools will be made available to the Utility Money Pool first and thereafter to the Non-Utility Money Pool. No loans through the Non-Utility Money Pool would be made to, and no borrowings through the Non-Utility Money Pool would be made by, FirstEnergy. See Exhibit N-3 for a copy of the form of Non-Utility Money Pool Agreement. All contributions to, and borrowings from, the Non-Utility Money Pool are exempt pursuant to the terms of Rule 52 under the Act, except contributions and extensions of credit by FirstEnergy, authorization for which is hereby requested. Because all borrowings by Non-Utility Subsidiaries and other participation in the Non-Utility Money Pool would be exempt, any future "Subsidiary" not a subsidiary on the date of this Application/Declaration will also be eligible to join the Non-Utility Money Pool.(54)

(iii) Other Contributions to Money Pool. FirstEnergy and the Utility Subsidiaries may contribute funds to the Utility Money Pool from the issuance of short-term debt as authorized above or pursuant to an exemption under the Act. FirstEnergy may contribute funds from the issuance of short-term debt to the Non-Utility Money Pool and the Non-Utility Subsidiaries may contribute funds from the issuance of short-term debt to the Non-Utility Money Pool.

(iv) Operation of the Money Pools and Administrative Matters. Operation of the Utility and Non-Utility Money Pools, including record keeping and coordination of loans, will be handled by ServeCo under the authority of the appropriate officers of the participating companies. ServeCo will administer the Utility and Non-Utility Money Pools on an "at cost" basis and will maintain separate records for each money pool. Surplus funds of the Utility Money Pool and the Non-Utility Money Pool may be combined in common short-term investments, but separate records of such funds shall be maintained by ServeCo as administrator of the pools, and interest thereon shall be separately allocated, on a daily basis, to each money pool in accordance with the proportion that the amount of each money pool's surplus funds bears to the total amount of surplus funds available for investment from both money pools.

(v) Use of Proceeds. Proceeds of any short term borrowings by the Non-Utility Subsidiaries may be used by each such Non-Utility Subsidiary: (i) for the interim financing of its construction and capital expenditure programs;
(ii) for its working capital needs; (iii) for the repayment, redemption or refinancing of its debt and preferred stock; (iv) to meet unexpected contingencies, payment and timing differences, and cash requirements; and (v) to otherwise finance its own business and for other lawful general corporate purposes. The use of

(54) See footnote 52 supra.

proceeds from the financings would be limited to use in the operations of the respective businesses in which such Non-Utility Subsidiaries are already authorized to engage.(55)

(d) Intra-System Financing. Generally, FirstEnergy or the lending Subsidiary's loans to, and purchase of capital stock from, such borrowing Subsidiaries will be exempt under Rule 52, and capital contributions and open account advances without interest will be exempt under Rule 45 (b). Loans by FirstEnergy or a Non-Utility Subsidiary to a Non-Utility Subsidiary generally will have interest rates and maturity dates that are designed to parallel the lending company's effective cost of capital, in accordance with Rule 52(b). To the extent that any intra-system loans or extensions of credit are not exempt under Rule 45(b) or Rule 52, as applicable, the company making such loan or extending such credit may charge interest at the same effective rate of interest as the daily weighted average effective rate of commercial paper, revolving credit and/or other short-term borrowings of such company, including an allocated share of commitment fees and related expenses. If no such borrowings are outstanding, then the interest rate shall be predicated on the Federal Funds' effective rate of interest as quoted daily by the Federal Reserve Bank of New York. In the limited circumstances where the Non-Utility Subsidiary effecting the borrowing is not wholly owned by FirstEnergy, directly or indirectly, authority is requested under the Act for FirstEnergy or a Non-Utility Subsidiary to make such loans to such Subsidiaries at interest rates and maturities designed to provide a return to the lending company of not less than its effective cost of capital. If such loans are made to a Non-Utility Subsidiary, such Non-Utility Subsidiary will not provide any services to any associate Non-Utility Subsidiary except a company which meets one of the conditions for rendering of services on a basis other than at cost approved by the Commission as requested herein or in any subsequent filing with the Commission. In the event any such loans are made, FirstEnergy will include in the next certificate filed pursuant to Rule 24 substantially the same information as that required on Form U-6B-2 with respect to such transaction.(56)

(e) Tax Allocation Agreement. FirstEnergy will comply with the requirements of Rule 45(c) regarding tax allocations except that FirstEnergy seeks a variation from Rule 45(c) as described in Item 3K.

7. Changes in Capital Stock of Majority Owned Subsidiaries. The portion of an individual Subsidiary's aggregate financing to be effected through the sale of stock to FirstEnergy or other immediate parent company during the Authorization Period pursuant to Rule 52 and/or pursuant to an order issued pursuant to this filing cannot be ascertained at this time. It may happen that the proposed sale of capital securities (i.e., common stock or Preferred Stock) may in some cases exceed the then authorized capital stock of such Subsidiary. In addition, the Subsidiary may choose to use capital stock with no par value.

As needed to accommodate such proposed transactions and to provide for future issues, request is made for authority to change the terms of any 50% or more owned Subsidiary's

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(55) The authorization sought herein is substantially the same as that given in recent cases. See SCANA Corporation, supra, Holding Co. Act Release No. 27137; New Century Energies, Inc., supra, Holding Co. Act Release No. 26750, and Conectiv, Inc., supra, Holding Co. Act Release No. 26833.

(56) See Entergy Corporation, supra, Holding Co. Act Release No. 27039.

authorized capital stock capitalization or other equity interests by an amount deemed appropriate by FirstEnergy or other intermediate parent company. This request for authorization is limited to FirstEnergy's 50% or more owned Subsidiaries and will not affect the aggregate limits or other conditions contained herein. A Subsidiary would be able to change the par value, or change between par value and no-par stock, or change the form of such equity from common stock to limited partnership or limited liability company interests or similar instruments, or from such instruments to common stock, without additional Commission approval. Any such action by a Utility Subsidiary would be subject to and would only be taken upon the receipt of any necessary approvals by the state commission in the state or states where the Utility Subsidiary is incorporated and doing business.(57) FirstEnergy will be subject to all applicable laws regarding the fiduciary duty of fairness of a majority shareholder to minority shareholders in any such 50% or more owned Subsidiary and will undertake to ensure that any change implemented under this paragraph comports with such legal requirements.

8. Disposition of Existing GPU Approvals and Pending Requests.

GPU has several outstanding orders from the Commission granting approvals regarding financing and certain other matters and has certain matters pending. FirstEnergy will assume the existing obligations of GPU to its subsidiaries by operation of law in the Merger. FirstEnergy proposes that these matters be handled as follows:

- Holding Co. Act Release No. 27104 (Nov. 19, 1999); Docket 70-6903. By orders dated November 16, 1983 (Holding Co. Act Release No. 23121), November 19, 1984 (Holding Co. Act Release No. 23486), July 30, 1985 (Holding Co. Act Release No. 23773), June 27, 1986 (Holding Co. Act Release No. 24138), January 17, 1990 (Holding Co. Act Release No. 25007), and October 24, 1994 (Holding Co. Act Release No. 26149), the Commission authorized JCP&L, to acquire obligations of its electric customers with an aggregate value of up to $15 million. The obligations arise from participation by these customers in the JCP&L Home Energy Loan Program, Solar Water Heating Conversion Program, and Electric Heat Conversion Program ("Programs") and consist of notes evidencing disbursements made by JCP&L to contractors on behalf of its customers in connection with the Programs. In the Orders, the Commission also authorized JCP&L to incur up to $750,000 in administrative and other expenses related to the Programs. The authorization under this Docket 70-6903 is until March 31, 2005. First Energy proposes that this order remain in place unaffected by this Application/ Declaration.

- Holding Co. Act Release No. 27311 (Dec. 19, 2000); Docket 70-7727. Authorization for GPU to make investments in EWGs and FUCOs including assumption of liabilities and guarantee of securities. FirstEnergy proposes that the authority contained in Holding Co. Act Release No. 27311 be replaced and superceded by the order issued in this Docket 70-9793.

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(57) See New Century Energies, Inc., Holding Co. Act Release No. 26750; Conectiv, Inc., supra, Holding Co. Act Release No. 26833; Dominion Resources, Inc., supra, Holding Co. Act Release No. 27112; SCANA Corporation, supra, Holding Co. Act Release No. 27137.

- Holding Co. Act Release No. 26544 (June 22, 1999) supplemented by Holding Co. Act Release No. 27302 (Dec. 15, 2000) and orders dated July 17, 1996 (Holding Co. Act Release No. 26544) and December 22, 1997 (Holding Co. Act Release No. 26801); Docket 70-7926 -- Authorization for GPU and GPU Subsidiaries to engage in short-term financing. First Energy proposes that the authority contained in these orders in Docket 70-7926 remain in place following the Merger and to the extent any such approval contemplated a transaction between GPU and a GPU Energy Company, FirstEnergy will succeed to the rights and duties of GPU thereunder.

- Holding Co. Act Release No. 26620 (Dec. 11, 1996); Docket 70-8113. Authorization for GPU to guarantee the non-funded benefits under subsidiary employee benefit plans. First Energy proposes that the authority contained in these orders in Docket 70-8113 be replaced and superceded by the order issued in this Docket 70-9793.

- Holding Co. Act Release No. 27315 (Dec. 26, 2000); Docket 70-8593. Authorization for GPU to invest in EWGs and FUCOs and related matters. FirstEnergy proposes that the authority contained in Holding Co. Act Release No. 27315 be replaced and superceded by the order issued in this Docket 70-9793.

- Holding Co. Act Release No. 26496 (March 20, 1996); Docket 70-8793. Authorization for GPUS to borrow up to $40 million under term loan or revolving credit facility and for GPU to guarantee such borrowings. FirstEnergy proposes that the authority for GPUS to borrow contained in Holding Co. Act Release No. 26496 be maintained in place and unaffected by this proceeding and that FirstEnergy be authorized to assume the obligations of GPU under the guarantees in connection therewith (or enter into a new guarantee) on substantially the same terms as is currently in place. FirstEnergy's guarantee may remain in place until February 1, 2006 (the authorized date under Holding Co. Act Release No. 26496) notwithstanding the termination of the Authorization Period in this Docket 70-9793.

- Holding Co. Act Release No. 27325 (Dec. 28, 2000); Docket 70-8937. Authorization for GPU to guarantee the debt of subsidiaries that engage in brokering and marketing of electricity, natural gas and other energy commodities and invest in the energy commodities business. FirstEnergy proposes that the authority contained in Holding Co. Act Release No. 27325 be replaced and superceded by the order issued in this Docket 70-9793.

- Holding Co. Act Release No. 26944 (Nov. 24, 1998); Docket 70-9309. Authorization for GPU to enter into reimbursement agreements or guaranties relating to letters of credit regarding workers' compensation insurance. FirstEnergy proposes that the authority contained in Holding Co. Act Release No. 26944 be replaced and superceded by the order issued in this Docket 70-9793 and that FirstEnergy be authorized to assume the obligations of GPU under the reimbursement agreements (or enter into a new reimbursement agreements) on substantially the same terms as is currently in place. FirstEnergy's obligations may remain in place until December 31, 2006 (the authorized date under Holding Co. Act Release No. 26944) notwithstanding the termination of the Authorization Period in this Docket 70-9793.

- Holding Co. Act Release No. 26988 (March 3, 1999) (notice of filing); Docket 70-9399. Pending request for authorization for preferred trust securities of up to $200

million aggregate liquidation value to be issued by special purpose business trust subsidiary of JCP&L. FirstEnergy proposes that Docket 70-9399 will be considered withdrawn and superceded by the authority contained in the order issued in this Docket 70-9793 and upon the closing of the Merger.

- Holding Co. Act Release No. 27366 (March 28, 2001); Docket 70-9835. Authorization for GPU to guarantee up to $50 million of obligations of its subsidiary MYR Group, Inc. On November 28, 2000, MYR entered into a new Credit Agreement ("New Credit Agreement"), with Bank One, NA ("Bank One") as administrative agent and as the initial lender. The New Credit Agreement permits borrowings by MYR from time to time in an aggregate amount not to exceed $50 million outstanding at any one time. FirstEnergy proposes that the authority contained in Holding Co. Act Release No. 27366 be replaced and superceded by the order issued in this Docket 70-9793 and that FirstEnergy be authorized to assume the obligations of GPU under the guarantee in connection with the New Credit Agreement (or enter into a new guarantee) on substantially the same terms as are currently in place. FirstEnergy's guarantee may remain in place until the expiration of the New Credit Agreement (November 1, 2003) notwithstanding the termination of the Authorization Period in this Docket 70-9793.

- Docket 70-9885. Pending request by JCP&L for authority to issue up to $420 million of transition bonds securitizing the Oyster Creek-related stranded costs. FirstEnergy proposes that this Docket remain unaffected by the Merger and that any approvals granted in that Docket be in addition to the requests made in this Docket 70-9793.

G. PAYMENT OF DIVIDENDS OUT OF CAPITAL OR UNEARNED SURPLUS BY GPU UTILITY SUBSIDIARIES AND FIRSTENERGY

1. Request for Authority to Pay Dividends. Section 12 of the 1935 Act, and Rule 46 thereunder, generally prohibit the payment of dividends out of "capital or unearned surplus" except pursuant to an order of the Commission. The legislative history explains that this provision was intended to "prevent the milking of operating companies in the interest of the controlling holding company groups."(58) In determining whether to permit a registered holding company to pay dividends out of capital surplus, as discussed in the 1991 case involving Eastern Utilities Associates ("EUA"), the Commission considers various factors, including (i) the asset value of the company in relation to its capitalization; (ii) the company's prior earnings; (iii) the company's current earnings in relation to the proposed dividend and (iv) the company's projected cash position after payment of a dividend.(59) In recent cases, the Commission has determined that holding company systems may continue to pay dividends although retained earnings have been reduced or eliminated because of write-offs associated with state utility

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(58) S. Rep. No. 621, 74th Cong., 1st Sess. 34 (1935); compare Section 305(a) of the FPA.

(59) See Eastern Utilities Associates, Holding Co. Act Release No. 25330 (June 13, 1991), and cases cited therein. Further, the payment of the dividend must be "appropriate in the public interest." Id. (citing Commonwealth & Southern Corporation, 13 S.E.C. 489, 492 (1943)).

regulation restructuring legislation or because of application of GAAP to a merger involving two previously unaffiliated companies.(60)

Because of the accounting for the Merger under GAAP, FirstEnergy will have on a pro forma basis unusual reductions in retained earnings which may make it difficult in some cases to continue to pay dividends at historical levels without such dividends being paid from paid-in-capital. Application of GAAP will result in an elimination of retained earnings at the GPU Subsidiaries. Further, such elimination will have the effect of limiting the amount of retained earnings at FirstEnergy available for dividends.

Accordingly, FirstEnergy requests authority to pay dividends out of additional paid-in-capital up to the amount of $155 million, representing the total amount of dividends out of capital from the GPU Subsidiaries requested below. FirstEnergy's primary source of income and cash flow will be the earnings and cash flow of its subsidiary companies, including the GPU Utility Subsidiaries, and FirstEnergy's retained earnings will reflect the retained earnings of its Subsidiaries. In addition, FirstEnergy requests authority for the GPU Utility Subsidiaries to pay dividends out of additional paid-in capital up to the following amounts(61):

($ in millions) GPU UTILITY SUBSIDIARY	RETAINED EARNINGS AT DECEMBER 31, 2000	REQUESTED AMOUNT OF DIVIDENDS OUT OF CAPITAL
JCP&L	795	100
Met-Ed	71	25
Penelec	44	25
York Haven	15	5

2. Reasons for Reductions in Retained Earnings. Upon the consummation of the Merger, the retained earnings of FirstEnergy will consist of only its retained earnings as the acquiring company for accounting purposes. Further, none of the GPU Utility Subsidiaries will have any retained earnings available for declaration of common stock dividends at the time of the Merger because of the application of the purchase method of accounting to the Merger.

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(60) See, e.g., Exelon Corporation, supra, Holding Co. Act Release No. 27266; National Grid USA, Holding Co. Act Release No. 27166 (April 14, 2000) ("push down" accounting eliminates retained earnings of acquired company); The National Grid Group plc, supra, Holding Co. Act Release No. 27154 ("capitalization ratio is not the true measure of [holding company's] financial strength"); Northeast Utilities, supra, Holding Co. Act Release No. 27147 (restructuring legislation, asset divestitures and securitization resulted in EWG investments in excess of 50% of retained earnings and necessity to paying dividends out of capital); SCANA Corporation, supra, Holding Co. Act Release No. 27137 (application of "push down" accounting eliminated retained earnings of acquired company); Conectiv, Inc., Holding Co. Act Release No. 27126 (Jan. 28, 2000) (charges to retained earnings resulting from un-recovered stranded costs).

(61) Notwithstanding this request, the GPU Utility Subsidiaries are subject to the provisions of their mortgage indentures generally restricting the payment of dividends other than out of earned surplus. To the extent these provisions are amended or eliminated (by refinancing or otherwise), then the authority sought herein will be effective.

In purchase accounting, the total value of the acquisition, which must be assigned to GPU's assets, is the total consideration to be paid for GPU, plus the fair value of all liabilities assumed in the acquisition. Generally, goodwill is the residual balance of the total value remaining after fair values have been assigned to all of GPU's identifiable assets (both tangible and non-goodwill intangible assets). Accordingly, the excess of the purchase consideration over the fair market value of the acquired assets of GPU will be identified as goodwill under GAAP.

As a result of the application of the purchase method of accounting to the Merger, the current retained earnings of the GPU Subsidiaries will be recharacterized as additional paid-in-capital. In addition, the Merger will give rise to a substantial level of goodwill, the difference between the aggregate fair values of all identifiable tangible and intangible (non-goodwill) assets on the one hand, and the total consideration to be paid by FirstEnergy for GPU for accounting purposes and the fair value of the liabilities assumed, on the other. In accordance with the Commission's Staff Accounting Bulletin No. 54, Topic 5J ("Staff Accounting Bulletin"), the goodwill will be "pushed down" to the GPU Subsidiaries, and the difference between the purchase price allocated to the GPU Subsidiaries and the par values, if any, of their outstanding common stock will be reflected as additional paid-in-capital on the GPU Subsidiaries' financial statements. The effect of these purchase accounting adjustments will be to leave the GPU Subsidiaries with no retained earnings, from which dividends are normally declared, but, nevertheless, a balance sheet showing a significant equity level.(62)

As indicated in the Staff Accounting Bulletin, registrants that have substantially all (generally defined as in excess of 95%) of their common stock acquired by a third party, in a business combination accounted for under the purchase method, should reflect the push-down of goodwill in the registrant's post-acquisition financial statements. For any post-acquisition reporting of the consolidated FirstEnergy and GPU Subsidiary financial statements, push-down accounting will be reflected in those statements and the full amount of goodwill associated with the GPU acquisition will be reflected.

As a result of the application of purchase accounting, the common equity of the GPU Subsidiaries will be adjusted as follows:

- Common stock: Will continue to reflect the par value of the common stock issued.

- Paid-in-capital: Will reflect a value consistent with the purchase price minus the par value recorded in the common stock line.

- Retained earnings: Will be reset to zero.

The resulting common shareholders' equity will equal the total consideration paid for the entity.

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(62) See National Grid USA, supra, Holding Co. Act Release No. 27166 ("push down" accounting eliminates retained earnings of acquired company); SCANA Corporation, supra, Holding Co. Act Release No. 27137 (application of "push down" accounting eliminated retained earnings of acquired company).

Based on financial information through December 31, 2000 and preliminary estimates of the purchase price allocation, the application of these accounting principles to the Merger would result in the following adjustments to GPU Utility Subsidiaries' books:

JCP&L
(in thousands)

	BALANCE AS OF DEC. 31, 2000	ADJUSTMENTS (1)	ADJUSTMENTS (2)	PRO FORMA BALANCE AS OF DEC. 31, 2000
Common stock & paid-in-capital	$ 664,482	$ (664,482)	$ 2,002,507	$ 2,002,507
Retained Earnings	794,786	(794,786)	-	-
Accumulated other Comprehensive income (loss)	(8)	8	-	-
Total common stockholder's equity	$ 1,459,260	$ (1,459,260)	$ 2,002,507	$ 2,002,507

MET-ED
(in thousands)

	BALANCE AS OF DEC. 31, 2000	ADJUSTMENTS (1)	ADJUSTMENTS (2)	PRO FORMA BALANCE AS OF DEC. 31, 2000
Common stock & paid-in-capital	$ 466,473	$ (466,473)	$ 736,930	$ 736,930
Retained Earnings	70,476	(70,476)	-	-
Accumulated other Comprehensive income (loss)	64	(64)	-	-
Total common stockholder's equity	$ 537,013	$ 537,013)	$ 736,930	$ 736,930

PENELEC
(in thousands)

	BALANCE AS OF DEC. 31, 2000	ADJUSTMENTS (1)	ADJUSTMENTS (2)	PRO FORMA BALANCE AS OF DEC. 31, 2000
Common stock & paid-in-capital	$ 426,299	$ (426,299)	$ 644,746	$ 644,746
Retained Earnings	43,515	(43,515)	-	-
Accumulated other comprehensive income (loss)	23	(23)	-	-
Total common stockholder's equity	$ 469,837	$ (469,837)	$ 644,746	$ 644,746

YORK HAVEN
(in thousands)

	BALANCE AS OF DEC. 31, 2000	ADJUSTMENTS (1)	ADJUSTMENTS (2)	PRO FORMA BALANCE AS OF DEC. 31, 2000
Common stock & paid-in-capital	$ 6,023	$ (6,023)	$ 28,471	$ 28,471
Retained Earnings	14,724	(14,724)	-	-
Accumulated other comprehensive income (loss)	-	-	-	-
Total common stockholder's equity	$ 20,747	$ (20,747)	$ 28,471	$ 28,471

WAVERLY ELECTRIC
(in thousands)

	BALANCE AS OF DEC. 31, 2000	ADJUSTMENTS (1)	ADJUSTMENTS (2)	PRO FORMA BALANCE AS OF DEC. 31, 2000

Common stock & paid-in-capital	$ 15	$ (15)	$ 21	$ 21
Retained Earnings	-	-	-	-
Accumulated other comprehensive income (loss)	-	-	-	-
Total common stockholder's equity	$ 15	$ (15)	$ 21	$ 21

ADJUSTMENT 1 - Elimination of pre-merger common stockholder's equity as of December 31, 2000.

ADJUSTMENT 2 - Allocation of purchase price based on assumptions as of December 31, 2000.

The goodwill created in connection with the Merger must be amortized in accordance with GAAP in effect as of the date of this filing. This amortization would cause non-cash deductions from income before the determination of net income and earnings which would result in decreases to retained earnings. Because of the additional charge caused by this amortization, it will be more difficult for GPU Subsidiaries to sustain earnings corresponding to their historical levels. However, given the anticipated payout ratio for both the GPU Utility Subsidiaries and the FirstEnergy Utility Subsidiaries (i.e., the percentage of earnings paid as dividends), FirstEnergy believes that the Subsidiaries will be able to pay dividends, which will allow FirstEnergy to pay its anticipated common stock dividend.(63)

3. Standards for Approval of Request. In support of its request, FirstEnergy asserts that each of the standards of Section 12(c) of the 1935 Act enunciated in the EUA case are satisfied:

- After the Merger, and giving effect to the Acquisition Financing and the push-down of goodwill, FirstEnergy's pro forma common equity, as a percentage of total capitalization, will be 29.5%, if the Merger had been consummated on September 30, 2001, consistent with the levels of common equity capitalization that the Commission has authorized for other registered holding company systems.(64) FirstEnergy's commitment to maintain its consolidated capitalization at or above 30% common equity should result in a capital structure consistent with industry norms.

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(63) Compare National Grid USA, supra, Holding Co. Act Release No. 27166.

(64) The Commission has approved merger and financing requests when the resulting holding company or certain utility subsidiaries would have common equity ratios below 30% but where the company projected and committed that it would achieve a 30% ratio within a specified time period. See Exelon Corporation, supra, Holding Co. Act Release No. 27266.

- The pro forma December 31, 2000 capital structures of the Utility Subsidiaries, assuming the Merger took place on that date, are as follows:

COMPANY	COMMON EQUITY	SHORT-TERM DEBT	LONG-TERM DEBT	PREFERRED STOCK
Ohio Edison	52.6%	4.1%	40.0%	3.3%
Cleveland Electric	26.7	0.7	66.0	6.6
Toledo Edison	33.6	2.3	52.4	11.7
Penn Power	39.7	--	50.2	10.1
JCP&L	60.4	0.9	33.0	5.7
Met-Ed	53.4	3.3	36.0	7.3
Penelec	48.9	4.2	39.3	7.6
York Haven	100	--	-	-
Waverly Electric	100	--	-	-

- The Utility Subsidiaries each have a favorable history of prior earnings and each has a long record of dividend payments. In recent years, net income (loss) and common dividends and preferred dividends of each subsidiary have been:

($ in millions)

	1996		1997		1998		1999		2000	
SUBSIDIARY	NET INC.	DIV. PAID	NET INC.	DIV. PAID	NET INC.	DIV. PAID	NET INC.	DIV. PAID	NET INC.	DIV. PAID
FirstEnergy	$ 303	$ 216	$ 306	$ 217	$ 411	$ 339	$ 568	$ 341	$ 599	$ 334
Ohio Edison	315	229	293	229	271	309	298	358	336	404
Cleveland Electric	117	200	(210)	159	165	108	194	236	203	105
Toledo Edison	57	17	(143)	21	107	63	100	124	137	83
Penn Power	41	26	31	26	9	26	13	91	23	9
JCP&L	156	148	212	161	222	205	172	344*	211	137
Met-Ed	69	61	94	80	51	85	95	315*	82	25
Penelec	70	42	95	61	40	66	153	460*	39	55
York Haven	1	-	1	-	1	-	2	-	2	-

* Dividends paid in this period reflect the dividends paid to GPU in connection with the sale of generating assets by the utility companies.

- The Applicants anticipate that the Utility Subsidiaries' cash flow after the Merger will not differ significantly from their pre-Merger cash flow and that earnings should remain stable post-Merger (even with the amortization of goodwill that would be necessary as a result of the Merger). Based on FirstEnergy's historic dividend payout ratio(65) and expected post-Merger payout ratios which are expected to remain consistent with FirstEnergy's experience, FirstEnergy believes its post-Merger earnings will be sufficient to pay FirstEnergy's expected annual dividend of $1.50 per share while retaining

(65) FirstEnergy's dividend payout ratio has been as follows: 1998, 77%; 1999, 60%; and 2000, 56%.

significant amounts of earnings to fund future growth in FirstEnergy's business and provide additional equity cushion against future unforeseen events.

- The projected cash position of FirstEnergy and the Utility Subsidiaries after the Merger will be adequate to meet their obligations and FirstEnergy's obligations, and each Utility Subsidiary expects to have adequate cash to pay dividends in the amounts currently contemplated. See Exhibit K-6. The annual dividend requirement of FirstEnergy, assuming a dividend of $1.50 per share and the number of shares of common stock which will be outstanding following the Merger, is $444 million. FirstEnergy is expected to have free cash flow (cash from operations less capital expenditures and preferred dividends) well in excess of the anticipated common stock dividend level.

- The proposed dividend payments are in the public interest. The Utility Subsidiaries are in sound financial condition as indicated by their credit ratings.(66) The expectations of continued strong credit ratings by the Utility Subsidiaries should allow them and FirstEnergy to continue to access the capital markets to finance operations and growth. Further, FirstEnergy expects to have an investment grade rating following the Merger. In addition, the dividend payments are consistent with investor interest. Dividends typically comprise a significant part of shareholder total return for utility stocks, and a decrease in the rate of dividend or the elimination of dividends could have an adverse effect on FirstEnergy's common stock price.

H. Rule 53 and Rule 54 Analysis.

1. Rule 53 Requirements. Rule 53 provides that, if each of the conditions of paragraph (a) thereof is met, and none of the conditions of paragraph (b) thereof is applicable, the Commission may not make a finding that the issuance or sale of a security by a registered holding company for the purposes of financing the acquisition of an EWG, or the guarantee of a security of an EWG by a registered holding company, is not reasonably adapted to the earning power of such company or to the security structure of the companies in the holding company system, or that the circumstances are such as to constitute the making of such guarantee an improper risk for the company. Generally, paragraph (a) limits the aggregate amount invested in EWGs and FUCOs to not more than 50% of the holding company's consolidated retained earnings. Paragraph (b) relates to certain events of bankruptcy and recent significant declines in the amount of consolidated retained earnings.

At March 31, 2001, the consolidated amount of GPU's aggregate investment in EWGs and FUCOs as that term is defined in Rule 53 was $1,846,598,000.(67) At that date, FirstEnergy's

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(66) See the chart showing applicable ratings in Item 3.H.2.

(67) The definition of aggregate investment in EWGs and FUCOs includes all amounts invested, or committed to be invested, in EWGs and FUCOs for which there is recourse, directly or indirectly, to FirstEnergy. The only existing EWG investment by FirstEnergy is in GenCo, which is operating, but does not yet own, FirstEnergy's

aggregate investment in EWGs was $354,831,392. FirstEnergy's only EWG investment is in GenCo and it has no investments in FUCOs.(68)

At December 31, 2000, the actual consolidated retained earnings of FirstEnergy, as defined,(69) was $1.1 billion.(70) Consequently, FirstEnergy post-Merger will not satisfy the safe harbor requirement of Rule 53(a). As outlined in this Application/Declaration, however, FirstEnergy is seeking authority to use the proceeds of financings authorized herein to acquire additional investments in EWGs and/or FUCOs up to an aggregate investment of $5 billion (which will include the $2,201,429,392 amount currently invested by FirstEnergy and GPU). For the reasons outlined below, FirstEnergy seeks authority to apply the proceeds of financings authorized herein to the acquisition of additional investments in EWGs and FUCOs so long as its aggregate investment in EWGs and FUCOs (as that term is defined in Rule 53) does not exceed $5 billion (the "Modified Rule 53 Test").(71) FirstEnergy will finance the activities of EWGs and FUCOs on a basis that is non-recourse to FirstEnergy to the extent that such financing would be the most cost effective means of funding such activities and otherwise comport with FirstEnergy's overall corporate goals.

2. FirstEnergy's Compliance with Rule 53 Requirements. Giving effect to the proposals contained herein, FirstEnergy will satisfy all of the conditions of Rule 53(a) except for clause (1) thereof, which requires that the aggregate at risk investment of the registered holding company in EWGs and FUCOs not exceed 50% of the holding company system's consolidated retained earnings.(72) None of the conditions specified in Rule 53(b) is, or are expected to be, applicable.(73) FirstEnergy will demonstrate below why complying with its

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existing generating units. GPU has authority from the Commission to invest up to 100% of its retained earnings in EWGs and FUCOs. See GPU, Inc., Holding Co. Act Release No. 26779 (Nov. 17, 1997). Descriptions of GPU's current EWGs and FUCOs can be found it its filings made with the Commission.

(68) FirstEnergy's investment in GenCo relates to certain combustion turbine generating units it owns. While GenCo operates FirstEnergy's fossil and nuclear generating stations, it does not own those facilities. FirstEnergy's investment in GenCo will increase substantially when the fossil and nuclear generating stations are eventually transferred to GenCo. See Item 1.A.2(e) above and Item 3.S below.

(69) Pro forma consolidated retained earnings is the average of reported consolidated retained earnings over the four quarters ended December 31, 2000.

(70) Under GAAP, the retained earnings of GPU will not be carried forward to the consolidated FirstEnergy so there will be no change to the FirstEnergy retained earnings as a result of the Merger.

(71) For this purpose, retained earnings would be calculated in accordance with GAAP and would not include amounts relating to charges as discussed above in connection with the payment of dividends out of paid-in capital.

(72) The other requirements of Rule 53(a) provide (1) that the holding company keep certain books and records relating to EWGs and FUCOs in accordance with GAAP; (2) limitations on the number of employees of a domestic public utility company in the holding company system who may provide services for the EWGs and FUCOs; and (3) for the holding company to make certain filings. FirstEnergy undertakes to comply with the foregoing requirements.

(73) Rule 53(b) makes the safe harbor unavailable if: (1) the holding company or certain subsidiaries have been in bankruptcy; (2) the holding company's consolidated retained earnings have declined more than 10% from the prior year measured as provided in the rule; or (3) the holding company has reported operating losses related to its EWG or FUCO investments.

proposed Modified Rule 53 Test will not result in any adverse consequences to FirstEnergy, its Utility Subsidiaries or FirstEnergy's investors.

As described in Item 3.G.2, because of the accounting for the Merger under GAAP, FirstEnergy will have, on a pro forma basis, unusual reductions in retained earnings. The Commission has considered, in determining to approve investments in EWGs in excess of the Rule 53 limit, similar situations where previously significant amounts of retained earnings were eliminated because of extraordinary events.(74) Most importantly, as noted above, FirstEnergy will be a financially sound holding company with significant equity. The Commission has recognized in similar circumstances that investments in EWGs and FUCOs in excess of the limitations imposed under Rule 53 would not result in a substantial adverse impact on the financial integrity of the registered holding company system.(75)

Rule 53(c) states that, in connection with a proposal to issue and sell securities to finance an investment in an EWG, or to guarantee the securities of an EWG, a registered holding company that is unable to satisfy, among other provisions, the provision that such investments may not exceed 50% of consolidated retained earnings, must "affirmatively demonstrate" that such proposal:

- will not have a substantial adverse impact upon the financial integrity of the registered holding company system; and

- will not have an adverse impact on any utility subsidiary of the registered holding company, or its customers, or on the ability of State commissions to protect such subsidiary or customers.

The Commission has considered the "no substantial adverse impact" in two types of circumstances: (1) where a holding company has not satisfied the safe harbor because of extraordinary circumstances; and (2) where a holding company has sought to increase its aggregate investment beyond the 50% of consolidated retained earnings safe harbor.

The Commission has dealt with several cases recently where a holding company system's consolidated retained earnings were reduced because of changes brought about by state utility law restructuring or deregulation.(76) Write-offs reducing retained earnings have been caused by unrecovered stranded costs, disposition of generating assets, the purchase accounting required in certain mergers and other factors. The Commission has recognized that these are extraordinary

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(74) Conectiv, Inc., Holding Co. Act Release No. 27111 (Dec. 14, 1999).

(75) See Northeast Utilities, Holding Co. Act Release No. 27148 (March 7, 2000); Conectiv, Inc., supra, Holding Co. Act Release No. 27111 (write-offs resulting from de-regulation legislation and previous merger eliminating acquired company's retained earnings). See also Cinergy Corp., supra, Holding Co. Act Release No. 27190.

(76) See Northeast Utilities, supra, Holding Co. Act Release No. 27148; Northeast Utilities, Holding Co. Act Release No. 27147 (March 7, 2000) (restructuring legislation, asset divestitures and securitization resulted in EWG investments in excess of 50% of retained earnings and necessity to paying dividends out of paid-in capital); Conectiv, Inc., Holding Co. Act Release No. 27126 (Jan. 28, 2000) (charges to retained earnings resulting from unrecovered stranded costs).

events and, while retained earnings have been reduced, the changes causing such reduction have not adversely affected the fundamental financial strength of the holding company system.

The second major area where the Commission has performed an analysis of the requirements of Rule 53(c) is with respect to applications/declarations filed by a number of the registered holding companies seeking authority to increase their aggregate investment in EWGs and FUCOs to 100% of consolidated retained earnings.(77) In these 100% Cases, and in the situations of reduced retained earnings caused by extraordinary situations, the Commission has examined various factors indicating that non-compliance with the Rule 53(a) safe harbor should not prevent Commission approval of additional financing for EWGs and FUCOs.

There have been significant changes to the electric utility industry in recent years. One profound change has been the divestiture by many traditional vertically integrated utilities of their generation assets. Generation is developing as a viable business which may, but need not be, associated with transmission and distribution companies. The generation business plays a key role in FirstEnergy's business strategy. FirstEnergy wishes to have the flexibility to acquire additional generation resources in the United States as they become available. Further, FirstEnergy has plans to develop additional "greenfield" generation which will add to the nation's energy supply and enhance competition in generation markets. These factors suggest that the Commission should not be constrained by the very conservative approach taken in Rule 53. The Commission should not adopt a policy that will hamper the continued development of a competitive market for electric generation and the resulting benefits to consumers.

In the U.S., competition and restructuring are redefining the utility industry. Many utilities are "reinventing" themselves--from being vertically integrated, operating entirely on a local or regional basis, deriving substantially all earnings from regulated, monopoly sales. These utilities are restructuring their businesses, including through asset sales (whether voluntarily or as a result of state or other regulatory mandates), pursuing mergers and acquisitions, including "convergence" gas/electric transactions, and diversifying into non-traditional businesses, such as wholesale energy marketing and foreign utility acquisitions. To compete effectively in this new environment, FirstEnergy must have the opportunity to build scale and scope in these non-traditional "nonutility" businesses which are now not only commonplace, but integral and vital. One of the most significant industry dynamics is the growing divestiture of generating assets in the U.S. by traditional electric utilities, in many cases under legislative or regulatory mandates. Since 1997, U.S. investor-owned electric utilities have sold approximately 70 gigawatts ("GW") of generating assets. The combination of these completed sales, together with pending sales transactions at December 31, 1999, cover 24% of the total installed generation capacity owned

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(77) See The Southern Company, Holding Co. Act Release No. 26501 (April 1, 1996); Central and South West Corporation, Holding Co. Act Release No. 26653 (Jan. 24, 1997); GPU, Inc., supra, Holding Co. Act Release No. 26779; Cinergy, Inc., Holding Co. Act Release No. 26848 (March 23, 1998); American Electric Power Company, Inc., Holding Co. Act Release No. 26864 (April 27, 1998); New Century Energies, Inc., Holding Co. Act Release No. 26982 (Feb. 26, 1999); Cinergy Corp., supra, Holding Co. Act Release No. 27190 (aggregate limit in EWGs and FUCOs of $1.58 billion consisting of its current investment of $580 million plus $1 billion additional); Exelon Corporation, supra, Holding Co. Act Release No. 27266 (aggregate investment of $4 billion); KeySpan Corporation, Holding Co. Act Release No. 27272 (Nov. 8, 2000) (collectively, the "100% Orders").

by U.S. investor-owned electric utilities at December 31, 1997. If transfers or proposed transfers to unregulated affiliates are also included, the total rises to 31.6%.(78)

The limitation of Rule 53, covering investments in both U.S. wholesale generating facilities and foreign utility assets, would prevent FirstEnergy from actively participating as a buyer or bidder in even one of these markets, much less both. The reason is the large investments required to close major transactions, as compared to the investment capacity available under Rule 53. The capability to bid on the full range of available opportunities in both markets, including especially the larger, more significant transactions, is vital to FirstEnergy's growth strategies, just as it is for FirstEnergy's competitors. To effectively participate in the restructured utility industry, FirstEnergy needs to compete on an equal footing with other participants. Some competitors are not subject to the limitations of the Act; others are subject to the Act but have authority to invest in EWGs and FUCOs in amounts in excess of the Rule 53 limitation.

Additional investments in EWGs and FUCOs and financing for such purposes will not have a "substantial adverse impact" on the financial integrity of the FirstEnergy System. The lack of any "substantial adverse impact" on FirstEnergy's financial integrity can be demonstrated in several ways:

- The investment in EWGs has a history of positive impact on GPU's operating results.

- Actual average retained earnings at December 31, 2000 are $1.1 billion, a substantial amount. Further, FirstEnergy's retained earnings are expected to increase steadily during the Authorization Period.(79)

- On a pro forma basis, FirstEnergy's financial condition and anticipated financial performance will be within the range found acceptable by the Commission in other cases as demonstrated below.

- FirstEnergy has a detailed procedure for identifying and mitigating the risks of these investments. See Exhibit N-6.

- Each of the Utility Subsidiaries is expected to be able to provide for its capital needs through the Authorization Period through internally generated funds and other anticipated sources including their own debt or Preferred Securities financing and do not expect to rely on FirstEnergy for additional funding during the Authorization Period.

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(78) Edison Electric Institute, "Divestiture Action & Analysis," January 2000 Issue.

(79) See the 100% Orders cited at footnote 77.

The following paragraphs provide data analyzing the impact of the investments in EWGs and FUCOs on the FirstEnergy system in light of the tests developed by the Staff in the course of adopting the 100% Orders. These tests involve an analysis of:

Ratios of EWG/FUCO investment to:

- Consolidated capitalization

- Consolidated net utility plant

- Total consolidated assets

- Market value of outstanding stock

- Growth in consolidated retained earnings

- Stock price to earnings ratio

- Market to book ratio

- Dividend payout ratio

- Capitalization ratios

Capitalization Ratios. FirstEnergy's proposed $5 billion aggregate investment in EWGs would represent a reasonable commitment of FirstEnergy capital for a company the size of FirstEnergy, based on various pro forma financial ratios at December 31, 2000. For example, investments of this amount would be equal to only approximately:

- 25.0% of FirstEnergy's total consolidated capitalization ($20 billion);

- 35.7% of consolidated net utility plant ($14 billion);

- 12.8% of total consolidated assets ($39 billion); and

- 58.8% of the pro forma market value of FirstEnergy's outstanding common stock ($8.5 billion).(80)

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(80) The market value of FirstEnergy common stock is calculated using an assumed value of $28 per share times the number of shares of FirstEnergy common stock expected to be outstanding following the merger (224,531,580 shares outstanding at December 31, 2000 plus an assumed 80,000,000 shares issued in the Merger). The closing price of FirstEnergy on May 2, 2001 was $30.00. GPU's closing price on that date was $33.88. Data for other companies taken from public filings. Market value for National Grid estimated based on $38.125 per share at October 7, 1999, as reported from New York Stock Exchange data.

The table below illustrates that FirstEnergy's exposure to EWG/FUCO investments will be comparable to the companies who received the 100% Orders. The percentage applicable to FirstEnergy is well below the average of the 100% Orders based on total assets.

Investments in EWGs and FUCOs as a percentage of:

COMPANY	CONSOLIDATED CAPITALIZATION	CONSOLIDATED NET UTILITY PLANT	CONSOLIDATED TOTAL ASSETS	MARKET VALUE OF COMMON STOCK
The Southern Company	16.3	15.4	11.0	20.4
Central and South West	23.0	23.0	14.0	31.0
GPU	24.9	34.2	19.4	49.8
Cinergy, Inc	16.0	16.0	11.0	19.0
AEP	16.0	13.8	9.8	18.5
Entergy Corp	18.6	17.4	11.7	43.8
New Century Energies, Inc	13.7	11.8	9.1	12.5
National Grid(81)	46.6	N/A	33.0	7.8
Cinergy 2000(82)	24.3	24.6	16.5	47.9
Exelon 2000(83)	18.9	23.3	11.1	28.2
KeySpan(84)	16.6	20.9	11.5	29.2
AVERAGE	21.4	20.0	14.4	28.0
FIRSTENERGY				
$5 BILLION	25.0	35.7	12.8	58.8

A Commission order relating to investments in EWGs and FUCOs that is particularly relevant is the order involving GPU.(85) In that case, the aggregate investment in EWGs and FUCOs represented:

- 24.9% of GPU's consolidated capitalization;

- 34.2% of GPU's consolidated net utility plant;

- 19.4% of GPU's consolidated assets; and

- 49.8% of the market value of GPU's outstanding stock.

Applying the same percentages to FirstEnergy's pro forma financial amounts to calculate an equivalent aggregate investment for FirstEnergy produces the following:

- 24.9% of FirstEnergy's consolidated capitalization ($20 billion) equals $5 billion;

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(81) The National Grid Group plc, supra, Holding Co. Act Release No. 27154.

(82) Cinergy Corp., supra, Holding Co. Act Release No. 27190 (aggregate limit in EWGs and FUCOs of $1.58 billion consisting of its current investment of $580 million plus $1 billion additional).

(83) Exelon Corporation, supra, Holding Company Act Release No. 27266.

(84) KeySpan Corporation, supra, Holding Co. Act Release No. 27272.

(85) GPU, Inc., supra, Holding Co. Act Release No. 26779.

- 34.2% of its consolidated net utility plant ($14 billion) equals $5 billion;

- 12.8% of its consolidated assets ($39 billion) equals $5 billion; and

- 49.8% of the market value of outstanding stock ($8.5 billion) equals $4 billion.

Applying the average percentages found on the table above to FirstEnergy's pro forma financial amounts to calculate an equivalent aggregate investment for FirstEnergy produces the following:

- 21.4% of FirstEnergy's consolidated capitalization ($ 20 billion) equals $4.3 billion;

- 20.0% of its consolidated net utility plant ($14 billion) equals $2.8 billion;

- 14.4% of its consolidated assets ($39 billion) equals $5.6 billion; and

- 38.0% of the market value of outstanding stock ($8.5 billion) equals $3 billion.

These comparisons clearly show that FirstEnergy's immediate request for an aggregate limitation on EWG and FUCO investments of $5 billion is well within existing precedent and in particular represents exactly the amount that would have been approved for GPU based on its recent order assuming GPU had already been merged with FirstEnergy to produce the pro forma figures shown above.

Consolidated Retained Earnings Growth. As shown in the table below, FirstEnergy has had solid growth in net income and earnings per share in the past two years and GPU had solid growth in 1999 over 1998. GPU's net income and earnings declined in 2000 because of the loss associated with the sale of its Australian electric transmission business.

	FIRSTENERGY		GPU	
	1999 OVER 1998	2000 OVER 1999	1999 OVER 1998	2000 OVER 1999
Net income growth (decline)%.....	28.8%(86)	5.4%	19.0%	(49.1)%
Earnings per share growth (decline)%.....	28.2%	7.6%	20.8%(87)	(47.5)%

Share Price to Earnings Ratio. The financial strength anticipated for FirstEnergy is reflected in the current Price/Earnings ("P/E") ratios of FirstEnergy and GPU. FirstEnergy's P/E ratio for 2000 was 11.7 and GPU's was 19.2, compared to the average for utilities in the Standard & Poor's ("S&P") Electric Utility Index of 12.54 as of May 1, 2001.

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(86) Before extraordinary item in 1998.

(87) Before extraordinary item in 1998.

Market to Book Ratio. FirstEnergy's market to book ratio is currently 1.32, based on a pro forma book value of $22.89 per share as of December 31, 2000 and a market price of $30.30 per share as of April 30, 2001. This compares to the average of utilities in the S&P Electric Utility Index of 2.02 as of May 1, 2001.

Dividend Payout Ratio. FirstEnergy's payout ratio for 2000 was 56%. GPU's payout ratio for 2000 was 113%. FirstEnergy expects its post-Merger payout ratio will be consistent with or lower than its historic ratio. The FirstEnergy payout ratio is below the industry average for utilities in its region of 66.02%, reflecting FirstEnergy's response to increasing competition and other challenges facing the industry.(88) A payout ratio at this level will enable FirstEnergy to build its equity base to support future growth.

Credit Ratings. The credit ratings from major nationally recognized rating agencies for FirstEnergy and the Utility Subsidiaries are set out the in the table below. The credit ratings as of April 2001 from S&P, Moody's and FitchIBCA are as follows:

The credit ratings for FirstEnergy and the Utility Subsidiaries as of April 2001 from S&P, Moody's and FitchIBCA are as follows:

COMPANY AND TYPE OF RATING	S&P	MOODY'S	FITCH
FirstEnergy	NR	NR	NR
Ohio Edison			
- Secured	BB-	Baa1	BBB+
- Unsecured	BB-	Baa2	NR
- Preferred Stock	B+	baa2	BBB-
- Commercial Paper	NR	NR	NR
Cleveland Electric			
- Secured	BB+	Baa3	BBB-
- Unsecured	BB-	Ba1	NR
- Preferred Stock	B+	ba1	BB
- Commercial Paper	NR	NR	NR
Toledo Edison			
- Secured	BB+	Baa3	BBB-
- Unsecured	BB-	Ba1	BB
- Preferred Stock	B+	ba1	BB
- Commercial Paper	NR	NR	NR
Penn Power			
- Secured	BB+	Baa1	BBB+
- Unsecured	BB-	Baa2	NR
- Preferred Stock	B+	Baa2	BBB
- Commercial Paper	NR	NR	NR

(88) Dividend Fundamentals By Sector, Elect. Util (Central), Leonard N. Stern School of Business, New York University, January 2001 (available at http://www.stern.nyu.edu/~adamodar/New_Home_Page/datafile/divfund.htm).

COMPANY AND TYPE OF RATING	S&P	MOODY'S	FITCH
JCP&L			
- Secured	A+	A2	A
- Unsecured	A	NR	NR
- Preferred Stock	BBB+	a3	A-
- Commercial Paper	A1	P-1	F1
Met-Ed			
- Secured	A+	A2	A
- Unsecured	A	NR	NR
- Preferred Stock	BBB+	a3	A-
- Commercial Paper	A1	P-1	F-1
Penelec			
- Secured	A+	A2	A
- Unsecured	A	A2	A
- Preferred Stock	BBB+	a3	A-
- Commercial Paper	A1	P-1	F1

"NR" means not rated.

Rule 53(b) Factors. With respect to the relevant financial benchmarks specifically contemplated by Rule 53(b), none is applicable:

- There has been no bankruptcy of FirstEnergy or any of its associate companies or of GPU or any of its associate companies (Rule 53(b)(1));

- Pro forma average consolidated retained earnings for the four most recent quarterly periods have not decreased by more than 10% from the average for the preceding four quarterly periods (Rule 53(b)(2)); and

- In the previous fiscal year, neither FirstEnergy nor GPU reported operating losses attributable to its direct or indirect investments in EWGs and FUCOs that exceeded an amount equal to 5% of their consolidated retained earnings (Rule 53(b)(3)).

FirstEnergy undertakes to notify the Commission by filing a post-effective amendment in this proceeding in the event that any of the circumstances described in Rule 53(b) arise during the Authorization Period.

Impact of Investments in EWGs and FUCOs on Utility Subsidiaries. FirstEnergy's request in this Application/Declaration to authorize the existing and proposed investments in EWGs and FUCOs will not have an "adverse impact" on either any Utility Subsidiary or their respective customers, or on the ability of the relevant state commission to protect such Utility Subsidiaries or such customers.

This conclusion is supported by: (i) the insulation of the Utility Subsidiaries and their customers from potential direct adverse effects of FirstEnergy's investments in EWGs and FUCOs; (ii) the effects of utility regulation restructuring in Ohio, Pennsylvania and New Jersey, including the retail rate caps and rate freezes imposed on the Utility Subsidiaries and the opening of the energy supply business to retail customer choice; (iii) the Utility Subsidiaries' current

financial health (subject to timely and sufficient rate treatment); and (iv) the proven effectiveness of state commission oversight over the Utility Subsidiaries.

Insulation from Risk. All of FirstEnergy's investments in EWGs and FUCOs are, and in the future will remain, segregated from the Utility Subsidiaries. Any losses that may be incurred by such EWGs and FUCOs would have no effect on the rates of the Utility Subsidiaries, even after the rate caps and rate freezes now in effect expire. FirstEnergy represents that it will not seek recovery through higher rates from the utility customers of any Utility Subsidiary in order to compensate FirstEnergy for any possible losses that it or any Subsidiary may sustain on the investment in EWGs or FUCOs or for any inadequate returns on such investments.

Moreover, to the extent that there may be indirect impacts on any Utility Subsidiary from FirstEnergy's EWG and FUCO investments through effects on FirstEnergy's capital costs, the applicable state commissions have broad discretion to set the cost of capital for the utility subject to their jurisdiction by a variety of accepted means and are free to exclude any adverse impacts due to EWGs and FUCOs. Therefore, the state commissions have the authority and the mechanisms to prevent any adverse effects on the cost of capital due to investments in EWGs and FUCOs from being passed on to utility customers. No Utility Subsidiary will pledge any of its assets to support EWGs or FUCOs.

FirstEnergy will comply with the requirements of Rule 53(a)(3) regarding the limitation on the use of employees of the Utility Subsidiaries in connection with providing services to EWGs and FUCOs. No Utility Subsidiary will increase staffing levels to support the operations of any EWG or FUCO. Development of new EWG or FUCO projects will be conducted through a Non-Utility Subsidiary.

Finally, FirstEnergy will comply with the other conditions of Rule 53(a) providing specific protections to customers of the Utility Subsidiaries and their state commissions in particular, the requirements of Rule 53(a)(2) regarding the preparation and making available of books and records and financial reports regarding EWGs and FUCOs, and the requirements of Rule 53(a)(4) regarding filing of copies of applications and reports with other regulatory commissions.

Financial Health of Utility Subsidiaries. As indicated earlier in this Application/Declaration, retained earnings of the GPU Utility Subsidiaries will be eliminated at the time the Merger is consummated due to the push-down accounting for the Merger. Nevertheless, the Utility Subsidiaries are financially strong companies with stable earnings and cash flows. Each Utility Subsidiary has investment grade ratings by the major nationally recognized rating agencies. The capitalization ratios at December 31, 2000 were as shown in Item 3.G.3.

FirstEnergy's current and proposed investments in EWGs and FUCOs will not have any negative impact on the Utility Subsidiaries' ability to fund operations and growth. Current projections indicate that each Utility Subsidiary will continue to fund operations and construction expenditures primarily from internal sources of cash and credit facilities. Moreover, there is ongoing evidence that each Utility Subsidiary can access capital markets as needed, although its ability to issue debt and preferred equity securities in the future depends upon earnings coverages

and market factors at the time such securities are issued and timely and sufficient rate treatment.(89)

Adequacy of State Commission Oversight. The Utility Subsidiaries are subject to the jurisdiction of the PUCO, PPUC, NJBPU, and the NYPSC (collectively, the "State Commissions"). The State Commissions are able to protect utility customers within their respective states. Importantly, the rates now paid by retail customers in New Jersey, Ohio and Pennsylvania may not be increased for several years in accordance with state utility regulation restructuring legislation and State Commission actions except in limited circumstances and with State Commission approval. Pursuant to legislation in New Jersey, Ohio and Pennsylvania, the State Commissions are actively encouraging competition in the industry. The State Commissions each have considerable authority to regulate transactions between the Utility Subsidiaries and their affiliates to ensure that customers of the utility are not harmed by such transactions. For these reasons, the State Commissions will have adequate authority to protect the Utility Subsidiaries' customers from any adverse effect associated with FirstEnergy's existing and proposed investments in EWGs and FUCOs.

FirstEnergy expects to request a "state letter" from the PUCO, the PPUC and the NJBPU seeking their conclusion that each commission has the authority and resources to protect ratepayers subject to its jurisdiction and that it intends to exercise such authority in light of FirstEnergy's current and potential additional investment in EWGs and FUCOs as contemplated by this application.

Accordingly, FirstEnergy asks the Commission to grant it an exception to the requirements of Rule 53(a)(1) in connection with the proposed financing for the purpose of additional investments in EWGs and FUCOs subject to the limitation that FirstEnergy's aggregate investment in EWGs and FUCOs will not exceed $5 billion during the Authorization Period.

3. FirstEnergy Rule 53 Undertakings. FirstEnergy hereby undertakes to file a report with the Commission within 60 days after the end of the first three calendar quarters each year beginning with the first quarter ending at least 45 days following the date of the Commission's order in this proceeding and 90 days after the end of the last calendar quarter, providing as of the level of the applicable quarter (unless otherwise stated below):

- A computation in accordance with Rule 53(a) setting forth FirstEnergy's "aggregate investment" in all EWGs and FUCOs, its "consolidated retained earnings," and a calculation of the amount remaining under the Modified Rule 53 Test as then in effect;

- A breakdown showing FirstEnergy's aggregate investment in each individual EWG/FUCO project covered by the Modified Rule 53 Test;

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(89) NONGC, Waverly Electric and York Haven will continue to obtain capital from their parents, MARBEL, Penelec and Met-Ed, respectively, as they have in the past.

- Consolidated capitalization ratio of FirstEnergy as of the end of that quarter, with consolidated debt to include all short-term debt and non-recourse debt of all EWGs and FUCOs;

- The market-to-book ratio of FirstEnergy's common stock;

- Identification of any new EWG/FUCO project covered by the Modified Rule 53 Test in which FirstEnergy has invested or committed to invest during the preceding quarter;

- Analysis of the growth in consolidated retained earnings which segregates total earnings growth of EWGs and FUCOs from that attributable to other Subsidiaries of FirstEnergy; and

- A statement of revenues and net income for each EWG and FUCO for the 12 months ending as of the end of that quarter.

4. Rule 54 Analysis. Rule 54 promulgated under the Act states that in determining whether to approve the issue or sale of a security by a registered holding company for purposes other than the acquisition of an EWG or FUCO, or other transactions by such registered holding company or its Subsidiaries other than with respect to EWGs or FUCOs, the Commission shall not consider the effect of the capitalization or earnings of any subsidiary which is an EWG or FUCO upon the registered holding company system if Rules 53(a), (b) and (c) are satisfied. FirstEnergy does not currently own any FUCOs. As described above in detail, FirstEnergy will not be in compliance with all of the provisions of Rule 53 safe harbor. FirstEnergy believes that, for the reasons set out above, the Commission should approve additional financing for the purpose of making additional investments in EWGs and FUCOs up to the Modified Rule 53 Limitation. For those same reasons, FirstEnergy urges the Commission to make no adverse findings under Rule 54 in connection with the financing approval sought herein for other purposes.

I. DIVIDEND REINVESTMENT PLAN

Following the Merger, FirstEnergy will continue its current dividend reinvestment plan, the dividend reinvestment plan of GPU will be terminated and its participants will be eligible to become participants in the FirstEnergy plan ("FirstEnergy DRP").

FirstEnergy proposes, from time to time during the Authorization Period, to issue and/or acquire in open market transactions or by some other method which complies with applicable law and Commission interpretations then in effect up to 30 million shares of FirstEnergy common stock under the FirstEnergy DRP and the employee stock-based plans described below.(90)

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(90) The open market acquisitions for purposes of this plan will be made pursuant to Rule 42 and to the extent used in the FirstEnergy DRP or for such benefit plans will not count against the authorization to issue up to 30 million additional shares.

J. EMPLOYEE STOCK-BASED PLANS

FirstEnergy proposes, from time to time during the Authorization Period, to issue and/or acquire in open market transactions or by some other method which complies with applicable law and Commission interpretations then in effect up to 30 million shares of FirstEnergy common stock under the FirstEnergy DRP and the employee stock-based plans described below.(91)

After the Merger, FirstEnergy will continue to have several employee and director stock-based plans. These include an Executive and Director Incentive Compensation Plan, an Executive Deferred Compensation Plan, a Deferred Plan for Directors, two employee Savings Plans and two plans that were assumed by FirstEnergy in connection with the merger between Ohio Edison and Centerior Energy Corporation that resulted in the formation of FirstEnergy. Under the Executive and Director Incentive Compensation Plan employees can receive stock options, stock appreciation rights, restricted stock, performance shares and/or cash awards and directors can receive stock options and restricted stock. Under the Executive Deferred Compensation Plan and the Deferred Plan for Directors, participants may elect to defer part of their salary or incentive awards, or fees in the case of directors, into a deferred cash or stock account. Under the two Savings Plans, money that goes into the Plans, including company matching contributions, may be allocated to the purchase of FirstEnergy stock. Under the two Centerior Plans no further awards can be made; existing options, however, may be exercised until February 26, 2007 and deferred incentive awards may be paid out until March 31, 2002.

In addition, as a result of the Merger, FirstEnergy will assume certain obligations of GPU under GPU related stock option and incentive plans. FirstEnergy's obligation in this regard is set forth in Section 2.02(h) of the Merger Agreement to which reference is made for a more detailed description.

The total number of shares awarded or issued from the plans referred to above in 2000, and average for 1998 through 2000, was as follows:

COMPANY(92)	TOTAL 2000	AVERAGE 1998-2000
FIRSTENERGY		
- Stock options granted.....	3,011,284	1,670,878
- Shares issued on exercise of options.....	5,609	14,584
- Shares issued for other awards.....	279,605	129,000
GPU		
- Stock options granted.....	700,600	375,603
- Shares issued on exercise of options.....	0	2,117
- Shares issued for other awards.....	64,250	65,450

(91) The open market acquisitions for purposes of these plans will be made pursuant to Rule 42.

(92) In the case of shares issued pursuant to plans, the number excludes shares acquired in the open market or treasury shares used to satisfy the award or option.

K. TAX ALLOCATION AGREEMENT

The Applicants ask the Commission to approve the Tax Allocation Agreement. Approval is necessary because the Tax Allocation Agreement provides for the retention by FirstEnergy of certain tax benefits related to the incurrence of indebtedness by FirstEnergy rather than the allocation of such benefits to Subsidiaries as would otherwise be required by Rule 45(c)(5).

Provisions in a tax allocation agreement between a registered holding company and its Subsidiaries must comply with Section 12 of the Act and Rule 45 thereunder. Rule 45(a) of the Act generally prohibits any registered holding company or subsidiary company from, directly or indirectly, lending or in any manner extending its credit to or indemnifying, or making any donation or capital contribution to, any company in the same holding company system, except pursuant to a Commission order. Rule 45(c) provides that no approval is required for a tax allocation agreement between eligible associate companies in a registered holding company system that "provides for allocation among such associate companies of the liabilities and benefits arising from such consolidated tax return for each tax year in a manner not inconsistent with" the conditions of the rule. Of interest here, Rule 45(c)(5) provides that:

The agreement may, instead of excluding members as provided in paragraph (c)(4), include all members of the group in the tax allocation, recognizing negative corporate taxable income or a negative corporate tax, according to the allocation method chosen. An agreement under this paragraph shall provide that those associate companies with a positive allocation will pay the amount allocated and those subsidiary companies with a negative allocation will receive current payment of their corporate tax credits. The agreement shall provide a method for apportioning such payments, and for carrying over uncompensated benefits, if the consolidated loss is too large to be used in full. Such method may assign priorities to specified kinds of benefits.

Under the rule, only "subsidiary companies," as opposed to "associate companies," which includes the holding company in a holding company system, are entitled to be paid for corporate tax credits. However, if a tax allocation agreement does not fully comply with the provisions of Rule 45(c), it may nonetheless be approved by the Commission under Section 12(b) and Rule 45(a).

In connection with the 1981 amendments to Rule 45, the Commission explained that the distinction between associate companies, on the one hand, and subsidiary companies, on the other, represented a policy decision to preclude the holding company from sharing in consolidated return savings. The Commission noted that exploitation of utility companies by holding companies through the misallocation of consolidated tax return benefits was among the abuses examined in the investigations underlying the enactment of the 1935 Act. Holding Co. Act Release No. 21968 (March 25, 1981) (citing Sen. Doc. 92, Part 72A, 70th Congress, 1st Sess. at 477-482)). It must be noted, however, that the result in Rule 45(c)(5) is not dictated by the statute and, as the Commission has recognized, there is discretion on the part of the agency to approve tax allocation agreements that do not, by their terms, comply with Rule 45(c) - so long as the policies and provisions of the Act are otherwise satisfied.

The Tax Allocation Agreement will be submitted to the State Commissions for approval to the extent required under applicable state law.

The Applicants request that the Commission reserve jurisdiction over approval of the Tax Allocation Agreement pending completion of the record. The Applicants will file the form of a Tax Allocation Agreement among FirstEnergy and the Subsidiaries as Exhibit N-4 with a post-effective amendment hereto.

L. PAYMENT OF DIVIDENDS BY NON-UTILITY SUBSIDIARIES OUT OF CAPITAL AND UNEARNED SURPLUS

FirstEnergy also proposes, on behalf of Non-Utility Holding Company and every direct or indirect Non-Utility Subsidiary, that such companies be permitted to pay dividends with respect to the securities of such companies, from time to time, through the Authorization Period, out of capital and unearned surplus (including revaluation reserve), to the extent permitted under applicable corporate law.

M. INVESTMENT IN NON-UTILITY SUBSIDIARIES

First Energy seeks approvals to engage in certain activities described in this Item 3.M relating to EWGs, FUCOs, ETCs, Rule 58 Subsidiaries and Energy Related Companies (collectively, "Exempt Subsidiaries") and make additional investments in other Non-Utility Subsidiaries approved by the Commission as requested in this Item 3.M (collectively, "Non-Exempt Subsidiaries").

1. Development Activities. In connection with existing and future non-utility businesses, FirstEnergy will engage directly or through Subsidiaries in preliminary development activities ("Development Activities") and administrative and management activities ("Administrative Activities") associated with such investments. In addition, through the other specific approvals sought herein, FirstEnergy seeks to maximize its flexibility in forming new companies in order to facilitate future acquisitions and financings, to simplify the overall management and coordination of the operations of such companies, and to insulate the Utility Subsidiaries from risks and liabilities that may be associated with Exempt Subsidiaries, Rule 58 Subsidiaries, Energy Related Companies and other Non-Utility Subsidiaries.

Development Activities will be limited to: due diligence and design review; market studies; preliminary engineering; site inspection; preparation of bid proposals, including, in connection therewith, posting of bid bonds; application for required permits and/or regulatory approvals; acquisition of site options and options on other necessary rights; negotiation and execution of contractual commitments with owners of existing facilities, equipment vendors, construction firms, power purchasers, thermal "hosts," fuel suppliers and other project contractors; negotiation of financing commitments with lenders and other third-party investors; and such other preliminary activities as may be required in connection with the purchase, acquisition or construction of facilities or the securities of other companies. FirstEnergy proposes to expend directly or through Subsidiaries up to $300 million in the aggregate

outstanding at any time during the Authorization Period on all such Development Activities.(93) Administrative Activities will include ongoing personnel, accounting, engineering, legal, financial and other support activities necessary to manage Development Activities and investments in Subsidiaries.

2. Activities Related to Exempt Subsidiaries and Energy-Related Companies. In the future, FirstEnergy would make additional investments in Non-Utility Holding Company or in Non-Utility Subsidiaries pursuant to Rules 52 and 45(b) in the form of purchases of common stock and other securities, capital contributions, loans or open account advances, or any combination of the foregoing. FirstEnergy would utilize the proceeds of financings authorized hereunder or in a separate proceeding, as well as internal sources of cash, in order to make additional investments in Non-Utility Holding Company or other Non-Utility Subsidiaries, so that those companies may make additional investments, also pursuant to Rules 52 and 45(b), in Exempt Subsidiaries.

In addition, FirstEnergy may from time to time provide guarantees and other forms of credit support on behalf of Non-Utility Holding Company, or other direct and indirect Subsidiaries, subject to the financing limitations set forth herein. Further, the aggregate amount of the proceeds of securities and guarantees issued by FirstEnergy for the purpose of funding any direct or indirect investment in an EWG or FUCO would not, when added to FirstEnergy's "aggregate investment" (as defined in Rule 53(a)(1)) in all such companies, exceed the Rule 53 limitation then in effect for FirstEnergy.

Direct or indirect investments by FirstEnergy in Rule 58 Subsidiaries and Energy Related Companies would be subject to the limitations of Rule 58.(94)

It is also contemplated that Non-Utility Holding Company and Non-Utility Subsidiaries will, in turn, issue securities from time to time pursuant to the exemption provided such utility under Rule 52 to investors other than FirstEnergy for the purpose of financing their respective operations, including future acquisitions of Exempt Subsidiaries, Rule 58 Subsidiaries, Energy Related Companies and other Non-Exempt Subsidiaries.

3. Acquisition of Non-Exempt Subsidiaries. In addition to acquiring and holding the securities of Exempt Subsidiaries in transactions that are exempt pursuant to Section 32, 33 or 34, as applicable, or Rule 58 Subsidiaries, in transactions intended to be exempt pursuant to Rule 58, and Energy Related Companies, FirstEnergy requests authority through the Authorization Period to organize and acquire, directly or indirectly, the equity securities of one or more "Intermediate Subsidiaries" as defined in the following section.

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(93) Amounts expended in the development of projects leading to an investment in an Exempt Subsidiary will not count against the limitation on expenditures for Development Activities. Amounts will be restored to the authorized Development Activities amount when a Subsidiary for which such amounts were expended becomes an Exempt Subsidiary.

(94) These investments as of the date hereof are described in Item 1.A above. To the extent approved by the Commission, Energy Related Companies will not be subject to the "U.S. only" restriction of Rule 58.

4. Description of Intermediate Subsidiaries.

FirstEnergy proposes to acquire directly or indirectly the securities of one or more corporations, trusts, partnerships, limited liability companies or other entities (collectively, "Intermediate Subsidiaries"), which would be organized exclusively for the purpose of acquiring, holding and/or financing the acquisition of the securities of or other interest in one or more Exempt Subsidiaries, Rule 58 Subsidiaries, Energy Related Companies or other Non-Exempt Subsidiaries, provided that Intermediate Subsidiaries may also engage in Development Activities and Administrative Activities. To the extent such transactions are not exempt from the Act or otherwise authorized or permitted by rule, regulation or order of the Commission issued thereunder, FirstEnergy requests authority for Intermediate Subsidiaries to engage in the activities described herein.

There are several legal and business reasons for the use of limited purpose entities such as the Intermediate Subsidiaries in connection with making investments in Exempt Subsidiaries, Rule 58 Subsidiaries, Energy Related Companies and other Non-Exempt Subsidiaries. For example, the formation and acquisition of limited purpose entities is often necessary or desirable to facilitate financing the acquisition and ownership of a FUCO, an EWG or another non-utility enterprise. Furthermore, the laws of some foreign countries may require that the bidder in a privatization program be organized in that country. In such cases, it would be necessary to form a foreign Subsidiary as the entity (or participant in the entity) that submits the bid or other proposal. In addition, the interposition of one or more Intermediate Subsidiaries may allow FirstEnergy to defer the repatriation of foreign source income, or to take full advantage of favorable tax treaties among foreign countries, or otherwise to secure favorable U.S. income tax treatment that would not otherwise be available. Intermediate Subsidiaries would also serve to isolate business risks, facilitate subsequent adjustments to, or sales of, ownership interests by or among the members of the ownership group, or to raise debt or equity capital in domestic or foreign markets.

An Intermediate Subsidiary may be organized, among other things: (1) in order to facilitate the making of bids or proposals to develop or acquire an interest in any EWG, FUCO, ETC or other non-utility company which, upon acquisition, would qualify as a Rule 58 Subsidiary, Energy Related Company or other Non-Exempt Subsidiary; (2) after the award of such a bid proposal, in order to facilitate closing on the purchase or financing of such acquired company; (3) at any time subsequent to the consummation of an acquisition of an interest in any such company in order, among other things, to effect an adjustment in the respective ownership interests in such business held by FirstEnergy and non-affiliated investors; (4) to facilitate the sale of ownership interests in one or more acquired Non-Utility Subsidiaries; (5) to comply with applicable laws of foreign jurisdictions limiting or otherwise relating to the ownership of domestic companies by foreign nationals; (6) as a part of tax planning in order to limit FirstEnergy's exposure to U.S. and foreign taxes; (7) to further insulate FirstEnergy and the Utility Subsidiaries from operational or other business risks that may be associated with investments in non-utility companies; or (8) for other lawful business purposes.

Investments in Intermediate Subsidiaries may take the form of any combination of the following: (1) purchases of capital shares, partnership interests, member interests in limited liability companies, trust certificates or other forms of voting or non-voting equity interests; (2)

capital contributions; (3) open account advances without interest; (4) loans; and (5) guarantees issued, provided or arranged in respect of the securities or other obligations of any Intermediate Subsidiaries. Funds for any direct or indirect investment in any Intermediate Subsidiary will be derived from (a) borrowings, sales of common stock and guarantees authorized in the proceeding;
(b) any appropriate future debt or equity securities issuance authorization obtained by FirstEnergy from the Commission; and (c) other available cash resources, including proceeds of securities sales by Non-Utility Subsidiaries pursuant to Rule 52. To the extent that FirstEnergy provides funds directly or indirectly to an Intermediate Subsidiary which are used for the purpose of making an investment in any EWG or FUCO, a Rule 58 Subsidiary or an Energy Related Company, the amount of such funds will be included in FirstEnergy's "aggregate investment" in such entities, as calculated in accordance with Rule 53 or Rule 58, as applicable.

Intermediate Subsidiaries have been approved by the Commission in a number of instances.(95)

N. SALE OF CERTAIN GOODS AND SERVICES OUTSIDE THE UNITED STATES

Energy Related Companies (which, but for non-U.S. activities, would be Rule 58 Subsidiaries) request authority to sell goods and services to customers not only within the United States as permitted by Rule 58 but also outside the United States.(96)

Approval is sought to engage in sales of the following goods and services outside the United States:

- "Energy Management Services." Energy management services, including the marketing, sale, installation, operation and maintenance of various products and services related to energy management and demand-side management, including: energy and efficiency audits; meter data management, facility design and process control and enhancements; construction, installation, testing, sales and maintenance of (and training client personnel to operate) energy conservation equipment; design, implementation, monitoring and evaluation of energy conservation programs; development and review of architectural, structural and engineering drawings for energy efficiencies, design and specification of energy consuming equipment; general advice on programs; the design, construction, installation, testing, sales, operation and maintenance of new and retrofit heating, ventilating, and air conditioning ("HVAC"), electrical and power systems, fuel cells, uninterruptible power

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(95) See Cinergy Corp., Holding Co. Act Release No. 27124 (Jan. 11, 2000); Ameren Corp., supra, Holding Co. Act Release No. 27053; New Century Energies, Inc., supra, Holding Co. Act Release No. 27000.

(96) The Commission has heretofore authorized non-utility subsidiaries of a registered holding company to provide various services outside the United States. See Cinergy Corp., supra, Holding Co. Act Release No. 27124; National Fuel Gas Company, Holding Co. Act Release No. 27114 (Dec. 16, 1999); American Electric Power Company, Inc., Holding Co. Act Release No. 27062 (Aug. 19, 1999); Southern Energy, Inc., supra, Holding Co. Act Release No. 27020; Interstate Energy Corporation, Holding Co. Act Release No. 27069 (Aug. 26, 1999); Central and South West Corp., Holding Co. Act Release No. 26767 (Oct. 21, 1997).

systems, alarm, security, access control and warning systems, motors, pumps, lighting, water, water-purification and plumbing systems, building automation and temperature controls, installation and maintenance of refrigeration systems, building infrastructure wiring supporting voice, video, data and controls networks, environmental monitoring and control, ventilation system calibration and maintenance, piping and fire protection systems, and design, sale, engineering, installation, operation and maintenance of emergency or distributed power generation systems, and related structures, in connection with energy-related needs; and the provision of services and products designed to prevent, control, or mitigate adverse effects of power disturbances on a customer's electrical systems.(97)

- "Consulting Services." Consulting services with respect to energy- and gas-related matters for associate and nonassociate companies, as well as for individuals. Such consulting services would include technical and consulting services involving technology assessments, power factor correction and harmonics mitigation analysis, meter reading and repair, rate schedule design and analysis, environmental services, engineering services, billing services (including consolidation or centralized billing, bill disaggregation tools and bill inserts), risk management services, communications systems, information systems/data processing, system planning, strategic planning, finance, feasibility studies, and other similar related services.(98)

- "Energy Marketing." The brokering and marketing of electricity, natural gas and other energy commodities, as well as providing incidental related services, such as fuel management, storage and procurement.(99)

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(97) See Progress Energy, Holding Co. Act Release No. 27297 (Dec. 12, 2000); Energy East, Inc., Holding Co. Act Release No. 27228 (Dec. 12, 2000); NiSource, Inc., supra, Holding Co. Act Release No. 27265; Columbia Energy Group, Holding Co. Act Release No. 26868 (May 6, 1998) (approving energy management services virtually identical to the services requested by FirstEnergy anywhere outside the United States); Interstate Energy Corporation, supra, Holding Co. Act Release No. 27069 (approving energy management services anywhere outside the United States); Cinergy Corp., supra, Holding Co. Act Release No. 27124 (approving energy management services in Canada and Mexico). See also GPU, Inc., supra, Holding Co. Act Release No. 27165 (approving such services by a Rule 58 subsidiary).

(98) See Energy East, Inc., supra, Holding Co. Act Release No. 27228; NiSource, Inc., supra, Holding Co. Act Release No. 27265; Columbia Energy Group, supra, Holding Co. Act Release No. 26868; Interstate Energy Corporation, supra, Holding Co. Act Release No. 27069 (approving consulting services anywhere outside the United States).

(99) See Energy East, Inc., supra, Holding Co. Act Release No. 27228; Cinergy Corp., supra, Holding Co. Act Release No. 27124 (approving the consulting with respect to gas and electric commodity purchasing in Canada and Mexico); American Electric Power Company, Inc., supra, Holding Co. Act Release No. 27062 (approving request to broker and market electric power, natural and manufactured gas, emission allowances, coal, oil, refined petroleum products and natural gas liquids at wholesale and retail in Canada); Southern Energy, Inc., supra, Holding Co. Act Release No. 27020 (approving the brokering and marketing of electricity, natural gas and other energy commodities in Canada).

- "Infrastructure Services." Utility infrastructure services, including the services provided by MYR, such as installing and maintaining underground communications and energy networks, high voltage transmission and distribution lines, substations and towers for electric and telecommunications companies, construction and ongoing maintenance services to industrial and municipal owners of complex electric and communications infrastructures on a nationwide basis, management of large volumes of technical service and repair work for communications and energy utilities and new residential design and construction services, permitting a single point of contact for the design and construction of all utility infrastructures (including electric, gas, water, sewer, cable and telephone) and outdoor lighting.(100)

In addition, FirstEnergy requests authority to provide through Subsidiaries other energy-related goods and services. These include incidental goods and services closely related to the consumption of energy and the maintenance of energy consuming property by customers. The need for these goods and services would arise as a result of, or evolve out of, the goods and services described above and do not differ materially from those goods and services. The proposed incidental goods and services would not involve the manufacture of energy consuming equipment but could be related to, among other things, the maintenance, financing, sale or installation of such equipment.(101)

As noted in the footnotes to the items listed above in this Item 3.N, the Commission has on a number of occasions approved activities which would qualify for Rule 58 but for the fact that they were conducted outside the United States. Energy Management Services and Consulting Services have been allowed anywhere outside the United States as noted above. FirstEnergy requests that it be allowed to engage in those activities anywhere outside the United States in the same manner. Energy Marketing has been allowed in Canada and Mexico. FirstEnergy requests the Commission approve providing Energy Marketing in Canada and Mexico and retain jurisdiction with respect to providing such services elsewhere outside the United States. Finally, First Energy requests that the Commission retain jurisdiction over its engaging in Infrastructure Services anywhere outside the United States.

FirstEnergy believes that Energy Marketing and Infrastructure Services as described above are directly related to the expertise it has developed in its core utility business. A key activity of U.S. utility operations in today's increasingly deregulated industry is open market energy brokering, marketing and trading activities. The skills developed in its extensive U.S. operations in this field can be applied to competitive markets elsewhere in the world. Further, expertise gained in other markets can be applied in the United States. Similarly, the Infrastructure Services activities include many of the main activities that the Utility Subsidiaries

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(100) See GPU, Inc., supra, Holding Co. Act Release No. 27165; Interstate Energy Corporation, supra, Holding Co. Act Release No. 27069 (approving such services by a Rule 58 subsidiary). To date the Commission has not approved this type of activity outside the United States. See Item
3.F.4 why such services should not be limited to the United States.

(101) See Columbia Energy Group, supra, Holding Co. Act Release No. 26868 (approving customer financing related to energy management services and consulting services outside the United States).

engage in - installing and maintaining energy networks, high voltage transmission and distribution lines, substations and towers for electric and telecommunications companies and permitting a single point of contact for the design and construction of all utility infrastructures, for example. It would not be unusual for a FUCO to perform both Energy Marketing and Infrastructure Services, and FirstEnergy would thus be permitted to engage in many of these activities directly through any FUCO it owned. There does not appear to be any basis for distinguishing between providing these services through a FUCO or through an Energy Related Company which is approved to provide the services elsewhere in the world. In particular, FirstEnergy's infrastructure service companies have several customers for which they provide infrastructure services to all of the customer's facilities - in the United States and for that customer's overseas facilities as well. These customers currently have facilities in South America. The percentage of non-U.S. revenues is about 0.05% of total consolidated revenues of FirstEnergy's infrastructure services companies. Depending on what U.S. based customers are added, or what overseas facilities are added by existing customers, the ability to give full service and be competitive with other providers would be severely hampered if FirstEnergy is restricted from providing service outside the United States where such U.S. based customers have facilities. For these reasons, and the further reasons noted below, FirstEnergy believes that the Commission should approve Energy Marketing and Infrastructure Services anywhere in the world.

The principal focus of FirstEnergy will be U.S. based operations, and its current business plans do not include any significant expansion of non-U.S. activities. Nevertheless, the approvals sought herein (but for which the Commission is requested to reserve jurisdiction) are necessary to allow existing businesses to continue to provide needed flexibility to meet the needs of current and future customers.

FirstEnergy believes that the Commission can and should expand the ability of registered holding companies to engage in Rule 58 activities outside the United States for the following reasons. When Rule 58 was proposed, it did not contain a limitation that Rule 58 activities be confined to the United States.(102) When the Rule was adopted, however, the Commission inserted the "in the United States" requirement in Rule 58(b)(1) and (2). The only discussion of this change is found in a footnote to the release adopting the Rule. That footnote indicates that the change was included based on then existing precedent and the markets with which the Commission was then familiar.(103) As demonstrated by the precedent cited above, the Commission is now familiar with a number of matters where Rule 58 activities conducted outside the United States have been approved. Furthermore, since the adoption of Rule 58, the Commission has had extensive experience with FUCOs and investments in United States registered holding companies by non-U.S. entities. The Commission has recognized the globalization of the utility industry and the need for U.S. utilities to remain competitive.(104)

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(102) See Exemption of Acquisition By Registered Public-Utility Holding Companies of Securities of Nonutility Companies Engaged in Certain Energy-Related and Gas-Related Businesses; Exemption of Capital Contributions and Advances to Such Companies, Holding Co. Act Release No. 26313 (June 20, 1995).

(103) See Rule 58 Release.

(104) See, e.g., Registered Public-Utility Holding Companies and Internationalization, Holding Co. Act Release No. 27110 (Dec. 14, 1999) (concept release regarding investment in U.S. holding companies by non-U.S. entities).

FirstEnergy does not believe that Infrastructure Services involve any unusual risk merely because they may be conducted outside the United States. To the extent that non-U.S. operations involve additional or different risks than U.S. operations, FirstEnergy will evaluate and seek to mitigate those risks in a manner similar to the manner it evaluates EWG and FUCO investments as described in Exhibit N-6 hereto. The Commission has recognized that a careful and structured review of risks by the investing company pursuant to a detailed policy adopted by its board of directors is the best way to identify and mitigate risks.(105) Finally, FirstEnergy does not believe that there are any risks in Energy Marketing or Infrastructure Services that are significantly different from the risks related to other activities which the Commission has approved be conducted outside the U.S. Although many of the existing orders have involved activities permitted in Canada and Mexico, they also have involved several other countries. Importantly, there is no limitation on world-wide location for EWGs or FUCOs under the Act. In allowing U.S. registered holding companies to participate in the global energy markets, Congress did not feel any need to restrict the location in the world where such activities could be undertaken. The Commission has relied on the risk identification and mitigation procedures of applicants to ensure that non-U.S. activities of EWGs and FUCOs, wherever located in the world, would not result in the harms sought to be avoided by the statute. The Commission can rely on the same protections for Rule 58 activities. Accordingly, there appears to be no basis to restrict Rule 58 activities to only those countries which have been mentioned in the existing precedent. FirstEnergy seeks only a incremental expansion of existing precedent
- requesting only the additional approval for Energy Marketing and Infrastructure Services be permitted anywhere outside the United States.

O. APPROVAL FOR SUBSIDIARY REORGANIZATIONS

FirstEnergy and GPU currently engage directly and indirectly in various non-utility businesses described in Item 1.A. FirstEnergy and Non-Utility Holding Company request authority, to the extent needed,(106) to sell or otherwise transfer (i) such businesses, (ii) the securities of current Subsidiaries engaged in some or all of these businesses or (iii) investments which do not involve a Subsidiary (i.e., less than 10% voting interest) to Non-Utility Holding Company or a Subsidiary of Non-Utility Holding Company, and, to the extent approval is required, Non-Utility Holding Company or any such Subsidiary of Non-Utility Holding Company requests authority to acquire the assets of such businesses, securities of former Subsidiaries of FirstEnergy or GPU or other investment interests. Alternatively, transfers of such securities or assets may be effected by share exchanges, share distributions or dividends followed by contribution of such securities or assets to the receiving entity. The transactions proposed in this Item 3.O will not involve the sale or other disposition of any utility assets of the Utility Subsidiaries and will not involve any corporate reorganization involving the Utility Subsidiaries. The approval sought in this Item 3.O does not extend to the acquisitions of any new businesses or activities.

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(105) The Commission explained this view in its release regarding the re-proposal of Rule 55, which would regulate investments in FUCOs. See Holding Company Act Release No. 27342 (Jan. 31, 2001).

(106) The sale of securities, assets or an interest in other businesses to an associate company may, in some cases, be exempt pursuant to Rule 43(b).

In the future, following its direct or indirect acquisition of the securities of new Non-Utility Subsidiaries, FirstEnergy may determine to transfer such securities or the assets of such Non-Utility Subsidiaries and/or Non-Utility Subsidiaries existing as of the date of the Merger, to other direct or indirect Non-Utility Subsidiaries or to liquidate or merge Non-Utility Subsidiaries. Such internal transactions would be undertaken in order to eliminate corporate complexities, to combine related business segments for staffing and management purposes, to eliminate administrative costs, to achieve tax savings, or for other ordinary and necessary business purposes. FirstEnergy requests authority to engage in such transactions, to the extent that they are not exempt under the Act and rules thereunder, through the Authorization Period.

The Commission has given approval for such general corporate reorganizations in prior cases.(107)

P. REPORTING

Non-Utility Holding Company proposes to file a single consolidated quarterly report pursuant to Rule 24 of all investments in Subsidiaries, commencing with the quarterly report for the first full calendar quarter which ends at least 45 days following the date of the order herein. Concurrently with the filing of such report, a copy thereof will be furnished to each state commission having jurisdiction over retail rates of the Utility Subsidiaries.(108) It is proposed that such combined report also be in lieu of any separate notification on Form U-6B-2 that would otherwise be required with respect to exempt securities issuances. The Rule 24 report shall include:

- A copy of the balance sheet and income statement for Non-Utility Holding Company and its consolidated Subsidiaries;

- A narrative description of Development Activities and of any investments during the quarter just ended, organized by category (Exempt Subsidiaries, Rule 58 Subsidiaries, Energy Related Companies and other Non-Exempt Subsidiaries);

- Amounts and forms of guarantees of, and similar provisions and arrangements concerning, performing and undertaking of other obligations by Non-Utility Holding Company or any direct or indirect Rule 58 Subsidiary, Energy Related Company or Non-Exempt Subsidiary on behalf of other direct or indirect Subsidiaries of Non-Utility Holding Company;

- A description of services obtained by Non-Utility Holding Company, or any direct or indirect Subsidiary of Non-Utility Holding Company, from the

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(107) See Energy East, Inc., supra, Holding Co. Act Release No. 27228; PowerGen, plc, Holding Co. Act Release No. 27291 (Dec. 6, 2000); NiSource, Inc., supra, Holding Co. Act Release No. 27265; Entergy Corporation, supra, Holding Co. Act Release No. 27039.

(108) Subsidiaries that are Rule 58 Subsidiaries will also continue to file quarterly reports on Form U-9C-3. In addition, FirstEnergy will provide such information as may be required by Form U-5-S with respect to any EWGs or FUCOs in which it may acquire an interest.

Utility Subsidiaries, specifying the type of service, the number of personnel from each associate company providing services during the quarter and the total dollar value of such services;

- The charts, Exhibits L-1, L-2 and L-3 hereto, showing, as of the end of such quarterly period, all associated companies of FirstEnergy, in addition to Non-Utility Holding Company, that are Exempt Subsidiaries (identifying each as an EWG, FUCO or ETC, as applicable), Rule 58 Subsidiaries, Energy Related Company, Commission Approved Entity and other Non-Exempt Subsidiaries (identifying each as an Intermediate Subsidiary or Financing Subsidiary, as applicable); and FirstEnergy's percentage equity ownership in each such entity;

- A description of the type and amount and, if a debt instrument, the maturity and interest rate, of any securities (including guarantees) issued by Non-Utility Holding Company and each Non-Exempt Subsidiary pursuant to Rule 52 or Rule 45(b), as applicable; and

- The notional amount, identity of counterparty, and principal terms of any Anticipatory Hedge transaction entered into by Non-Utility Holding Company, or any direct or indirect Non-Exempt Subsidiary of Non-Utility Holding Company.

Q. FILING OF CERTIFICATES OF NOTIFICATION

It is proposed that, with respect to FirstEnergy, the reporting systems of the 1934 Act be integrated with the reporting system under the Act. This would eliminate duplication of filings with the Commission that cover essentially the same subject matters, resulting in a reduction of expense for both the Commission and FirstEnergy. To effect such integration, the portion of the filings under the Securities Act of 1933 (the "1933 Act") and the 1934 Act reports containing or reflecting disclosures of transactions occurring pursuant to the authorizations granted in this proceeding would be incorporated by reference into this proceeding through Rule 24 certificates of notification. The certificates would also contain all other information required by Rule 24, including the certification that each transaction being reported on had been carried out in accordance with the terms and conditions of and for the purposes represented in this Application/Declaration. Such certificates of notification would be filed within 60 days after the end of the first three calendar quarters and 90 days after the end of the last calendar quarter, in which transactions occur commencing with the first calendar quarter ended at least 45 days following the date of the Commission's order in this proceeding.

A copy of relevant documents (e.g., underwriting agreements, indentures, bank agreements) for the relevant quarter will be filed with, or incorporated by reference from, 1933 Act or 1934 Act filings in such Rule 24 certificates.

The Rule 24 certificates will contain the following information as of the end of the applicable quarter (unless otherwise stated below) :

(a) The sales of any common stock or Preferred Securities by FirstEnergy and the purchase price per share and the market price per share at the date of the agreement of sale;

(b) The total number of shares of FirstEnergy common stock issued or issuable pursuant to options granted during the quarter under employee benefit plans and dividend reinvestment plans, including any employee benefit plans or dividend reinvestment plans hereafter adopted;

(c) If FirstEnergy common stock has been transferred to a seller of securities of a company being acquired, the number of shares so issued, the value per share and whether the shares are restricted in the hands of the acquiror;

(d) If a guarantee is issued during the quarter, the name of the guarantor, the name of the beneficiary of the guarantee and the amount, terms and purpose of the guarantee;

(e) The amount and terms of any FirstEnergy indebtedness issued during the quarter;

(f) The amount and terms of any short-term debt issued by any Utility Subsidiary during the quarter;

(g) The amount and terms of any financings consummated by any Non-Utility Subsidiary that are not exempt under Rule 52;

(h) The notional amount and principal terms of any Hedge Instruments or Anticipatory Hedges entered into during the quarter and the identity of the other parties thereto;

(i) The name, parent company and amount invested in any intermediate subsidiary or financing subsidiary during the quarter and the amount and terms of any securities issued by such Subsidiaries during the quarter;

(j) A list of U-6B-2 forms filed with the Commission during the quarter, including the name of the filing entity and the date of filing;

(k) Consolidated balance sheets as of the end of the quarter and separate balance sheets as of the end of the quarter for each company, including FirstEnergy, that has engaged in jurisdictional financing transactions during the quarter;

(l) A table showing, as of the end of the quarter, the dollar and percentage components of the capital structure of FirstEnergy on a consolidated basis and each Utility Subsidiary; and

(m) A retained earnings analysis of FirstEnergy on a consolidated basis and each Utility Subsidiary detailing gross earnings, goodwill amortization, dividends paid out of each capital account and the resulting capital account balances at the end of the quarter.

Future registration statements filed under the 1933 Act with respect to securities that are subject of the Application/Declaration will be filed or incorporated by reference as exhibits to the next certificate filed pursuant to Rule 24.

R. SERVICE COMPANY APPROVALS

ServeCo will enter into a service agreement with each of the Utility Subsidiaries and other affiliates. In this Application/Declaration, the Applicants seek certain exemptions from or waiver of the Commission's rules regarding the provision of service at cost to certain affiliates of FirstEnergy as described herein. GPU's nuclear operating company, GPU Nuclear, is an approved subsidiary service company. FirstEnergy Nuclear Operating Company also provides operating services to the FirstEnergy nuclear generating plants under the direction and supervision of the owners thereof.(109)

1. Approval for Interim Operations. Currently, FirstEnergy provides many common corporate services to its affiliates, including the FirstEnergy Utility Subsidiaries, including: energy supply management of the bulk power and natural gas supply, procurement of fuels, coordination of electric and natural gas distribution systems, maintenance, construction and engineering work; customer bills and related matters; materials management; facilities; real estate; rights of way; human resources; finance; accounting; internal auditing; information systems; corporate planning and research; public affairs; corporate communications; legal; environmental matters; and executive services. These services, the recipient companies and other information regarding the same are described in detail in Exhibit N-5. As a part of the Merger, GPUS will become a subsidiary of FirstEnergy. GPUS is an approved subsidiary service company which provides services to the GPU Subsidiaries. FirstEnergy currently anticipates that all of the service functions of FirstEnergy and of GPUS will be transferred to ServeCo as soon as practical. ServeCo will be staffed primarily by transferring existing personnel from the current employee rosters of FirstEnergy, GPUS and the Utility Subsidiaries or other affiliates. In the interim, subject to Commission approval, FirstEnergy will continue to provide services to all its affiliates after the Merger, and GPUS will function as it has in the past pursuant to Commission approvals. GPUS may render services to the FirstEnergy Utility Subsidiaries or other Subsidiaries of FirstEnergy following the Merger.

FirstEnergy requests that the Commission enter an order under Section 13(a) permitting FirstEnergy to continue to provide services to affiliates, including the Utility Subsidiaries, during the interim period described below. Because FirstEnergy currently has multiple utility Subsidiaries, it has established a common service function in its holding company. Of course, FirstEnergy is not currently subject to the requirements of Section 13 or Rule 85 and thus has had no need to establish a separate service company. Given its desire to consolidate all service functions in ServeCo, which can fully comply with the requirements of the Act, and given that this consolidation will take some time, FirstEnergy asserts that continuing to provide services after the Merger will involve "special or unusual circumstances" or services "not in the ordinary

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(109) FirstEnergy may form one or more additional services companies in addition to ServeCo in the future. FirstEnergy is not seeking any approvals relating to any other service companies, but will make appropriate filings with the Commission if and when it decides to create any additional service companies.

course of business" such that the Commission can approve such activity under
Section 13(a). FirstEnergy will cause ServeCo to begin at least minimal operations within 90 days following the closing of the Merger and will transfer to ServeCo the service functions currently conducted by FirstEnergy as soon as practical consistent with continued efficient operation of the FirstEnergy system. In any event, all such service functions will be transferred to ServeCo no later than January 1, 2003, as described below. The Commission has previously granted temporary exemptions allowing a registered holding company to provide services directly to its subsidiaries in special or unusual circumstances.(110)

A determination regarding the status of FENOC and GPU Nuclear will be made before January 1, 2003.

All services provided by FirstEnergy, ServeCo, GPUS, GPU Nuclear, FENOC or by any other entity in the FirstEnergy System will be at cost as defined in Rules 90 and 91, except for those services specifically identified herein and for which an exemption or waiver from Section 13 is requested in Item 3.R.4.

On or before September 1, 2002, FirstEnergy will file a separate application with the Commission in which it will seek the necessary further authorization for ServeCo to consolidate service functions now provided by FirstEnergy, other FirstEnergy entities and GPUS. That filing will also contain the proposed forms of service agreements, policies and procedures, and the cost allocation methods to be used by ServeCo and will provide that the FirstEnergy system will be in full compliance with Section 13 of the Act and the rules thereunder on or before January 1, 2003. This procedure is similar to that employed in recent cases.(111)

During the interim period, in order to assure that an allocable portion of certain services to be provided by FirstEnergy (e.g., executive services) are properly charged or allocated to all of FirstEnergy's Subsidiaries after the Merger, FirstEnergy will enter into a service agreement with GPUS. Any charges by FirstEnergy to GPUS will in turn be assigned and allocated to the GPU Subsidiaries in accordance with the terms of the existing GPU system service agreements. Amounts that were allocated to GPU under the GPU system service agreements will be allocated to FirstEnergy.

No material change in the organization of ServeCo or GPUS, the methods of allocating cost to associate companies, or the scope or character of the services to be rendered by ServeCo, GPUS or otherwise, subject to Section 13 of the Act, or any rule, regulation or order thereunder, shall be made unless and until FirstEnergy shall first have given the Commission written notice of the proposed change not less than 60 days prior to the proposed effectiveness of any such change. If, upon the receipt of any such notice, the Commission shall notify FirstEnergy within

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(110) See, e.g., United Cities Utilities Companies, Holding Company Act Release No. 365 (Sept. 21, 1936) (holding company allowed to continue to provide butane to subsidiary pursuant to contract extending for 10 years provided resale terms revised to charge utility only cost); United Light & Power Service Co., Holding Company Act Release No. 2608 (March 11, 1941) (temporary exemption regarding employee salaries).

(111) Exelon Corporation, supra, Holding Co. Act Release No. 27186; NiSource, Inc., supra, Holding Co. Act Release No. 27265.

the 60-day period that a question exists as to whether the proposed change is consistent with the provisions of Section 13 of the Act, or of any rule, regulation or order thereunder, then the proposed change shall not become effective unless and until FirstEnergy shall have filed with the Commission an appropriate declaration regarding such proposed change, and the Commission shall have permitted such declaration to become effective.

2. Services, Goods, and Assets Involving the Utility Subsidiaries. The Utility Subsidiaries may provide to one another and other associate companies services incidental to their utility businesses, including, but not limited to, infrastructure services maintenance, storm outage emergency repairs, and services of personnel with specialized expertise related to the operation of the utility. These services will be provided in accordance with Rules 87, 90 and 91. Moreover, in accordance with Rules 87, 90 and 91, certain goods may be provided through a leasing arrangement or otherwise by one Utility Subsidiary to one or more associate companies, and certain assets may be used by one Utility Subsidiary for the benefit of one or more other associate companies. Because these services will be provided in accordance with applicable rules, no relief is sought from the Commission regarding these services.

3. Non-Utility Subsidiary Transactions - Exempt Companies. The Applicants request authorization for ServeCo, GPUS and the Non-Utility Subsidiaries to enter into agreements to provide construction, goods or services to certain associate companies enumerated below at fair market prices determined without regard to cost and therefore requests an exemption (to the extent that Rule 90(d) of the Act does not apply)(112) under Section 13(b) from the cost standards of Rules 90 and 91.

In recent decisions,(113) the Commission has approved such relief allowing "at market" pricing for substantially the following transactions, and FirstEnergy requests similar relief, if the client company is:

(1) a FUCO or an EWG that derives no part of its income, directly or indirectly, from the generation, transmission, or distribution of electric energy for sale within the United States;

(2) an EWG that sells electricity at market-based rates which have been approved by FERC or another appropriate state public utility commission,

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(112) Under Rule 90(d)(1), the price of services, construction or goods is not limited to cost if neither the buyer nor the seller of such services, construction or goods is (i) a public-utility holding company, (ii) an investment or similar company as defined in the Rule, (iii) a company in the business of selling goods to associate companies or performing services or construction (i.e., a "service company") or (iv) any company controlling an entity described in (i), (ii) or (iii). In general, therefore, goods, services or construction provided from one Non-Utility Subsidiary to other Non-Utility Subsidiaries (other than any service company) are not subject to the cost restrictions and may be priced at market, which may be above or below cost. A Non-Utility Subsidiary would generally be permitted to make such sales of goods, services or construction to another Non-Utility Subsidiary under Rule 87(b).

(113) Interstate Energy Corporation, supra, Holding Company Act Release No. 27069; Ameren Corp., Holding Company Act Release Nos. 27053 and 27040 (July 23, (1999); New Century Energies, Inc., supra, Holding Company Act Release No. 27000.

provided that the purchaser of the EWG's electricity is not an affiliated public utility or an affiliate that re-sells such power to an affiliated public utility;

(3) a QF that sells electricity exclusively at rates negotiated at arm's length to one or more industrial or commercial customers purchasing such electricity for their own use and not for resale, or to an electric utility company other than an affiliated electric utility at the purchaser's "avoided cost" determined under PURPA;

(4) an EWG or a QF that sells electricity at rates based upon its costs of service, as approved by FERC or any state public utility commission having jurisdiction, provided that the purchaser of the electricity is not an affiliated public utility; or

(5) a Rule 58 Subsidiary or any other Non-Utility Subsidiary that
(a) is partially owned, provided that the ultimate purchaser of goods or services is not a Utility Subsidiary, (b) is engaged solely in the business of developing, owning, operating and/or providing services or goods to Non-Utility Companies described in (1) through (4) above or (c) does not derive, directly or indirectly, any part of its income from sources within the United States and is not a public-utility company operating within the United States.

4. Existing Affiliate Arrangements and Requests for Temporary Exemption. The FirstEnergy Utility Subsidiaries currently provide to, or receive services from, associate companies in accordance with various agreements and arrangements and pursuant to cost allocation methods approved by the PUCO. These arrangements are described in detail in Exhibit N-5. Except as noted below, all of these services are provided at cost as defined in Rules 90 and 91. FirstEnergy requests approval pursuant to Rule 87(a)(3) for the FirstEnergy Utility Subsidiaries to be allowed to continue to provide and receive these services at cost. FirstEnergy will provide the semi-annual reports regarding these services in the format described below in Item 3.R.5. The Commission has approved utility and non-utility subsidiaries providing services to, and receiving services from, other associate companies at cost that fall outside the scope of exempted incidental services.(114)

In addition to the services rendered at cost noted in the prior paragraph, certain associate companies provide services to the FirstEnergy Utility Subsidiaries at a price not restricted to cost - that is at a market price - in a manner consistent with Ohio regulation. These arrangements are identified and described in detail in Exhibit N-5. FirstEnergy requests authorization to allow the arrangements identified in Exhibit N-5, as well as extensions, additions and replacements thereof in the ordinary course of business (the "At Market Service Arrangements"), to remain in place for a period ending not later than December 31, 2002, and requests an exemption or waiver under Section 13 from the cost standards of Rules 90 and 91, as applicable, for such At Market Service Arrangements. FirstEnergy will inform the Commission in the reports referred to in Item 3.R.5

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(114) Exelon Corporation, supra, Holding Company Act Release No. 27186.

of any renewals or extensions of these agreements or arrangements or any similar arrangements that may be entered into during the interim period prior to December 31, 2002.

5. Interim Reporting by Service Providers. FirstEnergy will file with the Commission pursuant to Rule 24 semi-annual reports regarding the activities summarized above. A report for the six month period ended June 30 of each year (commencing June 30, 2002) will be filed no later than August 31 of the same year and a report for the six month period ended December 31 of each year (commencing December 31, 2001) will be filed together with the Form U-13-60 due the following year by May 1. Each such report shall include a list of all service providers described above who provided service in the period, and for each service provider:

- A list of companies receiving services;

- A description of the types of services provided;

- The dollar amount of the services provided by category;

- A description of the method of charging for services, i.e., cost or, if permitted, other than cost (and a citation to the authority for providing the service at other than cost);

- Reference to the agreement under which such services were provided; and

- For the period ended December 31, an income statement and balance sheet for each service provider for and as of the most recently completed fiscal year.

S. TRANSFERS OF UTILITY ASSETS/ACQUISITION OF INTERESTS RELATING TO GENCO AND THE ALLIANCE

1. Transfer of FirstEnergy Generating Assets. The FirstEnergy Operating Companies currently own the following generating stations (collectively, the "FirstEnergy Generating Assets"). The FirstEnergy Generating Assets consist of fossil fueled generation and nuclear fueled generation, as noted.

Name of Station	Location	Capacity Megawatts	Fuel Type
Ashtabula Plant	Ashtabula (OH)	376	Fossil
Bay Shore Power Plant	Lucas (OH)	648	Fossil
Beaver Valley Nuclear Power Station	Beaver (PA)	1,630	Nuclear
Bruce Mansfield Plant	Beaver (PA)	2,360	Fossil

Name of Station	Location	Capacity Megawatts	Fuel Type
Davis-Besse Nuclear Power Station	Ottawa (OH)	883	Nuclear
Eastlake Plant	Lake (OH)	1,262	Fossil
Edgewater Plant	Lorain (OH)	148	Fossil
Lake Shore Plant	Cuyahoga (OH)	249	Fossil
Mad River Plant	Clark (OH)	60	Fossil
Perry Nuclear Power Plant	Lake (OH)	1,266	Nuclear
R. E. Burger Plant	Belmont (OH)	413	Fossil
Richland Plant	Defiance (OH)	432	Fossil
Seneca Plant	Warren (PA)	435	Hydro
Stryker Peaking Plant	Williams (OH)	18	Fossil
West Lorain Plant	Lorain (OH)	545	Fossil
Sammis Plant	Jefferson (OH)	2,233	Fossil

FirstEnergy has created GenCo pursuant to the Corporate Separation Plan approved by the PUCO and described in Item 1.A.2(e). GenCo is an EWG and currently owns and operates certain generating units that were never "rate-base" facilities subject to the jurisdiction of any state commission within the meaning of Section 32(c) of the Act.

Pursuant to the Corporate Separation Plan, FirstEnergy has transferred operational control of all of the fossil fueled FirstEnergy Generating Assets to GenCo pursuant to lease agreements.(115) The nuclear fueled FirstEnergy Generating Assets continue to be operated by FENOC. (116) The output of all FirstEnergy Generating Assets, fossil and nuclear, is sold to FirstEnergy Solutions, which is FirstEnergy's energy marketing subsidiary.

Although the Corporate Separation Plan contemplates that the FirstEnergy Generating Assets will eventually be owned and operated by GenCo, it has not been possible to transfer title to most of the FirstEnergy Generating Assets to GenCo to date. The FirstEnergy Generating

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(115) The transfer of operational control of generating assets (i.e., responsibility for operations and dispatch) does not require approval of the Commission under the Act. Cf. Section 12(d) of the Act which provides, "it shall be unlawful for any registered holding company . . . to sell . . . any utility assets. . . ." (emphasis supplied)

(116) FENOC operates the nuclear FirstEnergy Generating Assets in such a manner\ so as to not be considered an "electric utility company" as defined in
Section 2(a)(3) of the Act.

Assets are subject to various restrictions which inhibit the transfer of legal title to the FirstEnergy Generating Assets to GenCo either as a matter of contractual restriction or because such a transfer would involve a significant financial cost.(117) FirstEnergy is obligated under the Corporate Separation Plan to complete the full transfer of title of all the FirstEnergy Generating Assets to GenCo(118) by December 31, 2005.

FirstEnergy has obtained the approval of the PUCO and the PPUC to the transfer of all of the FirstEnergy Generating Assets to GenCo as required by
Section 32(c) of the Act.(119) Thus, when legal title is transferred, GenCo will continue to qualify as an EWG. FirstEnergy seeks approval under Section 12(d) and Rule 44 to transfer from time to time and at any time prior to December 31, 2005, all remaining FirstEnergy Generating Assets which constitute "utility assets" to GenCo. The Commission has approved similar transfers in the past.(120)

2. Transfer of Transmission Assets and Acquisition of Interests Relating to the Alliance. FirstEnergy has transferred all of its electric transmission assets to ATSI. This transfer was approved under Sections 9(a)(2) and 10 of the Act.(121) FirstEnergy will participate in the Alliance as described in Item 3.B.1(b). FirstEnergy expects to transfer operational control(122) of its transmission facilities owned by ATSI to the Alliance, and, as part of that transfer, may receive ownership interests in the Alliance. FirstEnergy seeks approval under Sections 9(a) and 10 of the acquisition of the securities of the Alliance in connection therewith.(123)

The structure of the Alliance has not yet been finally determined. It is proposed that the Alliance have two classes of membership interests: Class A Units and Class B Units. Holders of

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(117) The FirstEnergy Generating assets are subject to the lien of first mortgage bonds or the restrictions included in sale-lease back transactions. Certain of these restrictions could be eliminated but only through payment of prepayment penalties, redemption premiums or refinancing at higher cost.

(118) Under Section 32(c)(B), the "approval of the Commission under this Act shall not be required for the transfer of the facility [i.e., the facility whose transfer is approved by the state commission] to an exempt wholesale generator." If the creation of the GenCo as an EWG and the transfer of the facilities were simultaneous, this section would appear to allow for such transaction without Commission approval notwithstanding Section 12. Given the extended nature of the transfers in this case, FirstEnergy nevertheless is seeking approval under Section 12 to the extent required.

(119) See Order of The Public Utilities Commission of Ohio, "In the Matter of the Application of Ohio Edison Company, The Cleveland Illuminating Company, and the Toledo Edison Company for an Eligible Facility Determination under the Public Utility Holding Company" (Dec. 21, 2000); Order of Pennsylvania Public Utility Commission, "Application of Pennsylvania Power Company for (1) Approval, Pursuant to Chapter 21 of the Public Utility Code, of the Lease of Certain Power Production Facilities to FirstEnergy Generation Corp. and (2) Issuance of Findings Required by the Public Utility Holding Company Act to Enable FirstEnergy Generation Corp. to Obtain Exempt Wholesale Generator Status" (Feb. 21, 2001).

(120) Exelon Corporation, supra, Holding Co. Act Release No. 27266.

(121) See FirstEnergy Corp., Holding Co. Act Release No. 27221 (Aug. 22, 2000).
ATSI is an electric utility company and FirstEnergy required Commission approval to acquire its stock under those sections.

(122) Transfer of operational control will not require approval of the Commission. See footnote 115.

(123) The relief sought in this Item 3.S.2 may become unnecessary if the Commission adopts rules exempting from Commission approval transactions relating to the formation of RTOs and the dealings of registered holding company systems with RTOs.

Class A Units, which must be non-market participants (i.e., a person not involved in generation or transmission within the RTO's area under FERC rules), would have full voting and economic rights in the Alliance. Holders of Class B Units, which would be market participants such as ATSI, would have full economic rights but only limited voting rights.(124) Class A and Class B Units together would initially constitute 100% of the equity of the Alliance. The Units would be distributed in proportion to capital contributions made to the Alliance.

Many of the utilities participating in the Alliance (each an NDTO) will not initially contribute, sell or transfer their transmission facilities to the Alliance but instead will cede to the Alliance functional control over same pursuant to an operation agreement. As noted, ATSI currently believes it will be one of these NDTOs. The NDTOs are expected to have the right, subject to certain conditions, to exchange fee ownership of their transmission facilities for Class B Units (or, if applicable, Class A Units) in a transaction valued at fair market value.(125)

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(124) Although there will be certain associated voting rights, as discussed below, these limited rights do not appear to bring the Class B Units within the definition of "voting securities" under Commission precedent. Nor will the ownership of Class B Units permit the holder to exercise either actual control or such a controlling influence over the management and policies of the Company as to require regulation as a holding company, see Section 2(a)(7), or result in "such an absence of arm's-length bargaining in transactions" between the Class B Members and the Company as to require regulation of Class B Members as "affiliates" within the meaning of Section 2(a)(11) of the Act. It follows that ownership of Class B Units would not cause the holders to be deemed "associate companies" or "affiliates" of the Company within the meaning of Sections 2(a)(10) and
2(a)(11), respectively. The voting rights of the Class B Members are as follows: (1) The approval of a Super Majority of the Class B Members, that is, Members holding Class B Units representing more than 66.6% of the aggregate Class B interests, is required for certain major actions, including an Alliance change in control, amendment or waiver of the terms of LLC Agreement that would adversely affect the Alliance or the Member interests; dissolution or liquidation of the Alliance; the filing of a voluntary petition in bankruptcy or similar action; certain acquisitions other than in the ordinary course of business, and entry into "any business not relating to the transmission of electric power." (2) If Class B Members holding more than 50% of the Class B Units determine that the FERC regulations have changed so as to permit market participants greater rights, they can vote to expand their rights accordingly, provided that, if the expansion of Class B rights impairs the rights of Class A Units, the change must also be approved by the holders of a majority of Class A Units. (3) Class B Members also have the right to assign their units to a non-market participant. The Class B Units will become Class A Units in the hands of the assignee. In these circumstances, the Class B Members could also elect to disband the independent board and replace it with a board selected by Class A Unit Holders, once A units are outstanding. (4) The holders of Class B Units have certain additional Securities Act of 1933 registration rights, including the right to compel the board to effect an initial public offering, and piggyback registration rights. (5) Holders of Class B Units do not have any representation on the Alliance board of directors but under certain circumstances may act, with the non-divesting transmission owners ("NDTOs") to disband the board and replace directors selected by stakeholders with directors to be selected by Class A unit holders. In this event, the new directors will be elected exclusively by the holders of A Units.

(125) FirstEnergy or ATSI may also enter into agreements that would give them the right, subject to certain conditions, to "put" ATSI's transmission facilities to the Alliance in exchange for Class B Units. In this case, FirstEnergy would not be acquiring any security in the initial phase of the transactions with Alliance, and there would not be any Commission approval in connection therewith. To the extent these agreements would constitute securities within the meaning of Section 2(a)(16), FirstEnergy would enter into such agreements on the basis of Rule 51 and performance of these agreements would be expressly subject to Commission approval. That approval would be required for the actual transfer of fee title to the ATSI transmission assets to the Alliance.

As currently contemplated, FirstEnergy, through ATSI or otherwise, would only acquire the non-voting Class B Units assuming it were not an NDTO or if it subsequently exercised the option referred to in the preceding paragraph. Accordingly, FirstEnergy will not be acquiring 5% or more of the "voting securities" of a public-utility company (assuming Alliance is an "electric utility company" as defined in the Act). Thus, Section 9(a)(2) will not be applicable to FirstEnergy's acquisition of the Class B Unit interests in the Alliance. Section 9(a)(1) would be applicable. The Alliance would qualify as a functionally related business for FirstEnergy as the Alliance will be the method through which FirstEnergy complies with its FERC mandated obligations under FERC Order 2000. This would be only the acquisition of an "other business" where FirstEnergy would not exercise any control and thus presents no concerns under
Section 10 or 11 under the Act.

3. Transfer or Assumption of Financing Relating to FirstEnergy Generating Assets or Transmission Assets. FirstEnergy seeks approval for GenCo or ATSI to assume debt obligations of a Utility Subsidiary as specified below, with or without a comparable release of the Utility Subsidiary from liability, provided that such assumption does not change the consolidated total capitalization of FirstEnergy and does not increase the percentage of indebtedness in the capital structure of the Utility Subsidiary.

Other than intercompany obligations (described on Exhibit N-1) regarding ATSI, no debt obligations of the FirstEnergy Operating Companies were transferred to or assumed by ATSI in connection with the transfer of transmission assets to ATSI. Likewise, no FirstEnergy Operating Company debt obligations have been transferred to or assumed by GenCo. In most cases indebtedness of the FirstEnergy Operating Companies is not specifically identified with particular assets. Some indebtedness, such as pollution control bonds, can be associated directly with facilities related to FirstEnergy Generating Assets. When the revenue producing assets such as the FirstEnergy Generating Assets and the transmission assets are transferred from the FirstEnergy Operating Companies, however, it may be appropriate to "transfer" an amount of indebtedness to the receiving entity, i.e., ATSI or GenCo.

FirstEnergy seeks approval to transfer up to $350 million of obligations of the FirstEnergy Operating Companies to ATSI. This represents the approximate amount of the intercompany obligations from ATSI to the FirstEnergy Operating Companies associated with the transfer of transmission facilities to ATSI as described in the prior Commission approval. See also Exhibit N-1.

FirstEnergy also seeks approval to transfer up to $2,095 million of obligations of the FirstEnergy Operating Companies to GenCo. This amount represents the amount of bonds of the FirstEnergy Operating Subsidiaries issued for pollution control purposes and which are related to generating facilities. These bonds are described in more detail on Exhibit N-1 and are comprised of the following:

UTILITY	AMOUNT OF POLLUTION CONTROL OBLIGATIONS ($ IN MILLIONS)

UTILITY	AMOUNT OF POLLUTION CONTROL OBLIGATIONS ($ IN MILLIONS)
Ohio Edison	$883
Cleveland Electric	731
Toledo Edison	354
Penn Power	127
Total	$2,095

Such transfer or assumption may be through an assignment of the liability, an agreement by GenCo or ATSI to become secondarily or primarily liable on the liability, through an issuance by GenCo or ATSI of refunding obligations the proceeds of which would be paid to the Utility Subsidiary and used to retire the relevant existing obligations, or through other reasonable and appropriate means consistent with modern corporate finance practices. The Commission has approved the transfer of liabilities from one entity to another in the holding company system to facilitate such corporate restructurings.(126)

T. SECTION 10(f)

Section 10(f) provides that:

The Commission shall not approve any acquisition as to which an application is made under this section unless it appears to the satisfaction of the Commission that such State laws as may apply in respect of such acquisition have been complied with, except where the Commission finds that compliance with such State laws would be detrimental to the carrying out of the provisions of section 11.

As described in Item 4 of this Application/Declaration, FirstEnergy and GPU intend to comply with all applicable state laws related to the acquisition by FirstEnergy of all of the issued and outstanding voting securities of the GPU Energy Companies in the context of the Merger.

ITEM 4. REGULATORY APPROVALS

A. APPROVALS RELATED TO THE MERGER

Set forth below is a summary of the regulatory approvals that the Applicants have obtained or expect to obtain in connection with FirstEnergy's acquisition of all of the issued and outstanding voting securities of the GPU Energy Companies. Except as set forth below, no other state or local regulatory body or agency, and no other federal commission or agency, has jurisdiction over such transaction.

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(126) See Exelon Corporation, supra, Holding Co. Act Release No. 27266.

1. Federal Power Act. Section 203 of the FPA provides that no public utility may sell or otherwise dispose of its jurisdictional facilities, directly or indirectly, merge or consolidate its facilities with those of any other person, or acquire any security of any other public utility without first having obtained authorization from FERC. Because FirstEnergy and GPU own "jurisdictional facilities" under the FPA, FERC approval under Section 203 is required before FirstEnergy and GPU may consummate the Merger. Section 203 provides that FERC is required to grant its approval if the Merger is found to be consistent with the public interest.

On November 9, 2000, GPU and FirstEnergy filed a joint application with FERC (a copy of which is filed as Exhibit D-1 hereto), requesting the required FERC approval. On March 15, 2001, FERC approved the application. A copy of the order approving the Merger by FERC is filed as Exhibit D-2 hereto.

2. State Public Utility Regulation.

(a) PUCO. FirstEnergy believes that approval of the Merger by the PUCO is not required.

(b) PPUC. Penn Power, Met-Ed and Penelec are currently subject to the jurisdiction of the PPUC. Under Chapter 11 of the Pennsylvania Public Utility Code, any public utility must obtain a certificate of public convenience before it (or any affiliate) may acquire from, or transfer to, another entity the title to, or the possession or use of, any property used or useful in the public service. In addition, under the PPUC's policy, a merger that results in the change in control of an existing Pennsylvania public utility, which includes a change in the controlling interest of the utility's parent, requires the issuance of a certificate of public convenience by the PPUC.

On November 9, 2000, GPU, Met-Ed, Penelec and FirstEnergy filed a joint application with the PPUC. A copy of the application is attached hereto as Exhibit D-3. Copies of the order dated May 24, 2001 (the "May 24 Order") approving the Merger and a subsequent order dated June 14, 2001, which modified the May 24 Order, are attached hereto as Exhibit D-4.

(c) NJBPU. The transfer of the ownership or control or the Merger of FirstEnergy and GPU as the parent company of JCP&L, is subject to the jurisdiction of the NJBPU. Pursuant to Title 48 of the New Jersey Statutes Annotated, no person may acquire or seek to acquire control of a public utility directly or indirectly through the medium of an affiliated or parent corporation without first requesting and receiving approval of the NJBPU. In addition, the prior authorization of the NJBPU is required for any transfer of stock to another public utility, or a transfer that vests another corporation with a majority interest in the stock of a public utility.

On November 9, 2000, FirstEnergy, GPU and JCP&L filed a joint petition seeking approval of the NJBPU consistent with these requirements. A copy of the petition to the NJBPU is filed as Exhibit D-5 hereto, and the resulting order will be filed by amendment as Exhibit D-6 hereto.

(d) NYPSC. On January 12, 2001, Waverly Electric, Penelec, GPU and FirstEnergy filed with the NYPSC a joint petition requesting that the NYPSC: (1) issue a

declaratory ruling disclaiming jurisdiction to review and consent to the Merger; or (2) refrain from exercising jurisdiction on the grounds that there is no potential harm to the interests of New York customers from the Merger; or (3) approve, under Section 70 of the Public Service Law, the transfer of beneficial control of the stock and New York electric plant of Penelec and Waverly Electric to FirstEnergy as part of the Merger. A copy of the joint petition is filed as Exhibit D-10 hereto. On April 4, 2001, the NYPSC approved the joint petition; a copy of the NYPSC's order is filed as Exhibit D-11 hereto.

3. Atomic Energy Act. The Atomic Energy Act of 1954, as amended, provides that an NRC license for nuclear generating facilities may not be transferred or in any manner disposed of, directly or indirectly, through the transfer of control, unless the NRC finds that the transfer complies with the Atomic Energy Act and consents to the transfer.

On September 26, 2000, FirstEnergy and GPU filed a joint application with the NRC, requesting its approval of the indirect transfer of control of the interests in the possession-only licenses for the SNES and Three Mile Island Unit No. 2, to the extent required by the Atomic Energy Act. A copy of this application pertaining to both licenses is filed as Exhibit D-7 hereto, and the orders granting approval of such indirect transfer of control for the SNES and Three Mile Island Unit No. 2 are filed as Exhibits D-8 and D-9 hereto.

4. Antitrust Considerations. The HSR Act and the rules and regulations thereunder provide that a transaction such as the Merger may not be consummated until certain information has been submitted to the DOJ and the FTC and specified HSR Act waiting period requirements have been satisfied. FirstEnergy and GPU submitted filings under the HSR Act to the FTC and the DOJ on November 20, 2000, and the waiting period expired on December 20, 2000. The expiration of the HSR Act waiting period does not preclude the DOJ or the FTC from challenging the Merger on antitrust grounds. If the Merger is not consummated within 12 months after the expiration of the HSR Act waiting period, new pre-merger notifications would need to be submitted to the DOJ and the FTC and a new HSR Act waiting period would have to expire or be terminated before the Merger could be consummated.

5. Telecommunications. GPU, itself or through one or more of the GPU Subsidiaries, holds various radio licenses subject to the jurisdiction of the FCC under Title III of the Communications Act. Under Section 310 of the Communications Act, no station license may be assigned or transferred, directly or indirectly, except upon application to and approval by the FCC. On November 14 and 15, 2000, applications were made with the FCC for authority to transfer control of certain licenses held by the GPU Energy Companies to FELHC. FCC approval was granted for the last of the applications as of February 12, 2001, and all necessary extensions have been filed to maintain this approval status.

B. APPROVALS RELATED TO OTHER REQUESTS

Set forth below is a summary of the regulatory approvals Applicants have obtained or expect to obtain in connection with the financing authorization and the other matters for which approval is sought herein as described in Item 3.C. through Item 3.S. hereof. Except as set forth below, no other state or local regulatory body or agency, and no other federal commission or agency, has jurisdiction over such transactions.

1. Financing. No state or federal regulatory body, agency or commission has jurisdiction over any aspect of the financing for which authority is sought herein. As noted in Item 3.F.4, financings by Utility Subsidiaries will be exempt from approval by the Commission under Rule 52.

2. Utility Money Pool. Transactions in the Utility Money Pool by Utility Subsidiaries in Pennsylvania and New Jersey are subject to the approval of the PPUC and NJBPU, respectively, to the extent they involve transactions with an affiliate. Ohio Edison, Toledo Edison, Cleveland Electric and Penn Power have approval from the PUCO and the PPUC, as appropriate, to engage in intercompany borrowings among themselves and with FirstEnergy. Met-Ed and Penelec have approval from the PPUC to engage in intercompany borrowings with GPU. Further approvals will be sought from the PUCO, PPUC and NJBPU as required to cover all possible intercompany transactions contemplated by the Utility Money Pool and no transaction in the Utility Money Pool will be undertaken that does not have the required approval.

3. Service Company. The arrangements between ServeCo and the Utility Subsidiaries will require approval by the PPUC and the NJBPU. Approvals will be sought during the interim period described in Item 3.R.

4. Transfers of Utility Assets/Acquisition of Interests Relating to GenCo and the Alliance. The transfer of the FirstEnergy Generating Assets to GenCo has been approved by the PUCO and the PPUC under Section 32(c) of the Act. The transfer of operating control to GenCo of the First Energy Generating Assets, which was effective January 1, 2001, as described herein, has received all necessary regulatory approvals of the PUCO, PPUC and FERC, and no other approvals are required. To fully transfer title to the FirstEnergy Generating Assets to GenCo it will be necessary to obtain approval of the NRC. Applications for such approval will be filed in due course.

The formation of the Alliance as an RTO and FirstEnergy's participation therein has been approved by the FERC. No other regulatory approval is required for FirstEnergy or ATSI to acquire any membership or other equity interest in the Alliance as contemplated hereby.

ITEM 5. PROCEDURE

The Applicants request that there be no 30-day waiting period between the issuance of the Commission's order and the date on which it is to become effective. The Applicants submit that a recommended decision by a hearing or other responsible officer of the Commission is not needed with respect to the proposed transaction and that the Division may assist with the preparation of the Commission's decision and/or order in this matter unless the Division opposes the matters covered hereby.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS

A. EXHIBITS

EXHIBIT

A-1	Articles of Incorporation of GPU, as amended - Incorporated by reference to Exhibit 3-A-2, 1996 Annual Report on Form 10-K, SEC File No. 1-6047.
A-2	By-Laws of GPU, as amended - Incorporated by reference to Exhibit 3-B, 1999 Annual Report on Form 10-K, SEC File No. 1-6047.
A-3	Restated Certificate of Incorporation of JCP&L, as amended - Incorporated by reference to Exhibit 3-A, 1990 Annual Report on Form 10-K, SEC File No. 1-3141.
A-4	Certificate of Amendment to Restated Certificate of Incorporation of JCP&L, dated June 19, 1992 - Incorporated by reference to Exhibit A-2(a), Certificate Pursuant to Rule 24, SEC File No. 70-7949.
A-5	Certificate of Amendment to Restated Certificate of Incorporation of JCP&L, dated June 19, 1992 - Incorporated by reference to Exhibit A-2(a)(I), Certificate Pursuant to Rule 24, SEC File No. 70-7949.
A-6	By-Laws of JCP&L, as amended - Incorporated by reference to Exhibit 3-B, 1993 Annual Report on Form 10-K, SEC File No. 1-3141.
A-7	Restated Articles of Incorporation of Penelec dated March 8, 1999 - Incorporated by reference to Exhibit 3-G, 1999 Annual Report on Form 10-K, SEC File No. 1-3522.
A-8	By-Laws of Penelec, as amended.**
A-9	Restated Articles of Incorporation of Met-Ed dated March 8, 1999 - Incorporated by reference to Exhibit 3-E, 1999 Annual Report on Form 10-K, SEC File No. 1-446.
A-10	By-Laws of Met-Ed, as amended.**
A-11	Amended Articles of Incorporation of FirstEnergy - Incorporated by reference to Exhibit (3)-1, Form S-4 Registration Statement filed on February 3, 1997, SEC File No. 333-21011.
A-12	FirstEnergy Amended Code of Regulations - Incorporated by reference to Exhibit (3)-2, Form S-4 Registration Statement filed on February 3, 1997, SEC File No. 333-21011.
B-1	Agreement and Plan of Merger dated as of August 8, 2000 between GPU and FirstEnergy.

EXHIBIT

C-1	Amendment No. 1 to Registration Statement on Form S-4 filed on October 13, 2000 - Incorporated by reference to such filing, SEC File No. 333-46444 (excluding all exhibits thereto).
C-2	Joint Proxy Statement/Prospectus, included in Form S-4 Registration Statement, Exhibit C-1 hereto.
D-1	Joint Application of FirstEnergy and GPU to FERC.**
D-2	Order Authorizing Merger, 94 FERC 61, 291 (2001).
D-3	Joint Application to the PPUC.**
D-4	Order of the PPUC dated May 24, 2001 and order of the PPUC dated June 14, 2001 modifying the May 24 Order.
D-5	Joint Petition to the NJBPU.**
D-6	Order of the NJBPU.*
D-7	Joint Application of FirstEnergy and GPU to the NRC pertaining to the SNES and Three Mile Island Unit No. 2.**
D-8	Order of the NRC pertaining to the SNES and corresponding safety evaluation.
D-9	Order of the NRC pertaining to Three Mile Island Unit No. 2 and corresponding safety evaluation.
D-10	Joint petition of FirstEnergy, GPU, Waverly Electric and Penelec to the NYPSC.
D-11	Order of the NYPSC.
E-1	Map of FirstEnergy system as of December 31, 2000.+
E-2	Map of GPU system.+
E-3	Map of post-Merger FirstEnergy system.+
F-1	Preliminary Opinion of Counsel.*
F-2	Past Tense Opinion of Counsel (to be filed with certificate of notification).*
G-1	Intentionally Omitted.
H-1	FirstEnergy Form U-3A-2, "Statement by Holding Company Claiming Exemption Under Rule U-2 from the Provisions of the Public Utility Holding Company Act of 1935," dated February 28, 2001 - Incorporated by reference to such filing, File No. 69-423.

EXHIBIT

I-1	Intentionally Omitted.
J-1	Form 10-K Annual Report of GPU for the year ended December 31, 2000 - Incorporated by reference to such filing, SEC File No. 1-6047.
J-2	Form 10-K Annual Report of JCP&L for the year ended December 31, 2000 - Incorporated by reference to such filing, SEC File No. 1-3141.
J-3	Form 10-K Annual Report of Penelec for the year ended December 31, 2000 - Incorporated by reference to such filing, SEC File No. 1-3522.
J-4	Form 10-K Annual Report of Met-Ed for the year ended December 31, 2000 - Incorporated by reference to such filing, SEC File No. 1-0446.
J-5	Form 10-K Annual Report of FirstEnergy for the year ended December 31, 2000 - Incorporated by reference to such filing, SEC File No. 333-21011.
K-1	Pre-Merger Organizational Chart of FirstEnergy. +
K-2	Pre-Merger Organization Chart of GPU. +
K-3	Post-Merger Organizational Chart of FirstEnergy. +
K-4	Comparison of Electric Utility Companies on Various Indicators of Size.
K-5	Analysis of Assets, Revenues and Electric Customers of FirstEnergy, GPU and the Combined Company at or for the year ended December 31, 2000.
K-6	Projected Combined Company Consolidated Capital Structure As of September 30, 2001, December 31, 2001, June 30, 2002, December 31, 2002 and June 30, 2003.#*
K-7	Percentage of Common Equity For The GPU Energy Companies, FirstEnergy Operating Companies and ATSI Within The Post-Merger FirstEnergy System.#*
L-1	Retention of FirstEnergy's Non-Utility Businesses.
L-2	GPU's Non-Utility Subsidiaries with Applicable Exemption or Commission Order.
L-3	GPU's Investments in Nonsystem Securities.
M-1	Morgan Stanley Fairness Opinion, filed as Appendix B to the Joint Proxy Statement/Prospectus, Exhibit C-2 hereto.
M-2	Salomon Fairness Opinion, filed as Appendix C to the Joint Proxy Statement/Prospectus, Exhibit C-2 hereto.

EXHIBIT

N-1	Outstanding Securities and Financing Arrangements of FirstEnergy and Subsidiaries and GPU and Subsidiaries.
N-2	Form of Utility Money Pool Agreement.
N-3	Form of Non-Utility Money Pool Agreement.
N-4	Form of Tax Allocation Agreement.*
N-5	List of Existing Service Arrangements.
N-6	Procedure for Identifying and Mitigating Risks of Investments.

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*To be filed by amendment.
+To be filed by paper copy. #To be filed confidentially. **Previously filed.

B. FINANCIAL STATEMENTS

EXHIBIT

FS-1	GPU Consolidated Balance Sheet as of December 31, 2000 - Incorporated by reference to Form 10-K Annual Report for the year ended December 31, 2000, Exhibit J-1 hereto.
FS-2	GPU Consolidated Statements of Income for fiscal years 1998, 1999 and 2000 - Incorporated by reference to Form 10-K Annual Report for the year ended December 31, 2000, Exhibit J-1 hereto.
FS-3	JCP&L Consolidated Balance Sheet as of December 31, 2000 - Incorporated by reference to Form 10-K Annual Report for the year ended December 31, 2000, Exhibit J-2 hereto.
FS-4	JCP&L Consolidated Statements of Income for fiscal years 1998, 1999 and 2000 - Incorporated by reference to Form 10-K Annual Report for the year ended December 31, 2000, Exhibit J-2 hereto.
FS-5	Penelec Consolidated Balance Sheet as of December 31, 2000 - Incorporated by reference to Form 10-K Annual Report for the year ended December 31, 2000, Exhibit J-3 hereto.
FS-6	Penelec Consolidated Statements of Income for fiscal years 1998, 1999 and 2000 - Incorporated by reference to Form 10-K Annual Report for the year ended December 31, 2000, Exhibit J-3 hereto.

EXHIBIT

FS-7	Met-Ed Consolidated Balance Sheet as of December 31, 2000 - Incorporated by reference to Form 10-K Annual Report for the year ended December 31, 2000, Exhibit J-4 hereto.
FS-8	Met-Ed Consolidated Statements of Income for fiscal years 1998, 1999 and 2000 - Incorporated by reference to Form 10-K Annual Report for the year ended December 31, 2000, Exhibit J-4 hereto.
FS-9	FirstEnergy Consolidated Balance Sheet as of December 31, 2000 - Incorporated by reference to Form 10-K Annual Report for the year ended December 31, 2000, Exhibit J-5 hereto.
FS-10	FirstEnergy Consolidated Statements of Income for fiscal years 1998, 1999 and 2000 - Incorporated by reference to Form 10-K Annual Report for the year ended December 31, 2000, Exhibit J-5 hereto.
	There have been no material changes, not in the ordinary course of

business, to the aforementioned balance sheets from December 31, 2000, to the date of this Amendment to the Form U-1 Application/Declaration.

ITEM 7. INFORMATION AS TO ENVIRONMENTAL EFFECTS

The proposed transactions do not involve "major federal actions significantly affecting the quality of the human environment" as set forth in Section 102(2)(C) of the National Environmental Policy Act, 42 U.S.C. Sec. 4321 et seq. Consummation of the Merger will not result in changes in the operations of FirstEnergy or any of the GPU Energy Companies that would have any impact on the environment. No federal agency is preparing an environmental impact statement with respect to this matter.

SIGNATURE

Pursuant to the requirements of the 1935 Act, the undersigned companies have duly caused this Amendment No. 1 to the Form U-1 Application/Declaration to be signed on their behalf by the undersigned thereunto duly authorized.

Date: August 15, 2001

FIRSTENERGY CORP.

OHIO EDISON COMPANY
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
THE TOLEDO EDISON COMPANY
PENNSYLVANIA POWER COMPANY
AMERICAN TRANSMISSION SYSTEMS, INCORPORATED
NORTHEAST OHIO NATURAL GAS CORP.
FE ACQUISITION CORP.
FIRSTENERGY PROPERTIES, INC.
FIRSTENERGY FACILITIES SERVICES GROUP, LLC
FE HOLDINGS, LLC
FELHC, INC.
FIRSTENERGY SECURITIES TRANSFER COMPANY
FIRSTENERGY NUCLEAR OPERATING COMPANY
FIRSTENERGY SOLUTIONS CORP.
FIRSTENERGY GENERATION CORP.
FIRSTENERGY VENTURES CORP.
MARBEL ENERGY CORPORATION
CENTERIOR INDEMNITY TRUST
CENTERIOR SERVICE COMPANY
FIRSTENERGY SERVICE COMPANY

By: /s/ H. Peter Burg
H. Peter Burg
Chairman and Chief Executive Officer

GPU, INC.

JERSEY CENTRAL POWER & LIGHT COMPANY
PENNSYLVANIA ELECTRIC COMPANY
METROPOLITAN EDISON COMPANY
YORK HAVEN POWER COMPANY
WAVERLY ELECTRIC POWER & LIGHT COMPANY
GPU CAPITAL, INC.
GPU ELECTRIC, INC.
GPU DIVERSIFIED HOLDINGS, LLC
GPU ENERTECH HOLDINGS, INC.
GPU POWER, INC.
GPU ADVANCED RESOURCES, INC.
GPU SERVICE, INC.
GPU TELCOM SERVICES, INC.
GPU NUCLEAR, INC.
MYR GROUP, INC.

By: /s/ T.G. Howson

T. G. Howson
Vice-President and Treasurer

Exhibit B1

EXECUTION COPY

AGREEMENT AND PLAN OF MERGER

between

FIRSTENERGY CORP.

and

GPU, INC.

Dated as of August 8, 2000

DEFINED TERMS

DEFINED TERM	REFERENCE
"1935 Act"	Section 3.05(c)
"AEA"	Section 3.05(f)
"Aggregate Consideration"	Section 2.02(b)(ii)
"Aggregate Stock Amount"	Section 2.01(1)
"Agreement"	Heading of the Agreement
"Blue-Sky Filings"	Section 4.05(d)
"Blue-Sky Laws"	Section 4.05(d)
"Business Combination"	Section 9.05(b)(ii)
"Cash Consideration"	Section 2.01(c)
"Cash Election"	Section 2.01(d)
"Cash Election Number"	Section 2.01(d)
"Cash Election Shares"	Section 2.01(e)
"Cash Fraction"	Section 2.01(e)
"Certificates of Merger"	Section 1.03
"CEI"	Section 6.01
"Closing"	Section 1.02
"Closing Date"	Section 1.02
"Code"	2nd Recital
"Confidentiality Agreement"	Section 7.04(b)
"Disclosure Schedules"	Section 7.17(b)
"Dissenting Shares"	Section 2.01(n)
"DOJ"	Section 3.05(a)
"Effective Time"	Section 1.03
"Election"	Section 2.01(f)
"Election Deadline"	Section 2.01(k)
"End Date"	Section 9.01(d)
"Environmental Claim"	Section 3.19(g)(i)
"Environmental Laws"	Section 3.19(g)(ii)
"Environmental Permits"	Section 3.19(b)

"ERISA"	Section 3.12(a)
"Exchange Act"	Section 2.01(c)
"Exchange Agent"	Section 2.02(a)
"Exchange Ratio"	Section 2.01(c)
"Extended End Date"	Section 9.01(d)
"FCC"	Section 3.05(g)
"FCC Approvals"	Section 3.05(g)
"FERC"	Section 3.05(e)
"FERC Approvals"	Section 3.05(e)
"Final Order"	Section 8.01(c)(i)
"FirstEnergy"	Heading of the Agreement
"FirstEnergy Advisor"	Section 4.14
"FirstEnergy Common Stock"	Section 2.01(a)
"FirstEnergy Controlled Group Plans"	Section 4.12(a)
"FirstEnergy Deferred Unit"	Section 2.02(h)(ii)
"FirstEnergy Disclosure Schedule"	Article IV, 1st paragraph
"FirstEnergy Indemnified Liabilities"	Section 7.13(d)(i)
"FirstEnergy Indemnified Parties"	Section 7.13(d)
"FirstEnergy Indemnifying Party"	Section 7.13(d)
"FirstEnergy Material Adverse Effect"	Section 3.01(a)
"FirstEnergy Option"	Section 2.02(h)(i)
"FirstEnergy Option Plan"	Section 2.02(h)(i)
"FirstEnergy Performance Unit"	Section 2.02(h)(ii)
"FirstEnergy Permits"	Section 4.09(a)
"FirstEnergy Permitted Acquisition"	Section 6.07(c)
"FirstEnergy Preferred"	Section 4.02(a)
"FirstEnergy Rights"	Section 4.02(c)
"FirstEnergy Rights Agreement"	Section 4.02(c)
"FirstEnergy SEC Documents"	Section 4.06(a)
"FirstEnergy Share Price"	Section 2.01(c)
"FirstEnergy Shares"	Section 2.02(b)(ii)
"FirstEnergy Subs Preferred"	Section 4.13(b)(ii)

"FirstEnergy Takeover Proposal"	Section 6.05(c)
"Foreign Approvals"	Section 3.05(j)
"Form of Election"	Section 2.01(d)
"FPA"	Section 3.05(e)
"FTC"	Section 3.05(a)
"GAAP"	3rd Recital
"Governmental Entity"	Section 3.04(c)
"GPU"	Heading of the Agreement
"GPU Advisor"	Section 3.14
"GPU Affiliates"	Section 7.07(a)
"GPU Capital Budget"	Section 5.15
"GPU Certificates"	Section 2.01(i)
"GPU Common Stock"	Section 2.01(b)
"GPU Controlled Group Plans"	Section 3.12(a)
"GPU Deferred Unit"	Section 2.02(h)(ii)
"GPU Designees"	Section 7.12(a)
"GPU Director"	Section 7.12(b)
"GPU Disclosure Schedule"	Article III, 1st paragraph
"GPU Indemnified Liabilities"	Section 7.13(a)(i)
"GPU Indemnified Parties"	Section 7.13(a)
"GPU Indemnifying Party"	Section 7.13(a)
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Exhibit A	Form of Letter Identifying Rule 145 Affiliates
Exhibit B	Form of Affiliate Agreement with Form of Rule 145 Compliance Letter attached thereto as Annex A

AGREEMENT AND PLAN OF MERGER dated as of August 8, 2000 (the "Agreement"), between FIRSTENERGY CORP., an Ohio corporation with its principal executive offices in Akron, Ohio ("FirstEnergy"), and GPU, INC., a Pennsylvania corporation with its principal executive offices in Morristown, New Jersey ("GPU").

WHEREAS, the respective Boards of Directors of FirstEnergy and GPU deem it advisable and in the best interests of their respective shareholders to consummate, and have approved, the business combination transaction contemplated herein pursuant to which the businesses of GPU and FirstEnergy will be combined by means of the merger of GPU with and into FirstEnergy (the "Merger"); and

WHEREAS, for Federal income tax purposes, it is intended that the Merger will be treated as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, for accounting purposes, it is intended that the Merger will be accounted for on a purchase accounting basis in accordance with generally accepted accounting principles ("GAAP") and applicable regulations of the Securities and Exchange Commission (the "SEC"); and

WHEREAS, GPU and FirstEnergy desire to make certain representations, warranties and agreements in connection with the Merger and also to prescribe various conditions to the Merger;

NOW, THEREFORE, in consideration of the premises and the respective representations, warranties, covenants and agreements set forth in this Agreement, the parties intending to be legally bound agree as follows:

ARTICLE I

THE MERGER

Section 1.01 The Merger. Upon the terms and subject to the conditions of this Agreement, at the Effective Time (as defined in Section 1.03), GPU shall be merged with and into FirstEnergy in accordance with the laws of the Commonwealth of Pennsylvania and the State of Ohio. FirstEnergy shall be the surviving corporation in the Merger and shall continue its corporate existence under the laws of the State of Ohio. The effects and the consequences of the Merger shall be as set forth in Section 1.04. Throughout this Agreement, the term "Surviving Corporation" shall refer to FirstEnergy in its capacity as the surviving corporation in the Merger.

Section 1.02 Closing of the Merger (the "Closing") will take place at 10:00 A.M. (local time), on a date to be specified by the parties, which shall be no later than the second business day following the date on which the last of the closing conditions set forth in Article VIII has been met or waived, at the offices of Winthrop, Stimson, Putnam & Roberts, One Battery Park Plaza, New York, NY 10004, unless another date or place is agreed to in writing by the parties hereto (the "Closing Date").

Section 1.03 Effective Time of the Merger. Subject to the provisions of this Agreement, articles or certificates of merger shall be duly prepared, executed and acknowledged by an appropriate officer of each of the corporations involved in the Merger (the "Certificates of Merger") and thereafter delivered as soon as practicable on the Closing Date to the Department of State of the Commonwealth of Pennsylvania for filing as well as to the Secretary of State of the State of Ohio as provided by Pennsylvania law and Ohio law. The Merger shall become effective upon the filing of the Certificates of Merger with the Department of State of the Commonwealth of Pennsylvania and the Secretary of State of the State of Ohio or at such time thereafter as is agreed by the parties and provided in the Certificates of Merger (the "Effective Time").

Section 1.04 Effects of the Merger. At the Effective Time,

(a) the separate existence of GPU shall cease and GPU shall be merged with and into FirstEnergy with FirstEnergy continuing as the Surviving Corporation,

(b) pursuant to the Merger, Article IV.A of the Amended Articles of Incorporation of FirstEnergy shall be amended by replacing "305 million" and "300 million" contained therein with "380 million" and "375 million", respectively, and as so amended such Amended Articles of Incorporation shall be the Articles of Incorporation of the Surviving Corporation until thereafter amended as provided by law and such Articles of Incorporation,

(c) the Regulations of FirstEnergy, as in effect immediately prior to the Effective Time, shall be the Regulations of the Surviving Corporation until thereafter amended as provided by law, the Articles of Incorporation of the Surviving Corporation and such Regulations, and

(d) the Merger shall have all the effects of applicable law, including without limitation as provided in Section 1701.82 of the Ohio General Corporation Law (the "Ohio GCL") and Section 1929 of the Pennsylvania Business Corporation Law (the "Pennsylvania BCL").

Section 1.05 Directors and Officers of the Surviving Corporation. As of the Effective Time, the directors and officers of the Surviving Corporation shall be designated as provided in Section 7.12 of this Agreement.

ARTICLE II

EFFECT OF THE MERGER ON THE CAPITAL STOCK OF THE RESPECTIVE CORPORATIONS; EXCHANGE OF CERTIFICATES

Section 2.01 Manner of Converting Shares. As of the Effective Time, by virtue of the Merger and without any action on the part of the holder of any shares of capital stock of the corporations involved:

(a) Capital Stock of FirstEnergy. Each share of common stock, par value $0.10 per share, of FirstEnergy ("FirstEnergy Common Stock") that is issued and outstanding immediately prior to the Effective Time shall remain outstanding unchanged by reason of the

Merger as one fully paid and nonassessable share of common stock, par value $0.10 per share, of the Surviving Corporation.

(b) Cancellation of Certain GPU Common Stock. Each share of common stock, par value $2.50 per share, of GPU ("GPU Common Stock") that is owned by GPU as treasury stock shall be canceled and cease to exist, and no stock or other consideration shall be delivered in exchange therefor.

(c) Conversion of GPU Common Stock. Each share of GPU Common Stock, other than Dissenting Shares (as defined in Section 2.01(n)) and shares canceled pursuant to Section 2.01(b), issued and outstanding immediately prior to the Effective Time shall by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive (i) $36.50 in cash, without interest (the "Cash Consideration"), (ii) a number of validly issued, fully paid and nonassessable shares of FirstEnergy Common Stock equal to the Exchange Ratio (as defined below) or (iii) a combination of cash and shares as provided in Sections 2.01 (e), (g) and (h) below ((i), (ii) or (iii) as applicable, the "Merger Consideration"). The "Exchange Ratio" shall be equal to the quotient (rounded to the nearest ten thousandth, or if there is no nearest ten thousandth, the next higher ten thousandth) of the Cash Consideration divided by the FirstEnergy Share Price (as defined below); provided, however, that if the FirstEnergy Share Price is less than $24.2438, the "Exchange Ratio" shall be 1.5055, and if the FirstEnergy Share Price is greater than $29.63 13, the "Exchange Ratio" shall be 1.23 18. The "FirstEnergy Share Price" shall be equal to the average of the closing prices of the shares of FirstEnergy Common Stock on the New York Stock Exchange ("NYSE") Composite Transactions Reporting System, as reported in The Wall Street Journal (but subject to correction for typographical or other manifest errors in such reporting), over the 20 trading days ending on the trading day immediately preceding the fifth Business Day (as defined in Rule 14d-1(g)(3) under the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (the "Exchange Act")) prior to the Election Deadline. FirstEnergy shall make a public announcement of the Exchange Ratio and the Election Deadline (as defined below) no later than 9:00 a.m., New York City time, on the fifth Business Day prior to the date of the Election Deadline by issuing a release to the Dow Jones News Service or similar U.S. news service.

(d) Cash Election. Subject to the immediately following sentence, each record holder of shares of GPU Common Stock immediately prior to the Effective Time shall be entitled to elect to receive cash, without interest, for all or any part of such holder's shares of GPU Common Stock (a "Cash Election"). Notwithstanding the foregoing and subject to Section 2.01(1), the aggregate number of shares of GPU Common Stock that will be converted into the right to receive cash in the Merger (the "Cash Election Number") will be 50% of the total number of shares of GPU Common Stock issued and outstanding as of the Effective Time. Cash Elections shall be made on a form reasonably acceptable to GPU and FirstEnergy designed for that purpose (a "Form of Election").

(e) Oversubscribed Cash Election. If the aggregate number of shares of GPU Common Stock covered by Cash Elections (the "Cash Election Shares") exceeds the Cash Election Number, (1) each Cash Election Share shall be converted into (i) the right to receive an amount of cash, without interest, equal to the product of (a) the Cash Consideration and (b) a fraction (the "Cash Fraction"), the numerator of which shall be the Cash Election Number and

the denominator of which shall be the total number of Cash Election Shares, and
(ii) a number of shares of FirstEnergy Common Stock equal to the product of (a) the Exchange Ratio and (b) a fraction equal to one minus the Cash Fraction and
(2) each Stock Election Share and each No Election Share (each as defined below) shall be converted into the right to receive a number of shares of FirstEnergy Common Stock equal to the Exchange Ratio.

(f) Stock Election. Subject to the immediately following sentence, each record holder of shares of GPU Common Stock immediately prior to the Effective Time shall be entitled to elect to receive shares of FirstEnergy Common Stock for all or any part of such holder's shares of GPU Common Stock (a "Stock Election", and together with a Cash Election, the "Election"). Notwithstanding the foregoing and subject to Section 2.01(1), the aggregate number of shares of GPU Common Stock that will be converted into the right to receive shares of FirstEnergy Common Stock in the Merger (the "Stock Election Number") shall be 50% of the total number of shares of GPU Common Stock issued and outstanding as of the Effective Time. Stock Elections shall be made on a Form of Election.

(g) Oversubscribed Stock Election. If the aggregate number of shares of GPU Common Stock covered by Stock Elections (the "Stock Election Shares") exceeds the Stock Election Number, (1) each Stock Election Share shall be converted into (i) the right to receive a number of shares of FirstEnergy Common Stock, equal to the product of (a) the Exchange Ratio and (b) a fraction (the "Stock Fraction"), the numerator of which shall be the Stock Election Number and the denominator of which shall be the total number of Stock Election Shares, and (ii) an amount of cash, without interest, equal to the product of
(a) the Cash Consideration and (b) a fraction equal to one minus the Stock Fraction and (2) each Cash Election Share and No Election Share shall be converted into the right to receive an amount of cash, without interest, equal to the Cash Consideration.

(h) Undersubscribed Cash Election and Stock Election. If (x) the aggregate number of Cash Election Shares is equal to or less than the Cash Election Number and (y) the aggregate number of Stock Election Shares is equal to or less than the Stock Election Number, (1) each Cash Election Share shall be converted into the right to receive an amount of cash, without interest, equal to the Cash Consideration, (2) each Stock Election Share shall be converted into the right to receive a number of shares of FirstEnergy Common Stock equal to the Exchange Ratio and (3) each No Election Share shall be converted into the right to receive (A) an amount of cash, without interest, equal to the product of (i) the Cash Consideration and (ii) a fraction (x) the numerator of which shall be the Cash Election Number less the number of Cash Election Shares and the (y) denominator of which shall be the aggregate number of No Election Shares and (B) a number of shares of FirstEnergy Common Stock equal to the product of (i) the Exchange Ratio and (ii) a fraction (x) the numerator of which shall be the Stock Election Number less the number of Stock Election Shares and (y) the denominator of which shall be the aggregate number of No Election Shares.

(i) Form of Election. To be effective, a Form of Election must be properly completed, signed and submitted to the Exchange Agent (defined below), and accompanied by the certificates representing the shares of GPU Common Stock ("GPU Certificates") as to which the election is being made (or by an appropriate guarantee of delivery of such GPU Certificate signed by a firm that is a member of any registered national securities exchange or a member of

the National Association of Securities Dealers, Inc. or a bank, broker, dealer, credit union, savings association or other entity that is a member in good standing of a recognized Medallion Program approved by the Securities Transfer Association Inc.). FirstEnergy shall have the discretion, which it may delegate in whole or in part to the Exchange Agent, to determine whether Forms of Election have been properly completed, signed and submitted or revoked and to disregard immaterial defects in Forms of Election. The decision of FirstEnergy (or the Exchange Agent) in such matters shall be conclusive and binding. Neither FirstEnergy nor the Exchange Agent shall be under any obligation to notify any person of any defect in a Form of Election submitted to the Exchange Agent. The Exchange Agent shall also make all computations contemplated by Sections 2.01(e), (g) and (h), and all such computations shall be conclusive and binding on the holders of shares of GPU Common Stock (absent manifest error).

(j) Deemed Non-Election. For the purposes hereof, a holder of shares of GPU Common Stock who does not submit a Form of Election that is received by the Paying Agent prior to the Election Deadline (as defined in Section 2.01(k)) (the "No Election Shares") shall be deemed not to have made a Cash Election or Stock Election. If FirstEnergy or the Exchange Agent shall determine that any purported Election was not properly made prior to the Election Deadline, the shares subject to such improperly made Election shall be treated as No Election Shares.

(k) Election Deadline. Not more than 90 days nor less than 20 Business Days prior to the Election Deadline, FirstEnergy shall cause copies of the Form of Election, together, in the case of holders of GPU Common Stock who became such after the record date for the meeting referred to therein, with a copy of the Joint Proxy Statement (as defined in Section 3.05), to be mailed to the holders of record of GPU Common Stock (as of a record date as close as practicable to the date of mailing and mutually agreed by GPU and FirstEnergy). FirstEnergy shall use best efforts to make the Form of Election, together with a copy of the Joint Proxy Statement, available to all persons who become record holders of GPU Common Stock subsequent to the record date with respect to such mailing and prior to the Election Deadline. A Form of Election must be received by the Exchange Agent by 5:00 p.m., New York City time, on the Business Day prior to the Effective Time (the "Election Deadline"), in order to be effective. All Elections may be revoked until the Election Deadline in writing by the record holders submitting Forms of Election. In addition, all Elections shall automatically be revoked if the Merger Agreement is terminated in accordance with Section 9.01. If an Election is revoked, the GPU Certificates (or guarantee of delivery, as applicable) to which the Election relates shall be promptly returned to the shareholder submitting those GPU Certificates in respect of such Election. Nothing contained herein shall be interpreted to prohibit a holder of shares of GPU Common Stock from making Cash Elections with respect to those shares.

(l) Adjustment Per Tax Opinion. Notwithstanding anything in this Article II to the contrary (other than the last sentence of Section 2.01(m)), if, based on the Exchange Ratio determined in accordance with Section 2.01 (c), the Tax Ratio (as defined below) is less than 45% (or such lesser percentage, not below 40%, as shall be reasonably agreed to by tax counsel to FirstEnergy and GPU to enable such tax counsel to deliver the tax opinions referred to in Section 8.02(c) and 8.03(c)) (the "Minimum Tax Ratio"), the amount of cash to be delivered (but for this Section 2.01(1)) with respect to each share of GPU Common Stock convertible, in whole or in part, into a right to receive cash shall be reduced to the minimum extent necessary (the

amount of such reduction, the "Reduction Amount") (and FirstEnergy shall deliver with respect to each such share of GPU Common Stock, in lieu of the Reduction Amount, that number of shares of FirstEnergy Common Stock having an aggregate value (based on the closing price of the FirstEnergy Common Stock on the Closing Date) equal to the Reduction Amount) so that the Tax Ratio is equal to the Minimum Tax Ratio. "Tax Ratio" shall mean the ratio of(i) the product of (A) the closing price per share of FirstEnergy Common Stock on the Closing Date times (B) the excess of(x) the aggregate number of shares of FirstEnergy Common Stock to be issued pursuant to this Section 2.01 over (y) the number of shares of FirstEnergy Common Stock that tax counsel to FirstEnergy or GPU reasonably deems necessary to exclude for purposes of the "continuity-of-interest" requirements under applicable federal income tax principles relating to reorganizations described in the Code (the "Aggregate Stock Amount"), to (ii) the sum of(u) the Aggregate Stock Amount plus (v) the aggregate cash payable pursuant to this Section 2.01 (plus the aggregate estimated amount of cash payable in lieu of fractional shares of FirstEnergy Common Stock pursuant to Section 2.02(e)(ii)) plus (w) the number of Dissenting Shares times the per share fair value of such shares determined pursuant to applicable law or, if such fair value has not been determined as of the date the calculation required by this Section 2.01(1) is required to be made, then times the greater of (A) the Cash Consideration and (B) the value of the number of shares of FirstEnergy Common Stock equal to the Exchange Ratio (based on the closing price per share of FirstEnergy Common Stock on the Closing Date), plus (x) any other amounts paid by GPU (or any affiliate thereof to, or on behalf of, any holder of shares of GPU Common Stock in connection with the sale, redemption or other disposition of any GPU Common Stock in connection with the Merger for purposes of Treasury Regulation Sections 1.368-1(e) and 1.368 1T (e) plus (y) any extraordinary dividend distributed by GPU prior to and in connection with the Merger for purposes of Treasury Regulation Sections 1.368-1(e) and 1.368-1T(e), plus (z) the amount of any other items that tax counsel to FirstEnergy or GPU reasonably deems necessary to take into account for purposes of making the Merger satisfy the "continuity-of-interest" requirements under applicable federal income tax principles relating to reorganizations described in the Code.

(m) Anti-Dilution Provisions. In the event FirstEnergy (i) changes (or establishes a record date for changing) the number of shares of FirstEnergy Common Stock issued and outstanding prior to the Effective Time as a result of a stock split, stock dividend, stock combination, recapitalization, reclassification, reorganization or similar transaction with respect to the outstanding FirstEnergy Common Stock or (ii) pays or makes a dividend or distribution not permitted by Section 6.02 in respect of FirstEnergy Common Stock (other than a distribution referred to in clause (i) of this sentence) and, in either case, the record date therefor or the effective time thereof shall be prior to the Effective Time, the Exchange Ratio shall be adjusted appropriately. Regular quarterly cash dividends and increases thereon shall not be considered extraordinary for purposes of the preceding sentence. If, between the date hereof and the Effective Time, FirstEnergy shall merge or consolidate with or into any other corporation in an transaction otherwise permitted by the terms of this Agreement and the terms thereof shall provide that FirstEnergy Common Stock shall be converted into or exchanged for the shares of any other corporation or entity, then provision shall be made so that shareholders of GPU who would be entitled to receive shares of FirstEnergy Common Stock pursuant to this Agreement shall be entitled to receive, in lieu of each share of FirstEnergy Common Stock issuable to such shareholders as provided herein, the same kind and amount of securities or assets as shall be distributable upon such merger or consolidation with respect to one share of FirstEnergy

Common Stock and the parties hereto shall agree on an appropriate restructuring of the transactions contemplated herein.

(n) Dissenting Shares. Each outstanding share of GPU Common Stock the holder of which has perfected his right to dissent under applicable law and has not effectively withdrawn or lost such right as of the Effective Time (the "Dissenting Shares") shall not be converted into or represent a right to receive the Merger Consideration, and the holder thereof shall be entitled only to such rights as are granted by applicable law; provided however, that any Dissenting Share held by a person at the Effective Time who shall, after the Effective Time, withdraw the demand for payment for shares or lose the right to payment for shares, in either case pursuant to the Pennsylvania BCL, shall be deemed to be converted into, as of the Effective Time, the right to receive the Merger Consideration as provided in Section 2.01, without interest thereon, upon surrender of the GPU Certificates representing such Dissenting Shares in accordance with Section 2.02 hereof. GPU shall give (i) FirstEnergy prompt notice upon receipt by GPU of any written demands for payment of the fair value of any shares of GPU Common Stock and of withdrawals of any such demands and any other instruments provided pursuant to applicable law and (ii) the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under the Pennsylvania BCL. GPU shall not voluntarily make any payment with respect to any demands for appraisal and shall not, except with the prior written consent of FirstEnergy, settle or offer to settle any such demands. Any payments made in respect of Dissenting Shares shall be made by the Surviving Corporation.

Section 2.02 Exchange of Certificates. (a) Deposit with Exchange Agent. As soon as practicable after the Effective Time, the Surviving Corporation shall deposit with a bank or trust company mutually agreeable to FirstEnergy and GPU (the "Exchange Agent"), pursuant to an agreement in form and substance reasonably acceptable to FirstEnergy and GPU, an amount of cash and certificates representing the shares of FirstEnergy Common Stock required to effect the conversion of GPU Common Stock into FirstEnergy Common Stock and cash in accordance with Section 2.01.

(b) Exchange and Payment Procedures. (i) As soon as reasonably practicable after the Merger, FirstEnergy shall cause the Exchange Agent to mail to each holder of record as of the Effective Time of one or more GPU Certificates in respect of which the holder failed to return a properly completed Form of Election,

(A) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the GPU Certificates shall pass, only upon delivery of the GPU Certificates to the Exchange Agent) and

(B) instructions for effecting the surrender of the GPU Certificates and receiving the Aggregate Consideration (as defined below) to which such holder shall be entitled pursuant to Section 2.01.

(ii) Upon surrender of a GPU Certificate for cancellation to the Exchange Agent or to such other agent or agents as may be appointed by FirstEnergy for such purpose, together with such letter of transmittal, duly executed, the holder of such GPU Certificate shall be entitled to receive in exchange therefor (x) a certificate representing

that number of shares of FirstEnergy Common Stock ("FirstEnergy Shares") into which the shares of GPU Common Stock previously represented by such GPU Certificate are converted in accordance with
Section 2.01, (y) the cash to which such holder is entitled in accordance with Section 2.01, and (z) the cash in lieu of fractional FirstEnergy Shares which such holder has the right to receive pursuant to Section 2.02(e) (the shares of FirstEnergy Common Stock and cash described in clauses (x), (y) and (z) above being referred to collectively as the "Aggregate Consideration"). In the event the Aggregate Consideration is to be delivered to any person who is not the person in whose name the GPU Certificate surrendered in exchange therefor is registered in the transfer records of GPU, the Aggregate Consideration may be delivered to a transferee if the GPU Certificate is presented to the Exchange Agent, accompanied by all documents reasonably required to evidence and effect such transfer and by evidence reasonably satisfactory to the Exchange Agent that any applicable stock transfer taxes have been paid. Until surrendered as contemplated by this Section 2.02, each GPU Certificate (other than a GPU Certificate representing shares of GPU Common Stock to be canceled in accordance with Section 2.01(b)) shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the Aggregate Consideration contemplated by this Section
2.02. No interest will be paid or will accrue on any cash payable to holders of GPU Certificates pursuant to provisions of this Article II.

(c) Distributions with Respect to Unexchanged Shares. No dividends or other distributions declared or paid after the Effective Time with respect to FirstEnergy Shares with a record date after the Effective Time shall be paid to the holder of any unsurrendered GPU Certificate with respect to the FirstEnergy Shares represented thereby and no cash payment in lieu of fractional shares shall be paid to any such holder pursuant to Section 2.02(e) until the holder of record of such GPU Certificate shall surrender such GPU Certificate. Subject to the effect of unclaimed property, escheat and other applicable laws, following surrender of any such GPU Certificate, there shall be paid to the record holder of the certificates representing whole FirstEnergy Shares issued in exchange therefor, without interest, (i) at the time of such surrender, the amount of any cash payable in lieu of a fractional share of FirstEnergy Common Stock to which such holder is entitled pursuant to Section 2.02(e) and the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole FirstEnergy Shares and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to surrender and a payment date subsequent to surrender payable with respect to such whole FirstEnergy Shares.

(d) No Further Ownership Rights in GPU Common Stock. (i) The payment of the Aggregate Consideration to be made to holders of GPU Certificates upon conversion of shares of GPU Common Stock in accordance with the terms hereof (including any cash paid in lieu of fractional shares pursuant to Section 2.02(e)) shall be deemed to have been issued and paid in full satisfaction of all rights pertaining to such shares of GPU Common Stock, subject, however, to the obligation of FirstEnergy to pay any dividends or make any other distributions pursuant to Section 2.02(c) above.

(ii) If, after the Effective Time, GPU Certificates are presented to FirstEnergy for any reason, they shall be canceled and exchanged as provided in this Article II.

(e) No Fractional Shares. (i) No certificates or scrip representing fractional shares of FirstEnergy Common Stock shall be issued upon the surrender for exchange of GPU Certificates, and such fractional share interests will not entitle the owner thereof to vote or to any rights of a shareholder of FirstEnergy.

(ii) To the extent a holder of GPU Common Stock would otherwise have been entitled to receive a fractional share of FirstEnergy Common Stock, such holder shall be entitled to receive in lieu thereof a payment in cash, without interest, in an amount equal to (x) such fraction multiplied by (y) the average of the closing prices of the shares of FirstEnergy Common Stock on the NYSE over the five trading day period ending on the trading day immediately prior to the Closing Date, as reported in The Wall Street Journal (but subject to correction for typographical or other manifest errors in such reporting). The fractional shares of FirstEnergy Common Stock shall be aggregated and no holder of GPU Common Stock shall be entitled to receive cash in an amount equal to or greater than the value of one full share of FirstEnergy Common Stock as calculated above.

(f) Termination of Exchange Agent. Any certificates representing FirstEnergy Shares deposited with the Exchange Agent pursuant to Section 2.02(a) and not exchanged within one year after the Effective Time pursuant to this Section 2.02 shall be returned by the Exchange Agent to FirstEnergy, which shall thereafter act as Exchange Agent. All funds held by the Exchange Agent for payment to the holders of unsurrendered GPU Certificates and unclaimed at the end of one year from the Effective Time shall be returned to FirstEnergy, after which time any holder of unsurrendered GPU Certificates shall look as a general creditor only to FirstEnergy for payment of such funds to which such holder may be due, subject to applicable law.

(g) Withholding Rights. FirstEnergy shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of GPU Common Stock (or to any person pursuant to Section 2.02(h)) such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code, or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by FirstEnergy, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares of GPU Common Stock (or to any person pursuant to Section 2.02(h)) in respect of which such deduction and withholding was made by FirstEnergy.

(h) Stock Options of GPU. (i) At the Effective Time, each unexpired and unexercised option to purchase GPU Common Stock (each, a "GPU Option") granted under each of GPU's stock plans including but not limited to the GPU 1990 Employee Stock Plan, as amended, the GPU Deferred Stock Unit Plan for Outside Directors, the 1989, 1990, 1992, 1995 and 1999 Stock Option and Restricted Stock Plans of MYR Group Inc. and the 1993 Non-Employee Director Stock Option Plan of MYR Group Inc. (the "GPU Stock Plans", and each, a "GPU Stock Plan"), shall become, subject to the next sentence, an option (a "FirstEnergy Option") to purchase a number of shares of FirstEnergy Common Stock equal to the number of shares of GPU Common Stock that could have been purchased under the GPU Option multiplied by the Exchange Ratio as adjusted in accordance with Section 2.01(m) (with the resulting number of shares rounded up or down to the nearest whole share), at an exercise price per share of

FirstEnergy Common Stock equal to the option exercise price of the GPU Option determined pursuant to the GPU Option divided by the Exchange Ratio as adjusted in accordance with Section 2.01(m) (with the resulting exercise price rounded up or down to the nearest whole cent). Notwithstanding the foregoing, any holder of a GPU Option the current terms of which entitle the holder, upon consummation of the Merger, to a cash payment in respect of that option shall be entitled to that cash payment in accordance with the current terms of the option unless, within 30 days after the Effective Date, that holder elects, by written notice to FirstEnergy, that the holder's GPU Option shall become a FirstEnergy Option in accordance with the prior sentence of this Section
2.02(h). Prior to the Closing Date, the Board of Directors of GPU and GPU shall take, or cause the appropriate committee to take, all action necessary to effectuate the foregoing, including the adoption of necessary amendments to the GPU Stock Plans.

(ii) As of the Effective Time all outstanding performance units (each, a "GPU Performance Unit") granted under the GPU Stock Plans in respect of shares of GPU Common Stock will, in accordance with their terms, vest and become payable upon the consummation of the Merger, and all outstanding deferred vested units (each, a "GPU Deferred Unit" and together with a GPU Performance Unit, the "GPU Stock Units") granted under the GPU Stock Plans in respect of shares of GPU Common Stock may, in accordance with their terms and prior elections made by the holders thereof, become payable upon the consummation of the Merger. Each holder of a GPU Stock Unit which becomes payable upon the consummation of the Merger shall be entitled to receive at the Effective Time, (i) if the GPU Stock Units are payable in cash, a cash payment equal to the number of GPU Stock Units held at the Effective Time multiplied by the highest closing price per share of GPU Common Stock, as reported on the New York Stock Exchange Composite Tape, occurring during the 90-day period immediately preceding the Effective Time (the "GPU Stock Price"), and
(ii) if the GPU Stock Unit is payable in stock, a number of shares of FirstEnergy Common Stock equal to the quotient of (1) the product of the number of such GPU Stock Units, multiplied by the GPU Stock Price, divided by (2) the per share closing price of FirstEnergy Common Stock on the last business day immediately preceding the Effective Time. Each GPU Deferred Unit that does not become payable upon consummation of the Merger, shall, at the written election of the holder thereof delivered to FirstEnergy within 30 days after the Effective Time, be converted at the Effective Time into either (i) a deferred vested unit (a "FirstEnergy Deferred Unit") in respect of a number of shares of FirstEnergy Common Stock equal to the quotient of (1) the product of the number of such GPU Deferred Units, multiplied by the GPU Stock Price, divided by (2) the per share closing price of FirstEnergy Common Stock on the last business day immediately preceding the Effective Time, or
(ii) a deferred cash account to be established and maintained by FirstEnergy or one of its Subsidiaries with an initial balance equal to the number of shares of GPU Common Stock covered by the GPU Deferred Unit multiplied by the GPU Stock Price, which balance shall be credited with interest at an annual rate not less than the Citibank, N.A. prime rate as in effect from time to time. In accordance with the terms of the GPU Stock Plans and the GPU Stock Units, the personnel, compensation and nominating committee of the Board of Directors of GPU (the "GPU PCN Committee") shall prior to the Effective Time determine whether all or a portion of each GPU Stock Unit that becomes payable upon the consummation of the Merger or thereafter shall entitle the holder thereof to

payment in cash or in shares of FirstEnergy Common Stock. Prior to the Effective Time, GPU shall take, or cause the appropriate committee to take, all action necessary to effectuate the foregoing, including the adoption of necessary amendments to the applicable GPU Stock Plan.

(iii) From and after the Effective Time, each substituted FirstEnergy Option and FirstEnergy Deferred Unit provided for in this Section 2.02(h) shall otherwise be subject to the same terms and conditions as the corresponding GPU Option or GPU Stock Unit, as applicable (subject to the adjustments provided for in this Section 2.02(h), the CPU Stock Plans and the option or deferred vested unit agreements pursuant to which any such option or deferred vested unit was granted).

(iv) The date of grant of the substituted FirstEnergy Option or FirstEnergy Deferred Unit provided for in this Section 2.02(h) shall be the date on which the corresponding GPU Option or GPU Deferred Unit was granted.

(v) FirstEnergy shall

(A) At the Effective Time, assume all of GPU's obligations with respect to all GPU Options and GPU Stock Units as contemplated by this Section 2.02(h),

(B) At the Effective Time, have reserved for issuance the number of shares of FirstEnergy Common Stock that will become subject to or payable in respect of FirstEnergy Options, CPU Stock Units and FirstEnergy Deferred Units pursuant to this Section 2.02(h),

(C) from and after the Effective Time, upon exercise of the FirstEnergy Options or upon the payment of GPU Stock Units or FirstEnergy Deferred Units, in each case, in accordance with the terms thereof, make available for issuance all shares of FirstEnergy Common Stock covered thereby, and

(D) as soon as practicable after the Effective Time, issue to each holder of an outstanding GPU Option or GPU Stock Unit a document evidencing the foregoing assumption by FirstEnergy.

(vi) FirstEnergy shall use reasonable best efforts to ensure that the shares of FirstEnergy Common Stock issuable or deliverable upon the exercise of the FirstEnergy Options or upon the payment of the GPU Stock Units or FirstEnergy Deferred Units are listed on the NYSE upon issuance or delivery, as applicable. Prior to the Effective Time, FirstEnergy shall file with the SEC a registration statement on Form S-8 (or any successor form), or an amendment to a registration statement previously filed, under the Securities Act of 1933 and the rules and regulations promulgated thereunder (the "Securities Act"), with respect to the shares of FirstEnergy Common Stock deliverable upon exercise of the FirstEnergy Options or upon the payment of the GPU Stock Units or FirstEnergy Deferred Units. FirstEnergy shall take all necessary action so that newly filed registration statement or amendment to the previously tiled registration statement, as the case may be, shall be effective at the Effective Time. FirstEnergy shall use

reasonable best efforts to (1) maintain the current status of the prospectus or prospectuses relating to any registration statement applicable to the FirstEnergy Options and/or GPU Stock Units and/or FirstEnergy Deferred Units and (2) comply with any applicable state securities or "blue sky" laws, in each case so long as any FirstEnergy Options and/or GPU Stock Units and/or FirstEnergy Deferred Units remain outstanding.

(vii) The Board of Directors or compensation committee of FirstEnergy and Board of Directors of GPU or the GPU PCN Committee will each grant all approvals and take all other actions required pursuant to Rules 16b-3(d) and 16b-3(e) under the Exchange Act to cause the disposition in the Merger of GPU Common Stock, GPU Options and GPU Stock Units and the acquisition in the Merger of FirstEnergy Common Stock, FirstEnergy Options and FirstEnergy Deferred Units to be exempt from the provisions of Section 16(b) of the Exchange Act.

(i) No Liability. No party to this Agreement shall be liable to any holder of shares of GPU Common Stock for payment of the Merger Consideration (or dividends or distributions relating thereto) delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

Section 2.03 Stated Capital of Surviving Corporation Shares. At the Effective Time, the stated capital of each class of shares of the Surviving Corporation shall equal the par value of such shares.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF GPU

Except as set forth in (x) the GPU SEC Documents (as defined in Section 3.06) filed with the SEC prior to or as of the date of this Agreement and (y) the disclosure schedule delivered to FirstEnergy by GPU pursuant to Section 7.17(a)(ii) (the "GPU Disclosure Schedule"), GPU represents and warrants to FirstEnergy as follows:

Section 3.01 Organization, Standing and Power. (a) Each of GPU and its Significant Subsidiaries

(i) is a corporation or other organization duly organized, validly existing and in good standing (with respect to jurisdictions that recognize the concept of good standing) under the laws of its jurisdiction of incorporation or organization,

(ii) has all requisite corporate or similar power and authority, and has been duly authorized by all necessary approvals and orders of Governmental Entities (as defined in Section 3.04), to own, lease and operate its properties and to carry on its business as now being conducted, and

(iii) is duly qualified and in good standing (with respect to jurisdictions that recognize the concept of good standing) to transact business in each jurisdiction in which

the nature of its business or the ownership or leasing of its properties makes such qualification necessary,

except with respect to each of clauses (ii) and (iii) above where the failure to have such power and authority, or to be so qualified or in good standing, would not, when taken together with all other such failures, have a GPU Material Adverse Effect. "Material Adverse Effect" shall mean, with respect to GPU or FirstEnergy, as applicable, a material adverse effect on the business, operations, properties, assets, financial condition or the reported or future results of operations of that party and its Subsidiaries taken as a whole or on that party's ability to consummate the Merger; provided, however, that events, consequences or conditions arising out of or caused by the following shall not be considered in determining whether a "Material Adverse Effect" has occurred or would occur: (a) changes to general economic conditions, and (b) changes resulting from the adoption, amendment or issuance of any law, regulation, ruling, order or decree, or any new interpretation of any of the foregoing, by any Governmental Entity, unless, in the case of a ruling, order or decree, such ruling, order or decree is applicable solely to GPU or FirstEnergy, as applicable, or any of its Subsidiaries. A "Material Adverse Effect" on GPU or FirstEnergy is referred to respectively as a "GPU Material Adverse Effect" or a "FirstEnergy Material Adverse Effect". FirstEnergy and GPU have exchanged certain internal businesses projections; FirstEnergy and GPU agree that such business projections are not covered by the representations or warranties of FirstEnergy or GPU, as the case may be, contained in this Agreement and will not form the basis for a determination by either FirstEnergy or GPU that a Material Adverse Effect has occurred or would occur.

(b) As used in this Agreement, (x) a "Significant Subsidiary" means any Subsidiary that would constitute a significant subsidiary within the meaning of Rule 1-02(w) of Regulation S-X of the SEC and (y) a "Subsidiary" means, with respect to any corporation or other entity, any other corporation or other entity in which the first entity owns, directly or indirectly, more than fifty percent of the securities or other ownership interests having by their terms ordinary voting power to elect at least a majority of the board of directors or other persons performing similar functions.

Section 3.02 Capital Structure. (a) As of the date hereof, (i) the authorized capital stock of GPU consists of 350,000,000 shares of GPU Common Stock of which, as of August 4, 2000, 121,285,419 shares were issued and outstanding and 11,497,919 shares were held by GPU in its treasury or by any of its wholly owned Subsidiaries; (ii) options under the GPU Stock Plans to purchase not more than 1,196,374 shares of GPU Common Stock are outstanding; and
(iii) no bonds, debentures, notes or other indebtedness having the right to vote (or convertible into securities having the right to vote) ("Voting Debt") on any matters on which shareholders of GPU may vote are issued or outstanding.

(b) All outstanding shares of GPU's capital stock are validly issued, fully paid and nonassessable and are not subject to preemptive rights.

(c) As of the date of this Agreement (except as set forth in paragraph (a) above and except for rights ("GPU Rights") issued under the Rights Agreement, dated as of August 6, 1998, between GPU and ChaseMellon Shareholder Services, L.L.C., as Rights Agent (the "GPU Rights Agreement")), there are no options, warrants, calls, rights, commitments or

agreements of any character to which GPU or any Subsidiary of GPU is a party or by which it is bound obligating GPU or any Subsidiary of GPU to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or any Voting Debt of, or other equity interest in, GPU or securities convertible or exchangeable for such shares, Voting Debt or other equity interests, or obligating GPU or any Subsidiary of GPU to grant, extend or enter into any such option, warrant, call, right, commitment or agreement.

Section 3.03 Corporate Authority. (a) CPU has all requisite corporate power and authority to enter into this Agreement and, subject to the approval of this Agreement and the transactions contemplated hereby by the shareholders of GPU, to consummate the transactions contemplated hereby.

(b) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of GPU, subject to the approval of this Agreement by the shareholders of GPU.

(c) This Agreement has been duly executed and delivered by GPU and constitutes a valid and binding obligation of GPU enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights generally, and except that the availability of equitable remedies, including specific performance, may be subject to the discretion of any court before which any proceeding may be brought.

Section 3.04 No Violation. Except as contemplated by Section 3.05, the execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby will not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or the loss of a material benefit under, or the creation of a lien, pledge, security interest or other encumbrance on assets pursuant to (any such conflict, violation, default, right of termination, cancellation or acceleration, loss or creation, a "Violation"),

(a) any provision of the Articles of Incorporation, as amended, or By-Laws of GPU or the articles of incorporation, by-laws or similar constitutional documents of any Subsidiary of GPU,

(b) any provision of any loan or credit agreement, note, bond, mortgage, indenture, lease, GPU Controlled Group Plan (as defined in Section 3.12(a)) or other agreement, obligation, instrument, permit, concession, franchise, license of any kind to which GPU or any of its Subsidiaries is a party or by which any of them or any of their respective properties or assets may be bound or affected, which Violation would have a GPU Material Adverse Effect, or

(c) any judgment, order, injunction, writ, decision, decree, statute, law, ordinance, rule, regulation, permit or license of any court, administrative agency or commission or other governmental authority or instrumentality, domestic or foreign (a "Governmental Entity") applicable to GPU or any of its Subsidiaries or their respective properties or assets, which Violation would have a GPU Material Adverse Effect.

Section 3.05 Consents and Approvals. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity, is required to be obtained by GPU with respect to GPU or any of its Subsidiaries in connection with the execution and delivery of this Agreement by GPU or the consummation by GPU of the transactions contemplated hereby, the failure of which to obtain would have a GPU Material Adverse Effect, except for:

(a) the filing of a premerger notification report with the Federal Trade Commission (the "FTC") and the Department of Justice (the "DOJ") under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and the expiration or termination of the applicable waiting period under the HSR Act,

(b) the filing with, and to the extent applicable, the declaration of effectiveness by, the SEC of

(i) a proxy statement in definitive form relating to the meeting of GPU's and FirstEnergy's shareholders to be held in connection with the Merger (the "Joint Proxy Statement"), and

(ii) such reports and other filings under the Securities Act or the Exchange Act, as may be required in connection with this Agreement and the transactions contemplated hereby, and the obtaining from the SEC of such orders as may be so required under the Securities Act or the Exchange Act,

(c) the filing and notices required under the Public Utility Holding Company Act of 1935 and the rules and regulations promulgated thereunder (the "1935 Act") and the obtaining from the SEC of an order pursuant to Section 10 of the 1935 Act approving the transactions contemplated hereby (the "SEC `35 Act Order"),

(d) the filing of Certificates of Merger with the Department of State of the Commonwealth of Pennsylvania and the Secretary of State of the State of Ohio in accordance with applicable law,

(e) such filings, notices, authorizations, orders and approvals with, of, to or from, the Federal Energy Regulatory Commission (the "FERC") under the Federal Power Act, as amended (the "FPA"), that may be required in connection with the transactions contemplated by this Agreement (the "FERC Approvals"),

(f) such filings, notices, authorizations, orders and approvals with, of, to or from, of the Nuclear Regulatory Commission (the "NRC") under the Atomic Energy Act, as amended (the "AEA"), that may be required in connection with the transactions contemplated by this Agreement (the "NRC Approvals"),

(g) such filings, notices, authorizations, orders and approvals as may be required of the Federal Communications Commission (the "FCC") under the Federal Communications Act, as amended that may be required in connection with the transactions contemplated by this Agreement (the "FCC Approvals"),

(h) such filings, authorizations, orders and approvals as may be required of state and local governmental authorities, including state and local utility commissions (the "Local Approvals"),

(i) such filings and approvals as may be required pursuant to state takeover laws ("State Takeover Approvals"), and

(j) such filings and approvals as may be required under the laws of foreign countries or their political subdivisions (the "Foreign Approvals").

Section 3.06 GPU SEC Documents. (a) GPU has made available to FirstEnergy a true and complete copy of each report, schedule, registration statement and definitive proxy statement filed by GPU with the SEC since January 1, 2000 (as such documents have since the time of their filing been amended, the "GPU SEC Documents") which are all the documents (other than preliminary material) that GPU was required to file with the SEC since such date.

(b) As of their respective dates of filing, (x) the GPU SEC Documents complied as to form in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, to the extent applicable to such GPU SEC Documents, and (y) none of the GPU SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) The consolidated financial statements of GPU included in the GPU SEC Documents comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, and present fairly, in all material respects, the financial position of GPU and its subsidiary companies at the dates indicated, and the results of their operations and cash flows for the periods indicated, in conformity with GAAP applied on a consistent basis during the periods involved (except (x) as may be indicated in the notes thereto and (y) in the case of the unaudited statements, as permitted by Form l0-Q of the SEC and for normal, recurring adjustments).

Section 3.07 No Undisclosed Liabilities. (a) Except as and to the extent set forth in GPU's Annual Report on Form 10-K for the year ended December 31,1999 and Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2000 and June 30, 2000, as of June 30, 2000, neither GPU nor any of its Subsidiaries had any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, except for liabilities or obligations that would not be required by GAAP to be reflected on a consolidated balance sheet (including the notes thereto) of GPU or which would not, individually or in the aggregate, be reasonably likely to have a GPU Material Adverse Effect.

(b) Since June 30, 2000, except as set forth in the GPU SEC Documents filed by GPU with the SEC since June 30, 2000 and prior to the date of this Agreement, neither GPU nor any of its Subsidiaries has incurred any liabilities or obligations of any nature, whether or not accrued, absolute, contingent, threatened or otherwise, which would, individually or in the aggregate, have a GPU Material Adverse Effect.

Section 3.08 Information Supplied. (a) None of the information supplied or to be supplied by GPU for inclusion or incorporation by reference in

(i) the Registration Statement (as defined in Section 4.05(b)(ii)) will, at the time it is filed with the SEC and at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and

(ii) the Joint Proxy Statement will, at the date mailed to the shareholders of GPU and the shareholders of FirstEnergy and at the time of the meetings of such shareholders to be held in connection with the Merger, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(b) The Joint Proxy Statement will comply as to form in all material respects with the provisions of the Exchange Act.

Section 3.09 Compliance with Applicable Laws. (a) CPU and its Subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities which are material to the operation of the businesses of GPU and its Subsidiaries, taken as a whole (the "GPU Permits").

(b) GPU and its Subsidiaries are in compliance with the terms of the GPU Permits, except where any such failures so to comply would not, individually or in the aggregate, have a GPU Material Adverse Effect.

(c) The businesses of GPU and its Subsidiaries are not being conducted in violation of any law, ordinance or regulation of any Governmental Entity, except for possible violations which would not individually or in the aggregate, have a GPU Material Adverse Effect.

(d) As of the date of this Agreement,

(i) no investigation or review by any Governmental Entity with respect to GPU or any of its Subsidiaries is pending or, to the knowledge of the executive officers of GPU, threatened, and

(ii) to the knowledge of the executive officers of GPU, no Governmental Entity has indicated an intention to conduct any such investigation or review,

other than, in each case, those the outcome of which would not have a GPU Material Adverse Effect.

Section 3.10 Litigation. As of the date of this Agreement:

(a) there is no suit, action or proceeding pending or, to the knowledge of the executive officers of GPU, threatened against GPU or any of its Subsidiaries which is reasonably likely to have a GPU Material Adverse Effect, and

(b) there is no judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against GPU or any of its Subsidiaries having, or which is reasonably likely to have, a GPU Material Adverse Effect.

Section 3.11 Taxes. (a) Each of GPU and its Subsidiaries (including any predecessors) has timely filed when due all Tax returns required to be filed by any of them and has paid (or GPU has paid on its behalf, or has established an adequate accrual or reserve (determined in accordance with GAAP) for the payment of, all Taxes required to be paid in respect of all periods for which returns have been tiled or are due (whether or not shown as being due on any Tax returns) or which are otherwise due and payable, except as would not have a GPU Material Adverse Effect. The most recent balance sheet contained in the GPU SEC Documents reflects an adequate accrual or reserve (determined in accordance with GAAP) for Taxes payable by GPU and its Subsidiaries accrued through the date of such balance sheet, except as would not have a GPU Material Adverse Effect.

(b) Except as would not have a GPU Material Adverse Effect,
(i) no deficiencies for any Taxes have been proposed, asserted or assessed in writing or, to the knowledge of the executive officers of GPU, orally, by any Taxing authority against GPU or any of its Subsidiaries, and (ii) no audit of the Tax returns of GPU or any of its Subsidiaries is currently being conducted by any Taxing authority.

(c) Except with respect to any claims for refunds, the Federal income Tax returns of GPU and each of its Subsidiaries consolidated in such returns for all such periods ended on or before December 31, 1995 have been examined by and settled with the United States Internal Revenue Service (the "IRS"), or the applicable statute of limitations with respect to such years, including extensions thereof, has expired. As of the date of this Agreement, none of GPU or any of its Subsidiaries (i) has requested any extension of time within which to file any material Federal income Tax return, which Tax return has not since been filed and (ii) has in effect any extension, outstanding waivers or comparable consents with respect to any material Federal income Taxes or material Federal income Tax returns.

(d) Copies of all Federal Tax returns required to be filed by GPU or any of its Subsidiaries (including any predecessors) for each of the last three years, together with all schedules and attachments thereto, have been delivered or made available by GPU to FirstEnergy.

(e) None of GPU or any of its Subsidiaries (including any predecessors) is a party to, is bound by, or has any obligation under any Tax sharing or similar agreement.

(f) None of GPU or any of its Subsidiaries (i) has received a Tax ruling from any Federal Taxing authority or entered into a closing agreement with any Federal Taxing authority that would have a continuing material effect after the Closing Date or (ii) is required to

include in income any adjustment pursuant to Section 481(a) of the Code by reason of a voluntary change in accounting method initiated by it for any tax year, and, to the knowledge of the executive officers of GPU, the IRS has not proposed any such adjustment or change in accounting method for any tax year for which the statute of limitations remains open. None of GPU or any of its Subsidiaries has constituted a "distributing corporation" in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code in the past 24 month period or in a distribution which could otherwise constitute part of a "plan" or a series of "related transactions" within the meaning of Section 355(e) of the Code.

(g) GPU has not taken any actions, nor is it aware of any facts or circumstances, which would, or would be reasonably likely to, prevent the Merger from constituting a reorganization within the meaning of Section 368(a) of the Code.

(h) For the purpose of this Agreement, the term "Tax" (including, with correlative meaning, the terms "Taxes", "Taxing", and "Taxable") shall include all Federal, state, local and foreign income, profits, franchise, gross receipts, payroll, sales, employment, use, property, gains, transfer, recording, license, value-added, withholding, excise and other taxes, duties or assessments of any nature whatsoever (whether payable directly or by withholding), together with any and all estimated Tax interest, penalties and additions to Tax imposed with respect to such amounts and any obligations in respect thereof under any Tax sharing, Tax allocation, Tax indemnity or similar agreement as well as any obligations arising pursuant to Regulation 1.1502-6 promulgated under the Code or comparable state, local or foreign provision.

Section 3.12 Employee Matters. (a) With respect to each employee benefit plan (including, without limitation, any "employee benefit plan", as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), and any bonus, pension, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option, phantom stock, retirement, vacation, severance, disability, death benefit, hospitalization, insurance or other material plan, arrangement or understanding (whether or not legally binding) (all the foregoing being herein called the "GPU Controlled Group Plans"), maintained or contributed to by GPU, any of its Subsidiaries or any other organization which is a member of a controlled group of organizations (within the meaning of Sections 414(b), (c), (m) or (o) of the Code) of which GPU is a member, GPU has made available to FirstEnergy, or will deliver to FirstEnergy within 30 days after the date hereof, a true and correct copy of

(i) the most recent annual report (Form 5500) filed with the IRS,

(ii) any such GPU Controlled Group Plan,

(iii) each trust agreement and group annuity contract, if any, relating to any such GPU Controlled Group Plan, an

(iv) the most recent actuarial report or valuation. relating to any such GPU Controlled Group Plan subject to Title IV of ERISA.

(b) (i) Each of the GPU Controlled Group Plans intended to be "qualified" within the meaning of Section 401(a) of the Code has been determined by the IRS to be so qualified, and, to the knowledge of the executive officers of GPU, no circumstances

exist that are reasonably expected by GPU to result in the revocation of any such determination.

(ii) Except as would not have a GPU Material Adverse Effect, GPU is in compliance with, and each GPU Controlled Group Plan is and has been operated in compliance with, all applicable laws, rules and regulations governing such plan, including, without limitation, ERISA and the Code.

(iii) Except as would not have a GPU Material Adverse Effect, each CPU Controlled Group Plan intended to provide for the deferral of income, the reduction of salary or other compensation or to afford other income tax benefits complies with the requirements of the applicable provisions of the Code or other laws, rules and regulations required to provide such income tax benefits.

(c) With respect to the GPU Controlled Group Plans, individually and in the aggregate, no event has occurred, and to the knowledge of any of the executive officers of GPU or any of its Subsidiaries, there exists no condition or set of circumstances in connection with which GPU or any of its Subsidiaries could be subject to any liability that is reasonably likely to exceed $1,000,000 (except liability for benefits claims and funding obligations payable in the ordinary course) under ERISA, the Code or any other applicable law.

(d) Except as would not have a GPU Material Adverse Effect, with respect to each GPU Controlled Group Plan, there are no material funded benefit obligations for which contributions have not been made or in accordance with GAAP properly accrued and there are no material unfunded benefit obligations which have not been accounted for in accordance with GAAP, on the financial statements of GPU or any of its Subsidiaries.

(e) Except as provided for in this Agreement, as of the date of this Agreement, neither GPU nor any of its Subsidiaries is a party to any union or collective bargaining agreement.

(f) No GPU Controlled Group Plan is a multiemployer plan (within the meaning of Section 3(37) or Section 4001(a)(3) of ERISA or Section 414(f) of the Code).

(g) No GPU Controlled Group Plan is intended to be an employee stock ownership plan (within the meaning of Section 4975(e)(7) of the Code) or a tax credit employee stock ownership plan (within the meaning of Section 409(a) of the Code).

(h) None of the GPU Controlled Group Plans that are welfare plans (within the meaning of Section 3(1) of ERISA) provides for any retiree benefits.

(i) Except as would not have a GPU Material Adverse Effect,

(i) the consummation or announcement of any transaction contemplated by this Agreement will not (either alone or upon the occurrence of any additional or further acts or events) result in any

(A) payment (whether of severance pay or otherwise) becoming due from GPU or any of its Subsidiaries to any officer, employee, former employee or director thereof or to the trustee under any "rabbi trust" or similar arrangement, or

(B) benefit under any GPU Controlled Group Plan being established or becoming accelerated, vested or payable, and

(ii) neither GPU nor any of its Subsidiaries is a party to

(A) any management, employment, deferred compensation, severance (including any payment, right or benefit resulting from a change in control), bonus or other contract for personal services with any officer, director or employee,

(B) any consulting contract with any person who prior to entering into such contract was a director or officer of GPU, or

(C) any plan, agreement, arrangement or understanding similar to any of the foregoing.

Section 3.13 Absence of Certain Changes or Events. Between June 30, 2000 and the date of this Agreement, GPU and its Subsidiaries have conducted their respective businesses in all material respects in the ordinary and usual course, and, as of the date of this Agreement, there has not been

(a) any damage, destruction or loss, whether covered by insurance or not, which has, or would have, a GPU Material Adverse Effect;

(b) any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any of GPU's or its Subsidiaries' capital stock, except for (i) regular quarterly cash dividends of $.545 per share on GPU Common Stock; (ii) regular dividends on GPU's Subsidiaries' preferred stock (the "GPU Subs Preferred") with usual record and payment dates for such dividends; and (iii) dividends on common stock paid by wholly owned Subsidiaries of GPU; or

(c) any transaction, commitment, dispute or other event or condition (financial or otherwise) of any character (whether or not in the ordinary course of business) individually or in the aggregate having, or which is reasonably likely to have, a GPU Material Adverse Effect.

Section 3.14 Opinion of GPU Financial Advisor. GPU has received the opinion of Salomon Smith Barney, Inc. (hereinafter referred to as "GPU Advisor"), dated as of the date hereof, to the effect that, subject to the limitations and qualifications contained in that opinion, as of the date of the opinion, the Merger Consideration is fair from a financial point of view to the holders of GPU Common Stock, and copies of such opinion have been previously or will be delivered to FirstEnergy.

Section 3.15 Vote Required. The affirmative vote of a majority of the votes cast by holders of shares of GPU Common Stock with respect to the adoption of this Agreement (at a meeting of shareholders duly called, noticed and held and at which a quorum is present (whether in person or by proxy)) is the only vote of the holders of any class or series of GPU capital stock necessary to approve this Agreement and the transactions contemplated hereby.

Section 3.16 Accounting Matters. Neither GPU nor, to the knowledge of the executive officers of GPU, any of its affiliates has through the date of this Agreement taken or agreed to take any action that would prevent FirstEnergy from accounting for the business combination to be effected by the Merger on a purchase accounting basis in accordance with GAAP and applicable regulations of the SEC.

Section 3.17 Ownership of FirstEnergy Stock. As of the date of this Agreement, GPU and its affiliates do not "beneficially own" (as such term is defined in the FirstEnergy Rights Agreement) any shares of FirstEnergy Common Stock.

Section 3.18 GPU Subsidiaries. (a) Section 3.18(a) of the GPU Disclosure Schedule sets forth a description as of the date hereof of all Significant Subsidiaries and material joint ventures of GPU, including the name of each such entity, a brief description of the principal line or lines of business conducted by each such entity and GPU'S interest therein.

(b) All of the issued and outstanding shares of capital stock of each Significant Subsidiary of GPU are validly issued, fully paid, nonassessable and free of preemptive rights, and, other than outstanding shares of preferred stock or similar securities that are not convertible into common equity securities ("Non-Convertible Preferred Securities"), are owned directly or indirectly by GPU free and clear of any material liens, claims, encumbrances, security interests, equities, charges and options of any nature whatsoever, and there are no outstanding subscriptions, options, calls, contracts, voting trusts, proxies or other commitments, understandings, restrictions, arrangements, rights or warrants, including any right of conversion or exchange under any outstanding security, instrument or other agreement, obligating any such Significant Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of its capital stock, other than Non-Convertible Preferred Securities, or obligating it to grant, extend or enter into any such agreement or commitment. As used in this Agreement, the term "wholly owned Subsidiary" shall include Subsidiaries the preferred stock or similar securities of which may not be owned by the entity as to which such Subsidiary is otherwise a wholly owned Subsidiary.

(c) As used in this Agreement, the term "joint venture" of a person shall mean any corporation or other entity (including partnerships and other business associations) in which such person or one or more of its subsidiaries owns an equity interest that is less than a majority of any class of the outstanding voting securities or equity, other than equity interests held for passive investment purposes which are less than 5% of any class of the outstanding voting securities or equity of any such entity.

Section 3.19 Environmental Protection. (a) Compliance. (i) Each of GPU and its Subsidiaries is in compliance with all applicable Environmental Laws (as hereinafter

defined), except for failures to be in compliance which would not have a GPU Material Adverse Effect.

(ii) Neither GPU nor any of its Subsidiaries has received any written communication or, to the knowledge of the executive officers of GPU, any oral communication, from any person or Governmental Entity that alleges that GPU or any of its Subsidiaries is not in compliance with applicable Environmental Laws, except where the failure to be in compliance would not have a GPU Material Adverse Effect.

(b) Permits. Each of GPU and its Subsidiaries has obtained or has applied for all environmental, health and safety permits and governmental authorizations (collectively, the "Environmental Permits") necessary for the construction of its facilities or the conduct of its operations, and all such permits are in effect or, where applicable, a renewal application has been timely filed and is pending agency approval, and GPU and each of its Subsidiaries is in material compliance with all terms and conditions of the Environmental Permits, in each case, except for failures to obtain or be in compliance with such Environmental Permit, or of such Environmental Permits to be in effect, which would not have a GPU Material Adverse Effect.

(c) Claims. To the knowledge of the executive officers of GPU, no Environmental Claim (as hereinafter defined) is pending

(i) against GPU or any of its Subsidiaries or any joint ventures to which GPU or any of its Subsidiaries is a party,

(ii) against any person or entity whose liability for any Environmental Claim GPU or any of its Subsidiaries or joint ventures has or may have retained or assumed either contractually or by operation of law, or

(iii) against any real or personal property or operations which GPU or any of its Subsidiaries or joint ventures owns, leases or manages, in whole or in part,

which would have, in the aggregate, a GPU Material Adverse Effect.

(d) The executive officers of GPU have no knowledge of any Releases (as hereinafter defined) of any Hazardous Material (as hereinafter defined) that would be reasonably likely to form the basis of any Environmental Claim against GPU or any Subsidiaries or joint ventures of GPU, or its Subsidiaries, or against any person or entity whose liability for any Environmental Claim GPU or any Subsidiaries or joint ventures of GPU or its Subsidiaries has or may have retained or assumed either contractually or by operation of law, except for Releases of Hazardous Materials the liability for which would not have, in the aggregate, a GPU Material Adverse Effect.

(e) The executive officers of GPU have no knowledge, with respect to any predecessor of GPU or any Subsidiary or joint venture of GPU, of any Environmental Claim pending or threatened, or of any Release of Hazardous Materials that would be reasonably likely to form the basis of any Environmental Claim, which would have a GPU Material Adverse Effect.

(f) To the knowledge of the executive officers of GPU, GPU has disclosed to FirstEnergy all material facts which GPU reasonably believes form the basis of a GPU Material Adverse Effect arising from

(i) the cost of pollution control equipment currently required or known to be required in the future; or

(ii) current remediation costs or remediation costs known to be required in the future.

(g) As used in this Agreement:

(i) "Environmental Claim" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, directives, claims, liens, investigations, proceedings or notices of noncompliance or violation (written or oral) by any person or entity (including any Governmental Entity) alleging potential liability (including, without limitation, potential liability for enforcement, investigatory costs, cleanup costs, governmental response costs, removal costs, remedial costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from

(A) the presence, or Release or threatened Release into the environment, of any Hazardous Materials at any location, whether or not owned, operated, leased or managed by GPU or any Subsidiary or joint venture of GPU or its Subsidiaries (for purposes of this Section 3.19) or by FirstEnergy or any of its Subsidiary or joint ventures of FirstEnergy or its Subsidiaries (for purposes of Section 4.19); or

(B) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law; or

(C) any and all claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from the presence or Release of any Hazardous Materials.

(ii) "Environmental Laws" means all Federal, state, local and foreign laws, rules and regulations relating to pollution (including without limitation, indoor or ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws and regulations relating to Releases or threatened Releases of Hazardous Materials, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

(iii) "Hazardous Materials" means

(A) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, and transformers or other equipment that contain dielectric fluid containing polychlorinated biphenyls ("PCBs"); and

(B) any chemicals, materials or substances which are now defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "extremely hazardous wastes", "restricted hazardous wastes", "toxic substances", "toxic pollutants", or words of similar import, under any Environmental Law; and

(C) any other chemical, material, substance or waste, exposure to which is now prohibited, limited or regulated under any Environmental Law in a jurisdiction in which GPU or any Subsidiary or joint venture of GPU operates (for purposes of this Section 3.19) or in which FirstEnergy or any Subsidiary or joint venture of FirstEnergy operates (for purposes of Section 4.19).

(iv) "Release" means any release, spill, emission, leaking, injection, deposit, disposal, discharge, dispersal, leaching or migration into the atmosphere, soil, surface, water, groundwater or property.

Section 3.20 Regulation as a Utility. (a) Except as set forth in paragraphs (b), (c) and (d) of this Section 3.20 (including the sections of the GPU Disclosure Schedule referred to in those paragraphs), neither GPU nor any "subsidiary company" or "affiliate" of GPU is subject to regulation as a public utility or public service company (or similar designation) by the United States, by any state in the United States or by any foreign country or political subdivision thereof.

(b) GPU is a public utility holding company registered under the 1935 Act.

(c) Section 3.20(c) of the GPU Disclosure Schedule sets forth each "affiliate" and each "subsidiary company" of GPU which may be deemed to be a "public-utility company" or a "holding company" within the meaning of the 1935 Act.

(d) Section 3.20(d) of the GPU Disclosure Schedule sets forth each "affiliate" and each "subsidiary company" of GPU which is an "exempt wholesale generator" or a "foreign utility company" within the meaning of the 1935 Act.

Section 3.21 Insurance. Except in each case as would not have a GPU Material Adverse Effect,

(a) Each of GPU and its Subsidiaries is as of the date hereof, and has been continuously since January 1, 1995 (or such later date as such entity may have been formed) through the date hereof, insured with financially responsible insurers in such amounts and against such risks and losses as are customary for companies conducting the businesses as conducted by GPU and its Subsidiaries during such time period.

(b) GPU hereby covenants and agrees (i) to maintain all such insurance for itself and its Subsidiaries from the date of this Agreement through the Effective Time so long as such insurance is available on commercially reasonable terms and at a cost substantially comparable to the cost to GPU to maintain such insurance as of the date of this Agreement and (ii) to notify FirstEnergy promptly of any failure by GPU to maintain any such insurance that is permitted by the preceding clause.

(c) (i) Neither GPU nor its Subsidiaries have received any notice of cancellation or termination with respect to any material insurance policy of GPU or its Subsidiaries.

(ii) The insurance policies of GPU and each of its Subsidiaries are valid and enforceable policies.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF FirstEnergy

Except as set forth in (x) the FirstEnergy SEC Documents (as defined in Section 4.06) filed with the SEC prior to or as of the date of this Agreement and (y) the disclosure schedule delivered to GPU by FirstEnergy pursuant to Section 7.17(a)(i) (the "FirstEnergy Disclosure Schedule"), FirstEnergy represents and warrants to GPU as follows:

Section 4.01 Organization, Standing and Power. (a) Each of FirstEnergy and its Significant Subsidiaries

(i) is a corporation or other organization duly organized, validly existing and in good standing (with respect to jurisdictions that recognize the concept of good standing) under the laws of its jurisdiction of incorporation or organization,

(ii) has all requisite corporate or similar power and authority, and has been duly authorized by all necessary approvals and orders of Governmental Entities, to own, lease and operate its properties and to carry on its business as now being conducted, and

(iii) is duly qualified and in good standing (with respect to jurisdictions that recognize the concept of good standing) to transact business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except with respect to each of clauses (ii) and (iii) above where the failure to have such power and authority, or to be so qualified or in good standing, would not, when taken together with all other such failures, have a FirstEnergy Material Adverse Effect.

Section 4.02 Capital Structure. (a) As of the date hereof, (i) the authorized capital stock of FirstEnergy consists of (1) 300,000,000 shares of FirstEnergy Common Stock of which, as of August 4, 2000, 228,615,241 shares were issued and outstanding and no shares were held by FirstEnergy in its treasury or by any of its wholly owned Subsidiaries and no shares of FirstEnergy Common Stock were reserved for any purpose and (2) 5,000,000 shares of Preferred Stock, $100 par value (the "FirstEnergy Preferred") of which, as of the date hereof, no shares were issued and outstanding and no shares were held by FirstEnergy in its treasury or by any of its wholly owned Subsidiaries; (ii) options under the FirstEnergy Controlled Group Plans (as defined in Section 4.12) to purchase not more than 3,799,153 shares of FirstEnergy Common Stock are outstanding; and
(iii) no Voting Debt on any matters on which shareholders of FirstEnergy may vote are issued or outstanding. As of the Effective Time, the authorized number of shares of FirstEnergy Common Stock referred to in (1) above shall be increased to 375,000,000 shares subject to receipt of the approval of the shareholders of FirstEnergy.

(b) All outstanding shares of FirstEnergy's capital stock are validly issued, fully paid and nonassessable and are not subject to preemptive rights.

(c) As of the date of this Agreement (except pursuant to this Agreement or as set forth in paragraph (a) above and except for rights ("FirstEnergy Rights") issued under the Rights Agreement, dated as of November 18, 1997, between FirstEnergy and The Bank of New York, as Rights Agent (the "FirstEnergy Rights Agreement")), there are no options, warrants, calls, rights, commitments or agreements of any character to which FirstEnergy or any Subsidiary of FirstEnergy is a party or by which it is bound obligating FirstEnergy or any Subsidiary of FirstEnergy to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or any Voting Debt of, or other equity interest in, FirstEnergy or securities convertible or exchangeable for such shares, Voting Debt or other equity interests, or obligating FirstEnergy or any Subsidiary of FirstEnergy to grant, extend or enter into any such option, warrant, call, right, commitment or agreement.

Section 4.03 Corporate Authority. (a) FirstEnergy has all requisite corporate power and authority to enter into this Agreement and, subject to the approval of this Agreement and the transactions contemplated hereby by the shareholders of FirstEnergy, to consummate the transactions contemplated hereby.

(b) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of FirstEnergy, subject to the approval of this Agreement by the shareholders of FirstEnergy.

(c) This Agreement has been duly executed and delivered by FirstEnergy and constitutes a valid and binding obligation of FirstEnergy enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights generally, and except that the availability of equitable remedies, including specific performance, may be subject to the discretion of any court before which any proceeding may be brought.

Section 4.04 No Violation. Except as contemplated by Section 4.05, the execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby will not, result in a Violation with, under or pursuant to,

(a) any provision of the Amended Articles of Incorporation or Regulations of FirstEnergy or the articles of incorporation, by-laws or similar constitutional documents of any Subsidiary of FirstEnergy,

(b) any provision of any loan or credit agreement, note, bond, mortgage, indenture, lease, FirstEnergy Controlled Group Plan (as defined in Section 4.12) or other agreement, obligation, instrument, permit, concession, franchise, license of any kind to which FirstEnergy or any of its Subsidiaries is a party or by which any of them or any of their respective properties or assets may be bound or affected, which Violation would have a FirstEnergy Material Adverse Effect, or

(c) any judgment, order, injunction, writ, decision, decree, statute, law, ordinance, rule, regulation, permit or license of any Governmental Entity applicable to FirstEnergy or any of its Subsidiaries or their respective properties or assets, which Violation would have a FirstEnergy Material Adverse Effect.

Section 4.05 Consents and Approvals. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity, is required to be obtained by FirstEnergy with respect to FirstEnergy or any of its Subsidiaries in connection with the execution and delivery of this Agreement by FirstEnergy or the consummation by FirstEnergy of the transactions contemplated hereby, the failure of which to obtain would have a FirstEnergy Material Adverse Effect, except for:

(a) the filing of a premerger notification report with the FTC and the DOJ under the HSR Act and the expiration or termination of the applicable waiting period under the HSR Act,

(b) the filing with, and to the extent applicable, the declaration of effectiveness by, the SEC of

(i) the Joint Proxy Statement,

(ii) a registration statement on Form S-4 to be filed by FirstEnergy in connection with the issuance of shares of FirstEnergy Common Stock in the Merger (the "Registration Statement"), and

(iii) such reports and other filings under the Securities Act or the Exchange Act as may be required in connection with this Agreement and the transactions contemplated hereby, and the obtaining from the SEC of such orders as may be required under the Securities Act or the Exchange Act,

(c) the SEC `35 Act Order,

(d) the filing of such documents with, and the qualification with, the various state securities authorities under state securities or legal investment laws (the "Blue-Sky Laws"), that are required in connection with the transactions contemplated by this Agreement (the "Blue-Sky Filings"),

(e) the filing of Certificates of Merger with the Department of State of the Commonwealth of Pennsylvania and the Secretary of State of the State of Ohio in accordance with applicable law,

(f) the FERC Approvals,

(g) the NRC Approvals,

(h) the FCC Approvals,

(i) the Local Approvals, and

(j) State Takeover Approvals.

Section 4.06 FirstEnergy SEC Documents. (a) FirstEnergy has made available to GPU a true and complete copy of each report, schedule, registration statement and definitive proxy statement filed by FirstEnergy with the SEC since January 1, 2000 (as such documents have since the time of their filing been amended, the "FirstEnergy SEC Documents") which are all the documents (other than preliminary material) that FirstEnergy was required to file with the SEC since such date.

(b) As of their respective dates of filing, (x) the FirstEnergy SEC Documents complied as to form in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, to the extent applicable to such FirstEnergy SEC Documents, and (y) none of the FirstEnergy SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) The consolidated financial statements of FirstEnergy included in the FirstEnergy SEC Documents comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto and present fairly, in all material respects, the financial position of FirstEnergy and its Subsidiaries as at the dates indicated, and the results of their operations and their cash flows for the periods indicated, in conformity with GAAP applied on a consistent basis during the periods involved (except (x) as may be indicated in the notes thereto and (y) in the case of the unaudited statements, as permitted by Form 10-Q of the SEC and for normal, recurring adjustments).

Section 4.07 No Undisclosed Liabilities. (a) Except as and to the extent set forth in FirstEnergy's Annual Report on Form 10-K for the year ended December 31,1999 and Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000, as of March 31, 2000, neither FirstEnergy nor any of its Subsidiaries had any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, except for liabilities or obligations that would not be required by GAAP to be reflected on a consolidated balance sheet (including the notes thereto) of FirstEnergy or which would not, individually or in the aggregate, be reasonably likely to have a FirstEnergy Material Adverse Effect.

(b) Since March 31, 2000, except as set forth in the FirstEnergy SEC Documents filed by FirstEnergy with the SEC since March 31, 2000 and prior to the date of this Agreement, neither FirstEnergy nor any of its Subsidiaries has incurred any liabilities or obligations of any nature, whether or not accrued, absolute, contingent, threatened or otherwise, which would, individually or in the aggregate, have a FirstEnergy Material Adverse Effect.

Section 4.08 Information Supplied. (a) None of the information supplied or to be supplied by FirstEnergy for inclusion or incorporation by reference in

(i) the Registration Statement will, at the time it is filed with the SEC and at the time it becomes effective under the Securities Act, contain any untrue statement of

a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and

(ii) the Joint Proxy Statement will, at the date mailed to the shareholders of FirstEnergy and the shareholders of GPU and at the time of the meetings of such shareholders to be held in connection with the Merger, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(b) The Joint Proxy Statement will comply as to form in all material respects with the provisions of the Exchange Act and the Registration Statement will comply as to form in all material respects with the provisions of the Securities Act.

Section 4.09 Compliance with Applicable Laws. (a) FirstEnergy and its Subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities which are material to the operation of the businesses of FirstEnergy and its Subsidiaries, taken as a whole (the "FirstEnergy Permits").

(b) FirstEnergy and its Subsidiaries are in compliance with the terms of the FirstEnergy Permits, except where any such failures so to comply would not, individually or in the aggregate, have a FirstEnergy Material Adverse Effect.

(c) The businesses of FirstEnergy and its Subsidiaries are not being conducted in violation of any law, ordinance or regulation of any Governmental Entity, except for possible violations which would not, individually or in the aggregate, have a FirstEnergy Material Adverse Effect.

(d) As of the date of this Agreement,

(i) no investigation or review by any Governmental Entity with respect to FirstEnergy or any of its Subsidiaries is pending or, to the knowledge of the executive officers of FirstEnergy, threatened, and

(ii) to the knowledge of the executive officers of FirstEnergy, no Governmental Entity has indicated an intention to conduct any such investigation or review,

other than, in each case, those the outcome of which would not have a FirstEnergy Material Adverse Effect.

Section 4.10 Litigation. As of the date of this Agreement:

(a) there is no suit, action or proceeding pending or, to the knowledge of the executive officers of FirstEnergy, threatened against FirstEnergy or any of its Subsidiaries which is reasonably likely to have a FirstEnergy Material Adverse Effect, and

(b) there is no judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against FirstEnergy or any of its Subsidiaries having, or which is reasonably likely to have, a FirstEnergy Material Adverse Effect.

Section 4.11 Taxes. (a) Each of FirstEnergy and its Subsidiaries (including any predecessors) has timely filed when due all Tax returns required to be filed by any of them and has paid (or FirstEnergy has paid on its behalf), or has established an adequate accrual or reserve (determined in accordance with GAAP) for the payment of, all Taxes required to be paid in respect of all periods for which returns have been filed or are due (whether or not shown as being due on any Tax returns) or which are otherwise due and payable, except as would not have a FirstEnergy Material Adverse Effect. The most recent balance sheet contained in the FirstEnergy SEC Documents reflects an adequate accrual or reserve (determined in accordance with GAAP) for Taxes payable by FirstEnergy and its Subsidiaries accrued through the date of such balance sheet, except as would not have a FirstEnergy Material Adverse Effect.

(b) Except as would not have a FirstEnergy Material Adverse Effect, (i) no deficiencies for any Taxes have been proposed, asserted or assessed in writing, or to the knowledge of the executive officers of FirstEnergy, orally, by any Taxing authority against FirstEnergy or any of its Subsidiaries, and (ii) no audit of the Tax returns of FirstEnergy or any of its Subsidiaries is currently being conducted by any Taxing authority.

(c) Except with respect to any claims for refunds, the Federal income Tax returns of FirstEnergy and each of its Subsidiaries consolidated in such returns for all such periods ended on or before December 31, 1994 have been examined by and settled with the IRS or the applicable statute of limitations with respect to such years, including extensions thereof, has expired. None of FirstEnergy or any of its Subsidiaries (i) has requested any extension of time within which to tile any material Federal income Tax return, which Tax return has not since been filed and (ii) has in effect any extension, outstanding waivers or comparable consents with respect to any material Federal income Taxes or material Federal income Tax returns.

(d) Copies of all Federal Tax returns required to be filed by FirstEnergy or any of its Subsidiaries (including any predecessors) for each of the last three years, together with all schedules and attachments thereto, have been delivered or made available by FirstEnergy to GPU.

(e) None of FirstEnergy or any of its Subsidiaries (including any predecessors) is a party to, is bound by, or has any obligation under any Tax sharing or similar agreement.

(f) FirstEnergy has not taken any actions, nor is it aware of any facts or circumstances, which would, or would be reasonably likely to, prevent the Merger from constituting a reorganization within the meaning of
Section 368(a) of the Code.

Section 4.12 Employee Matters. (a) With respect to each employee benefit plan (including, without limitation, any "employee benefit plan," as defined in Section 3(3) of the ERISA), and any bonus, pension, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option, phantom stock, retirement, vacation, severance, disability, death benefit, hospitalization, insurance or other material plan, arrangement or

understanding (whether or not legally binding) (all the foregoing being herein called the "FirstEnergy Controlled Group Plans"), maintained or contributed to by FirstEnergy, any of its Subsidiaries or any other organization which is a member of a controlled group of organizations (within the meaning of Sections
414(b), (c), (m) or (o) of the Code) of which FirstEnergy is a member, FirstEnergy has made available to GPU, or will deliver to GPU within 30 days after the date hereof, a true and correct copy of

(i) the most recent annual report (Form 5500) filed with the IRS,

(ii) any such FirstEnergy Controlled Group Plan,

(iii) each trust agreement and group annuity contract, if any, relating to any such FirstEnergy Controlled Group Plan and

(iv) the most recent actuarial report or valuation relating to any such FirstEnergy Controlled Group Plan subject to Title IV of ERISA.

(b) (i) Each of the FirstEnergy Controlled Group Plans intended to be "qualified" within the meaning of Section 401 (a) of the Code has been determined by the IRS to be so qualified, and, to the knowledge of the executive officers of FirstEnergy, no circumstances exist that are reasonably expected by FirstEnergy to result in the revocation of any such determination.

(ii) Except as would not have a FirstEnergy Material Adverse Effect, FirstEnergy is in compliance with, and each FirstEnergy Controlled Group Plan is and has been operated in compliance with, all applicable laws, rules and regulations governing such plan, including, without limitation, ERISA and the Code.

(iii) Except as would not have a FirstEnergy Material Adverse Effect, each FirstEnergy Controlled Group Plan intended to provide for the deferral of income, the reduction of salary or other compensation or to afford other income tax benefits complies with the requirements of the applicable provisions of the Code or other laws, rules and regulations required to provide such income tax benefits.

(c) With respect to the FirstEnergy Controlled Group Plans, individually and in the aggregate, no event has occurred, and to the knowledge of any of the executive officers of FirstEnergy or any of its Subsidiaries, there exists no condition or set of circumstances in connection with which FirstEnergy or any of its Subsidiaries could be subject to any liability that is reasonably likely to exceed $1,000,000 (except liability for benefits claims and funding obligations payable in the ordinary course) under ERISA, the Code or any other applicable law.

(d) Except as would not have a FirstEnergy Material Adverse Effect, with respect to each FirstEnergy Controlled Group Plan, there are no material funded benefit obligations for which contributions have not been made or in accordance with GAAP properly accrued and there are no material unfunded benefit obligations which have not been accounted for in accordance with GAAP, on the financial statements of FirstEnergy or any of its Subsidiaries.

(e) Except as provided for in this Agreement, as of the date of this Agreement, neither FirstEnergy nor any of its Subsidiaries is a party to any union or collective bargaining agreement.

(f) No FirstEnergy Controlled Group Plan is a multiemployer plan (within the meaning of Section 3(37) or Section 4001(a)(3) of ERISA or Section 414(f) of the Code).

(g) For each FirstEnergy Controlled Group Plan which is intended to be an employee stock ownership plan (within the meaning of Section 4975(e)(7) of the Code) or a tax credit employee stock ownership plan (within the meaning of Section 409(a) of the Code), each of the following is true:

(i) there is no securities acquisition loan (within the meaning of Section 133 of the Code) outstanding with respect to the plan;

(ii) except for the transactions contemplated in this Agreement, no event has occurred and no condition exists which would give rise to the recapture of any Tax credit previously claimed with respect to the plan or to any Tax or penalties assessable against FirstEnergy or any of its Subsidiaries; and

(iii) except for the transactions contemplated in this Agreement, no event has occurred and no condition exists which would cause the termination of the plan and the distribution of all amounts held thereunder to give rise to the recapture of any Tax credit previously claimed with respect to the plan or to any Tax or penalties assessable against FirstEnergy or any of its Subsidiaries.

(h) None of the FirstEnergy Controlled Group Plans that are welfare plans (within the meaning of Section 3(1) of ERISA) provides for any retiree benefits.

(i) Except as would not have a FirstEnergy Material Adverse Effect,

(i) the consummation or announcement of any transaction contemplated by this Agreement will not (either alone or upon the occurrence of any additional or further acts or events) result in any

(A) payment (whether of severance pay or otherwise) becoming due from FirstEnergy or any of its Subsidiaries to any officer, employee, former employee or director thereof or to the trustee under any "rabbi trust" or similar arrangement, or

(B) benefit under any FirstEnergy Controlled Group Plan being established or becoming accelerated, vested or payable, and

(ii) neither FirstEnergy nor any of its Subsidiaries is a party to

(A) any management, employment, deferred compensation, severance (including any payment, right or benefit resulting from a change in

control), bonus or other contract for personal services with any officer, director or employee,

(B) any consulting contract with any person who prior to entering into such contract was a director or officer of FirstEnergy, or

(C) any plan, agreement, arrangement or understanding similar to any of the foregoing.

Section 4.13 Absence of Certain Changes or Events. Between March 31, 2000 and the date of this Agreement, FirstEnergy and its Subsidiaries have conducted their respective businesses in all material respects in the ordinary and usual course, and, as of the date of this Agreement, there has not been

(a) any damage, destruction or loss, whether covered by insurance or not, which has, or would have, a FirstEnergy Material Adverse Effect;

(b) any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any of FirstEnergy's or its Subsidiaries' capital stock, except for (i) regular quarterly cash dividends of $.375 per share on FirstEnergy Common Stock; (ii) regular dividends on FirstEnergy's Subsidiaries' preferred securities (the "FirstEnergy Subs Preferred") with usual record and payment dates for such dividends; and (3) dividends on common stock paid by wholly owned Subsidiaries of FirstEnergy; or

(c) any transaction, commitment, dispute or other event or condition (financial or otherwise) of any character (whether or not in the ordinary course of business) individually or in the aggregate having, or which is reasonably likely to have, a FirstEnergy Material Adverse Effect.

Section 4.14 Opinion of FirstEnergy Financial Advisor. FirstEnergy has received the opinion of Morgan Stanley & Co. Incorporated (hereinafter referred to as "FirstEnergy Advisor") dated the date hereof, to the effect that, subject to the limitations and qualifications contained in that opinion, as of such date, the Merger Consideration is fair from a financial point of view to FirstEnergy, and copies of such opinion have been previously or will be delivered to GPU.

Section 4.15 Vote Required. The affirmative vote of the holders of a majority of the outstanding shares of FirstEnergy Common Stock is the only vote of the holders of any class or series of FirstEnergy capital stock necessary to approve this Agreement and the transactions contemplated hereby.

Section 4.16 Accounting Matters. Neither FirstEnergy nor, to the knowledge of the executive officers of FirstEnergy, any of its affiliates has through the date of this Agreement taken or agreed to take any action that would prevent FirstEnergy from accounting for the business combination to be effected by the Merger on a purchase accounting basis in accordance with GAAP and applicable regulations of the SEC.

Section 4.17 Ownership of GPU Stock. As of the date of this Agreement, FirstEnergy and its affiliates do not "beneficially own" (as such term is defined in the GPU Rights Agreement) any shares of GPU Common Stock.

Section 4.18 FirstEnergy Subsidiaries. (a) Section 4.1 S (a) of the FirstEnergy Disclosure Schedule sets forth a description as of the date hereof of all Significant Subsidiaries and material joint ventures of FirstEnergy, including the name of each such entity, a brief description of the principal line or lines of business conducted by each such entity and FirstEnergy's interest therein.

(b) All of the issued and outstanding shares of capital stock of each Significant Subsidiary of FirstEnergy are validly issued, fully paid, nonassessable and free of preemptive rights, and, other than outstanding Non-Convertible Preferred Securities, are owned directly or indirectly by FirstEnergy free and clear of any material liens, claims, encumbrances, security interests, equities, charges and options of any nature whatsoever, and there are no outstanding subscriptions, options, calls, contracts, voting trusts, proxies or other commitments, understandings, restrictions, arrangements, rights or warrants, including any right of conversion or exchange under any outstanding security, instrument or other agreement, obligating any such Significant Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of its capital stock, other than Non-Convertible Preferred Securities, or obligating it to grant, extend or enter into any such agreement or commitment.

Section 4.19 Environmental Protection. (a) Compliance. (i) Each of FirstEnergy and its Subsidiaries is in compliance with all applicable Environmental Laws, except for failures to be in compliance which would not have a FirstEnergy Material Adverse Effect.

(ii) Neither FirstEnergy nor any of its Subsidiaries has received any written communication or, to the knowledge of the executive officers of FirstEnergy, any oral communication, from any person or Governmental Entity that alleges that FirstEnergy or any of its Subsidiaries is not in compliance with applicable Environmental Laws, except where the failure to be in compliance would not have a FirstEnergy Material Adverse Effect.

(b) Permits. Each of FirstEnergy and its Subsidiaries has obtained or has applied for all Environmental Permits necessary for the construction of its facilities or the conduct of its operations, and all such permits are in effect or, where applicable, a renewal application has been timely filed and is pending agency approval, and FirstEnergy and each of its Subsidiaries is in material compliance with all terms and conditions of the Environmental Permits, in each case except for failures to obtain or be in compliance with such Environmental Permit, or of such Environmental Permits to be in effect, which would not have a FirstEnergy Material Adverse Effect.

(c) Claims. To the knowledge of the executive officers of FirstEnergy, no Environmental Claim is pending

(i) against FirstEnergy or any of its Subsidiaries or any joint ventures to which FirstEnergy or any of its Subsidiaries is a party,

(ii) against any person or entity whose liability for any Environmental Claim FirstEnergy or any of its Subsidiaries or joint ventures has or may have retained or assumed either contractually or by operation of law, or

(iii) against any real or personal property or operations which FirstEnergy or any of its Subsidiaries or joint ventures owns, leases or manages, in whole or in part,

which would have, in the aggregate, a FirstEnergy Material Adverse Effect.

(d) The executive officers of FirstEnergy have no knowledge of any Releases of any Hazardous Material that would be reasonably likely to form the basis of any Environmental Claim against FirstEnergy or any Subsidiaries or joint ventures of FirstEnergy, or its Subsidiaries, or against any person or entity whose liability for any Environmental Claim FirstEnergy or any Subsidiaries or joint ventures of FirstEnergy or its Subsidiaries has or may have retained or assumed either contractually or by operation of law, except for Releases of Hazardous Materials the liability for which would not have, in the aggregate, a FirstEnergy Material Adverse Effect.

(e) The executive officers of FirstEnergy have no knowledge, with respect to any predecessor of FirstEnergy or any Subsidiary or joint venture of FirstEnergy, of any Environmental Claim pending or threatened, or of any Release of Hazardous Materials that would be reasonably likely to form the basis of any Environmental Claim which would have a FirstEnergy Material Adverse Effect.

(f) To the knowledge of the executive officers of FirstEnergy, FirstEnergy has disclosed to GPU all material facts which FirstEnergy reasonably believes form the basis of a FirstEnergy Material Adverse Effect arising from

(i) the cost of pollution control equipment currently required or known to be required in the future; or

(ii) current remediation costs or remediation costs known to be required in the future.

Section 4.20 Regulation as a Utility. (a) Except as set forth in paragraphs (b), (c) and (d) of this Section 4.20 (including the sections of the FirstEnergy Disclosure Schedule referred to in those paragraphs), neither FirstEnergy nor any "subsidiary company" or "affiliate" of FirstEnergy is subject to regulation as a public utility or public service company (or similar designation) by the United States, by any state in the United States or by any foreign country or political subdivision thereof.

(b) FirstEnergy is a holding company exempt under Section 3(a)(1) of the 1935 Act.

(c) Section 4.20(c) of the FirstEnergy Disclosure Schedule sets forth each "affiliate" and each "subsidiary company" of FirstEnergy which may be deemed to be a "public-utility company" or a "holding company" within the meaning of the 1935 Act.

(d) Section 4.20 (d) of the FirstEnergy Disclosure Schedule sets forth each "affiliate" and each "subsidiary company" of FirstEnergy which is an "exempt wholesale generator" or a "foreign utility company" within the meaning of the 1935 Act.

Section 4.21 Insurance. Except in each case as would not have a FirstEnergy Material Adverse Effect,

(a) Each of FirstEnergy and its Subsidiaries is as of the date hereof, and has been continuously since January 1,1995 (or such later date as such entity may have been formed) through the date hereof, insured with financially responsible insurers in such amounts and against such risks and losses as are customary for companies conducting the businesses as conducted by FirstEnergy and its Subsidiaries during such time period.

(b) FirstEnergy hereby covenants and agrees (i) to maintain all such insurance for itself and its Subsidiaries from the date of this Agreement through the Effective Time so long as such insurance is available on commercially reasonable terms and at a cost substantially comparable to the cost incurred by FirstEnergy TO maintain such insurance as of the date of this Agreement and (ii) to notify GPU promptly of any failure by FirstEnergy to maintain any such insurance that is permitted by the preceding clause.

(c) (i) Neither FirstEnergy nor its Subsidiaries have received any notice of cancellation or termination with respect to any material insurance policy of FirstEnergy or its Subsidiaries.

(ii) The insurance policies of FirstEnergy and each of its Subsidiaries are valid and enforceable policies.

ARTICLE V

COVENANTS RELATING TO CONDUCT OF BUSINESS OF GPU

During the period from the date of this Agreement and continuing until the Effective Time (except as expressly contemplated or permitted by this Agreement or as set forth in the GPU Disclosure Schedule or to the extent that FirstEnergy shall otherwise consent in writing, such consent not to be unreasonably withheld), GPU agrees that:

Section 5.01 Ordinary Course. GPU shall, and shall cause each of its Subsidiaries to, carry on its respective business in all material respects in the ordinary course and, to the extent consistent therewith, use all commercially reasonable efforts to preserve intact in all material respects its present business organizations and goodwill, preserve its goodwill and relationships with customers, suppliers and others having business dealings with it and, subject to prudent management of workforce needs and ongoing programs currently in force, keep available the services of its officers and employees.

Section 5.02 Dividends; Changes in Stock. GPU shall not, nor shall GPU permit any of its Subsidiaries to,

(a) declare or pay any dividends on or make other distributions in respect of any of its capital stock, except that

(i) subject to Section 5.02(d), GPU may continue the declaration and payment of regular quarterly cash dividends not in excess of $.545 per share of GPU Common Stock, and

(ii) Subsidiaries of GPU may continue the declaration and payment of regularly scheduled dividends on, and other distributions required by the terms of, GPU Subs Preferred,

in each case, subject to Section 5.02(d), with usual record and payment dates for such dividends in accordance with GPU's past dividend practice or as otherwise required by the terms of the GPU Subs Preferred, and except for dividends or other distributions on common stock declared and paid by a wholly owned Subsidiary of GPU.

(b) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, or

(c) repurchase, redeem or otherwise acquire, or permit any Subsidiary to purchase or otherwise acquire, any shares of its capital stock, other than:

(i) redemptions, purchases or acquisitions required by the respective terms of any series of CPU Subs Preferred,

(ii) in connection with refunding of any GPU Subs Preferred,

(iii) in connection with intercompany purchases, or

(iv) for the purpose of funding or issuing pursuant to any employee stock ownership plan, the GPU Stock Plans or any dividend reinvestment or stock purchase plan, in the ordinary course.

(d) GPU shall coordinate with FirstEnergy regarding the declaration of any dividends in respect of GPU Common Stock and the record and payment dates relating thereto, it being the intention of GPU and FirstEnergy that the holders of GPU Common Stock shall receive a final dividend on their GPU Common Stock equal to GPU's regular quarterly dividend payment prorated from GPU's most recent previous quarterly dividend payment date to the Effective Time and shall not receive an overlapping dividend on any FirstEnergy Common Stock that they receive in exchange for their GPU Common Stock.

Section 5.03 Issuance of Securities. GPU shall not, nor shall GPU permit any of its Subsidiaries to, issue, deliver or sell, or authorize or propose the issuance, delivery or sale of, any shares of its capital stock of any class, any Voting Debt or any securities convertible into, or

any rights, warrants or options to acquire, any such shares, Voting Debt or convertible securities, other than

(a) the issuance of common stock, stock options, performance units, stock appreciation or similar rights, as the case may be, pursuant to the GPU Stock Plans, in each case consistent in amount with past practice and in the ordinary course of business under such GPU Stock Plans in accordance with their present terms,

(b) issuances of Non-Convertible Preferred Securities of Subsidiaries of GPU to the extent permitted by Section 5.08, and

(c) the issuance and reservation of GPU capital stock pursuant to the GPU Rights Agreement.

Section 5.04 Constituent Documents. GPU shall not amend or propose to amend its articles of incorporation or its by-laws.

Section 5.05 Solicitations. (a) GPU shall not, nor shall GPU permit any of its Subsidiaries to, nor shall it authorize or permit any of its officers, directors or employees or any investment banker, financial advisor (including the GPU Advisor), attorney, accountant or other representative retained by it or any of its Subsidiaries to, solicit or encourage (including by way of furnishing information), or take any other action to facilitate, any inquiries or the making of any proposal which constitutes, or may reasonably be expected to lead to, any GPU Takeover Proposal (as defined below), or agree to, or subject to the proviso in Section 7.05(b), endorse, recommend or approve, any GPU Takeover Proposal.

(b) GPU shall promptly advise FirstEnergy orally and in writing of any such inquiries or GPU Takeover Proposals.

(c) As used in this Agreement, "GPU Takeover Proposal" shall mean any tender or exchange offer, proposal for a merger, consolidation or other business combination involving GPU or any Significant Subsidiary of GPU or any proposal or offer to acquire in any manner (i) a 20% or greater common equity interest (including any security convertible into, exchangeable or exercisable for, or otherwise entitling the owner thereof to acquire such common equity interest) in, or 20% or more of the assets on a consolidated basis of, GPU, other than the Merger, or (ii) any equity interest (other than Non-Convertible Preferred Securities) in, or, other than as permitted by Section 5.07, any of the assets of, any of Jersey Central Power & Light Company ("JCP&L"), Metropolitan Edison Company ("MetEd") or Pennsylvania Electric Company ("Penelec").

(d) Notwithstanding anything in this Section 5.05 to the contrary, unless the approvals of the shareholders of GPU have been obtained, GPU or a Significant Subsidiary of GPU, may, to the extent that the Board of Directors of GPU determines in good faith, after consultation with outside counsel, that its fiduciary duties under applicable law so require, participate in discussions or negotiations with, furnish information to, and afford access to the properties, books and records of GPU and its Subsidiaries to, any person in connection with a possible GPU Takeover Proposal with respect to GPU by such person.

(e) Nothing contained in this Agreement shall prohibit GPU from taking and disclosing to its shareholders a position contemplated by Rule 14e-2 under the Exchange Act or from making any disclosure to its shareholders if, in the good faith judgment of the Board of Directors of GPU, after consultation with outside counsel, that disclosure is required pursuant to its obligations under applicable law.

Section 5.06 Acquisitions. GPU shall not, nor shall it permit any of its Subsidiaries to (a) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial equity interest in or a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof that would constitute a Significant Subsidiary of GPU or otherwise acquire or agree to acquire any assets not in the ordinary course of business or (b) except as included in the GPU Capital Budget (as defined in Section 5.15 hereof) enter into a new line of business or make any change, except in the ordinary course of business, in the lines of business it engages in as of the date hereof; provided, in each case, that GPU and its Subsidiaries may enter into or consummate any such transaction so long as (1) no such individual transaction involves payment by GPU or any of its Subsidiaries of consideration or investment of assets or resources or exposure to liability or loss in excess of $25 million and (2) all such transactions entered into after the date of this Agreement do not involve payment of consideration or investment of assets or resources or exposure to liability or loss in excess of $75 million, in the aggregate.

Section 5.07 Dispositions. Other than (x) sales, leases, licenses or other dispositions, including dispositions of accounts receivable, in the ordinary course of business, (y) sales, leases, licenses, encumbrances or other dispositions outside the ordinary course of business that individually do not involve assets of GPU or its Subsidiaries with a value (which in the case of a sale shall be the sale price) in excess of $5 million or that, in the aggregate do not involve assets of GPU and its Subsidiaries with an aggregate value (which in the case of a sale shall be the sale price) in excess of $25 million, and (z) encumbrances incurred in connection with any transaction permitted by Section 5.08, in the case of each of (x), (y) and (z), not involving the disposition of electric generating plants located in the United States, CPU shall not, nor shall GPU permit any of its Subsidiaries to, sell, lease, license, encumber or otherwise dispose of, or agree to sell, lease, license, encumber or otherwise dispose of, any of its assets.

Section 5.08 Financings. GPU shall not, nor shall GPU permit any of its Subsidiaries to, incur (which shall not be deemed to include entering into credit agreements, lines of credit or similar arrangements until borrowings are made under such arrangements) any indebtedness for borrowed money or guarantee any such indebtedness or issue or sell any debt securities or Non-Convertible Preferred Securities or warrants or rights to acquire any debt securities or Non-Convertible Preferred Securities of such party or any of its Subsidiaries or guarantee any debt securities of others other than

(a) for short-term indebtedness in the ordinary course of business, consistent with past practice,

(b) as may be necessary in connection with acquisitions permitted by Section 5.06 (including acquisitions listed in Section 5.06 of the GPU Disclosure Schedule),

(c) the incurrence of long-term indebtedness and/or issuances of debt securities or guarantees by GPU or any of its Subsidiaries, and/or issuances of Non-Convertible Preferred Securities of Subsidiaries of GPU, not aggregating in excess of $50 million (not including incurrences or issuances pursuant to clauses (a), (b) and (d) of this Section 5.08), or

(d) indebtedness of GPU or any of its Subsidiaries, and/or Non-Convertible Preferred Securities of Subsidiaries of GPU, incurred or issued to refund or refinance outstanding indebtedness or Non-Convertible Preferred Securities of such party or such Subsidiary so long as the amount of such indebtedness or Non-Convertible Preferred Securities so incurred or issued does not materially exceed the amount of the indebtedness or Non-Convertible Preferred Securities so refunded or refinanced and any accrued interest or dividends and premium, if any, thereon.

Section 5.09 No Actions. GPU shall not, nor shall GPU permit any of its Subsidiaries to, take any action that would or is reasonably likely to

(a) result in any of the conditions to the Merger set forth in Article VIII not being satisfied, or

(b) prevent, materially delay or materially impede the consummation of the Merger.

Section 5.10 Cooperation, Notification. To the extent permitted by law, GPU shall, and shall cause its Subsidiaries to, (1) confer on a regular and reasonably frequent basis with one or more representatives of FirstEnergy to discuss material operational matters and the general status of its ongoing operations; (ii) promptly notify FirstEnergy of any significant changes, of which its executive officers have knowledge, in its business, properties, assets, financial condition or reported or future results of operations; (iii) advise FirstEnergy of any change or event which has had, or in so far as reasonably can be foreseen, is reasonably likely to result in, a GPU Material Adverse Effect; and (iv) promptly provide FirstEnergy (or FirstEnergy's counsel) with copies of all filings made by GPU or any of its Subsidiaries with any state, Federal or foreign court, administrative agency, commission or other Governmental Entity in connection with this Agreement and the transactions contemplated hereby.

Section 5.11 Rights Agreement. (a) Except as otherwise provided in this
Section 5.11, GPU shall not redeem the GPU Rights, or amend (other than to delay the "Distribution Date" (as defined in the GPU Rights Agreement) or to render the GPU Rights inapplicable to the Merger) or terminate the GPU Rights Agreement prior to the Effective Time unless required to do so by order of a court of competent jurisdiction.

(b) GPU shall take all action so that the GPU Rights will expire immediately prior to the Effective Time.

Section 5.12 Collective Bargaining Agreements. During the period from the date of this Agreement and continuing until the Effective Time, GPU agrees, as to itself and its Subsidiaries, that it will consult with FirstEnergy prior to entering into any substantive negotiations (x) with respect to any collective bargaining agreement, or any material modification or amendment thereof, that cover employees of the regulated business of GPU's

Subsidiaries conducted in the United States or (y) with respect to any other collective bargaining agreement, or any material modification or amendment thereof, if the scope and type of the negotiations are reasonably expected to be materially different than the scope and type of negotiations previously conducted with respect to such agreement.

Section 5.13 Employee Benefit Covenant. During the period from the date of this Agreement and continuing until the Effective Time, except as set forth in Section 5.13 of the GPU Disclosure Schedule, as may be required by applicable law or as contemplated by this Agreement, GPU agrees as to itself and its Subsidiaries that it will not, and will not permit any of its Subsidiaries to, without the prior written consent of FirstEnergy (which consent shall not be unreasonably withheld),

(a) enter into, adopt, amend (except as may be required by law) or terminate any GPU Controlled Group Plan or any other agreement, arrangement, plan or policy between GPU and one or more of the directors or officers of GPU, or

(b) except for normal increases in the ordinary course of business consistent with past practice that, in the aggregate, do not result in a material increase in benefits or compensation expense to GPU, increase in any manner the compensation or fringe benefits of any director or officer of GPU, or

(c) pay any benefit not required by any GPU Controlled Group Plan or arrangement as in effect as of the date hereof (including, without limitation, the granting of stock options, stock appreciation rights, restricted stock or performance units) to any director or officer of GPU, or

(d) enter into any contract, agreement, commitment or arrangement to do any of the foregoing, or enter into or amend any employment, severance or special pay arrangement with respect to the termination of employment or other similar contract, agreement or arrangement with any director or officer or other employee of GPU or any of its Subsidiaries, or

(e) make any change in any defined benefit Plan of GPU or any of its Subsidiaries which accelerates or increases benefits thereunder (except as may be required by law).

Section 5.14 Tax Covenant. During the period from the date of this Agreement and continuing until the Effective Time, GPU agrees, as to itself and its Subsidiaries, that each of them (a) will not, except in the ordinary course of business consistent with past practice, make any material Tax election or settle or compromise any Tax liability material to GPU or any of its Significant Subsidiaries and (b) will promptly notify FirstEnergy of the making of any request for extension of the time within which to file any Federal income Tax return for such entity.

Section 5.15 Capital Expenditures. Except as required by law or to provide or maintain reliable electric service, GPU shall not, nor shall GPU permit any of its Subsidiaries to, make any annual capital expenditures in excess of GPU's existing capital budget for 2000, a copy of which has been delivered to FirstEnergy, or any capital budget for future time periods adopted in accordance with GPU's past practice after consultation with FirstEnergy (each such capital budget, the "GPU Capital Budget").

Section 5.16 Transmission, Generation. Except (1) as required pursuant to tariffs on tile with the FERC as of the date hereof or (ii) to the extent necessary, in the reasonable judgment of GPU, to comply with applicable law, existing contractual obligations, or requirements of Governmental Entities, or to avoid the incurrence of material liability, GPU shall not, nor shall GPU permit any of its Subsidiaries to,

(a) commence construction of any additional generating capacity or transmission or delivery capacity, except for such projects ongoing or mandated by a binding legal commitment existing on the date hereof or, in the case of transmission or delivery capacity, required to satisfy such party's obligation to serve, or

(b) obligate itself to purchase or otherwise acquire, or to sell or otherwise dispose of, or to share, any additional generation (including, without limitation, the energy produced by generating facilities), transmission or delivery capacity pursuant to a contract agreement or other arrangement the duration of which exceeds twelve months without the prior approval of FirstEnergy (not to be unreasonably withheld).

Section 5.17 Modifications to Facilities. Except in the ordinary course of business, to provide or maintain reliable electric service or in accordance with the GPU Capital Budget, GPU shall not, nor shall GPU permit any of its Subsidiaries to, enter into any binding commitment to make any modification to any of its or its Subsidiaries' existing facilities that would require any material investment or expenditure material to GPU or, in the case of investment or expenditure by JCP&L, MetEd or Penelec, to the affected Subsidiary. GPU shall consult with FirstEnergy with respect to any binding commitment permitted by the previous sentence which will, or is reasonably likely to, continue for a period of twelve months or more.

Section 5.18 Accounting. GPU shall not, nor shall GPU permit any of its Subsidiaries to, make any changes in its accounting methods, except as required by law, rule, regulation or GAAP.

Section 5.19 Tax-Free Status. GPU shall not, nor shall GPU permit any of its Subsidiaries to, take any actions which would, or would be reasonably likely to, adversely affect the treatment of the Merger as a "reorganization" within the meaning of Section 368(a) of the Code.

Section 5.20 Affiliate Transactions. Except as may be required by the 1935 Act, GPU shall not, nor shall GPU permit any of its Subsidiaries to, enter into any agreement or arrangement with any of their respective affiliates (other than wholly owned Subsidiaries of GPU) on terms to GPU or its Subsidiaries materially less favorable than could reasonably be expected to have been obtained with an unaffiliated third party on an arm's length basis.

Section 5.2 1 Rate Matters. To the extent permitted by law, and except for routine or administrative filings, GPU shall, and shall cause its Subsidiaries to, discuss with FirstEnergy any changes in its or its Subsidiaries' rates or charges (other than pass-through charges), standards of service or regulatory accounting from those in effect on the date of this Agreement and consult with FirstEnergy prior to making any filing (or any amendment thereto), or effecting any agreement, commitment, arrangement or consent, whether written or oral, formal or

informal, with respect thereto, and GPU will not make, or permit any Subsidiary to make, any filing to change its rates on file with the FERC or any other regulatory commission that would have, alone or in conjunction with all previous such filings, a GPU Material Adverse Effect. Notwithstanding the foregoing, neither GPU nor any of its Subsidiaries shall be required to consult or have discussions with FirstEnergy prior to entering into arrangements with customers in the ordinary course of business consistent with past practices.

Section 5.22 Third-Party Consents. (a) GPU shall, and shall cause its Subsidiaries to, use all commercially reasonable efforts, consistent with United States and foreign laws, to obtain any third-party consents necessary to consummate the Merger.

(b) GPU shall promptly notify FirstEnergy of any failure or prospective failure to obtain any such consents and, if requested, shall provide copies of all consents obtained to FirstEnergy.

ARTICLE VI

COVENANTS RELATING TO CONDUCT OF BUSINESS OF FIRSTENERGY

During the period from the date of this Agreement and continuing until the Effective Time (except as expressly contemplated or permitted by this Agreement or as set forth in the FirstEnergy Disclosure Schedule or to the extent that GPU shall otherwise consent in writing, such consent not to be unreasonably withheld), FirstEnergy agrees that:

Section 6.01 Ordinary Course. FirstEnergy shall, and shall cause each of its Subsidiaries to, carry on its business in the ordinary course and use all commercially reasonable efforts to preserve intact their goodwill, preserve the goodwill and relationships with customers, suppliers and others having business dealings with them and, subject to prudent management of workforce needs and ongoing programs currently in force, keep available the services of their present officers and employees, provided, however, that, to the extent permitted by Section 6.15, FirstEnergy may enter into a new line of business, make any change in the lines of business it engages in as of the date hereof or dispose of or acquire assets, by merger or otherwise, or divest liabilities (or enter into any agreement with respect to any of the foregoing) in each case only if
(x)(a) the taking of such action (or in the case of an agreement, the transaction contemplated thereby) by a holding company registered under the 1935 Act has generally been permitted or approved by the SEC (or by the Staff of the SEC acting pursuant to authority delegated by the SEC) under the 1935 Act and under then applicable SEC orders, or (b) based on discussions with the Staff of the SEC (the substance of which has been communicated to GPU), the parties reasonably believe such action (or in the case of an agreement, the transaction contemplated thereby) would be approved and (y) obtaining the approval of the SEC (or the Staff of the SEC pursuant to delegated authority) under the 1935 Act, and the conditions to, such approval, would not materially delay or impede the Merger past the End Date in effect at the time of the action (or in the case of an agreement, as of the date of the agreement), provided further, however, that if such new line of business, change in any line of business that FirstEnergy or its Subsidiaries engage in as of the date hereof, assets disposed of or acquired or divested liability is material, then such event has been disclosed in the Joint Proxy Statement or an amendment thereto. FirstEnergy shall not, and shall not permit any of its Subsidiaries to, sell, lease, license or

otherwise dispose of any of the shares of common stock of Ohio Edison Company ("OE"), The Cleveland Electric Illuminating Company ("CEI"), The Toledo Edison Company ("TE") or Pennsylvania Power Company ("PP"), except, in the case of any such Subsidiary, to FirstEnergy or such Subsidiary's immediate parent company.

Section 6.02 Dividends; Changes in Stock. FirstEnergy shall not, nor shall FirstEnergy permit any of its Subsidiaries to,

(a) declare or pay any dividends on or make other distributions in respect of any of its capital stock, except that

(i) FirstEnergy may continue the declaration and payment of regular quarterly cash dividends not in excess of $.375 per share of FirstEnergy Common Stock, and

(ii) Subsidiaries of FirstEnergy may continue the declaration and payment of regularly scheduled dividends on, and other distributions required by the terms of, FirstEnergy Subs Preferred,

in each case, with usual record and payment dates for such dividends in accordance with such parties' past dividend practice, or as otherwise required by the terms of the FirstEnergy Subs Preferred, and except for dividends or other distributions on common stock declared and paid by a wholly owned Subsidiary of FirstEnergy,

(b) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, or

(c) repurchase, redeem or otherwise acquire, or permit any Subsidiary to purchase or otherwise acquire, any shares of its capital stock, other than

(i) redemptions, purchases or acquisitions required by the respective terms of any series of FirstEnergy Subs Preferred,

(ii) in connection with refunding of any FirstEnergy Subs Preferred,

(iii) in connection with intercompany purchases, or

(iv) for the purpose of funding or issuing pursuant to any FirstEnergy Controlled Group Plan or any employee stock ownership plan or any dividend reinvestment or stock purchase plan of FirstEnergy, in the ordinary course.

Section 6.03 Issuance of Securities. Except in a transaction permitted by Section 6.01, FirstEnergy shall not, nor shall FirstEnergy permit any of its Subsidiaries to, issue, deliver or sell, or authorize or propose the issuance, delivery or sale of, any shares of its capital stock of any class, any Voting Debt or any securities convertible into, or any rights, warrants or options to acquire, any such shares, Voting Debt or convertible securities, other than

(a) the issuance of common stock, stock options, performance units, stock appreciation or similar rights, as the case may be, pursuant to the FirstEnergy Controlled Group Plans in accordance with their present terms,

(b) issuances of Non-Convertible Preferred Securities of Subsidiaries of FirstEnergy to the extent permitted by Section 6.06,

(c) the issuance and reservation of FirstEnergy capital stock pursuant to the FirstEnergy Rights Agreement, and

(d) the issuance, delivery or sale of capital stock by any Subsidiary of FirstEnergy to FirstEnergy or such Subsidiary's immediate parent company.

Section 6.04 Constituent Documents. Except as provided in Section 4.02, FirstEnergy shall not amend or propose to amend its Amended Articles of Incorporation or its Regulations.

Section 6.05 Solicitations. (a) FirstEnergy shall not, nor shall FirstEnergy permit any of its Subsidiaries to, nor shall it authorize or permit any of its officers, directors or employees or any investment banker, financial advisor (including the FirstEnergy Advisor), attorney, accountant or other representative retained by it or any of its Subsidiaries to, solicit or encourage (including by way of furnishing information), or take any other action to facilitate, any inquiries or the making of any proposal which constitutes, or may reasonably be expected to lead to, any FirstEnergy Takeover Proposal (as defined below), or agree to endorse, recommend or approve any FirstEnergy Takeover Proposal.

(b) FirstEnergy shall promptly advise GPU orally and in writing of any such inquiries or FirstEnergy Takeover Proposals.

(c) As used in this Agreement, "FirstEnergy Takeover Proposal" shall mean any tender or exchange offer, proposal for a merger, consolidation or other business combination involving FirstEnergy or any Significant Subsidiary of FirstEnergy or any proposal or offer to acquire in any manner, by any person or a group of affiliated persons, a 20% or greater common equity interest (including any security convertible into, exchangeable or exercisable for, or otherwise entitling the owner thereof to acquire such common equity interest) in, or 20% or more of the assets on a consolidated basis of, FirstEnergy, other than the Merger. GPU Takeover Proposals and FirstEnergy Takeover Proposals are sometimes herein referred to as "Takeover Proposals".

(d) Notwithstanding anything in this Section 6.05 to the contrary, unless the approvals of the shareholders of FirstEnergy have been obtained, FirstEnergy or a Significant Subsidiary of FirstEnergy, may, to the extent that the Board of Directors of FirstEnergy determines in good faith, after consultation with outside counsel, that its fiduciary duties under applicable law so require, participate in discussions or negotiations with, furnish information to, and afford access to the properties, books and records of FirstEnergy and its Subsidiaries to, any person in connection with a possible FirstEnergy Takeover Proposal with respect to FirstEnergy by such person.

(e) Nothing contained in this Agreement shall prohibit FirstEnergy from taking and disclosing to its shareholders a position contemplated by Rule 14e-2 under the Exchange Act or from making any disclosure to its shareholders if, in the good faith judgment of the Board of Directors of FirstEnergy, after consultation with outside counsel, that disclosure is required pursuant to its obligations under applicable law.

Section 6.06 Financings. Except in connection with a transaction permitted or not prohibited by Section 6.01, Section 6.02, Section 6.07 or Section 6.15, FirstEnergy shall not, nor shall FirstEnergy permit any of its Subsidiaries to, incur (which shall not be deemed to include entering into credit agreements, lines of credit or similar arrangements until borrowings are made under such arrangements) any indebtedness for borrowed money or guarantee any such indebtedness or issue or sell any debt securities or Non-Convertible Preferred Securities or warrants or rights to acquire any debt securities or Non-Convertible Preferred Securities of such party or any of its Subsidiaries or guarantee any debt securities of others other than

(a) for short-term indebtedness in the ordinary course of business, consistent with prior practice,

(b) the incurrence of long-term indebtedness and/or issuances of debt securities or guarantees by FirstEnergy or any of its Subsidiaries, and/or issuances of Non-Convertible Preferred Securities of Subsidiaries of FirstEnergy, not aggregating in excess of $50 million (not including incurrences or issuances pursuant to clause (a) and (c) of this Section 6.06), or

(c) indebtedness of FirstEnergy or any of its Subsidiaries, and/or Non-Convertible Preferred Securities of Subsidiaries of FirstEnergy, incurred or issued to refund or refinance outstanding indebtedness or Non-Convertible Preferred Securities of such party or such Subsidiary so long as the amount of such indebtedness or Non-Convertible Preferred Securities so incurred or issued does not materially exceed the amount of the indebtedness or Non-Convertible Preferred Securities so refunded or refinanced and any accrued interest or dividends and premium, if any, thereon.

Section 6.07 No Actions. FirstEnergy shall not, nor shall FirstEnergy permit any of its Subsidiaries to

(a) take any action that would or is reasonably likely to result in any of the conditions to the Merger set forth in Article VIII not being satisfied;

(b) take any action (other than entering into a FirstEnergy Permitted Acquisition (as defined below)) that would or is reasonably likely to prevent, materially delay or materially impede the consummation of the Merger; or

(c) make any FirstEnergy Permitted Acquisition (or enter into any agreement with respect thereto), unless, considering the circumstances at the time FirstEnergy enters into an agreement for the FirstEnergy Permitted Acquisition, including the results of discussions with applicable Governmental Entities, the FirstEnergy Permitted Acquisition would not prevent consummation of the Merger or materially delay consummation of the Merger beyond the End Date, or, if the End Date has been extended in accordance with Section 9.01 (d) hereof prior to the time the agreement with respect to the FirstEnergy Permitted Acquisition is entered into, the

Extended End Date. "FirstEnergy Permitted Acquisition" means any acquisition by FirstEnergy or any of its Subsidiaries permitted by Sections 6.01 and 6.15 hereof.

Section 6.08 Cooperation, Notification. To the extent permitted by law, FirstEnergy shall, and shall cause its Subsidiaries to, (i) confer on a regular and reasonably frequent basis with one or more representatives of GPU to discuss material operational matters and the general status of its ongoing operations;
(ii) promptly notify GPU of any significant changes, of which its executive officers have knowledge, in its business, properties, assets, financial condition or reported or future results of operations; (iii) advise GPU of any change or event which has had, or is reasonably likely to result in, a FirstEnergy Material Adverse Effect; and (iv) promptly provide GPU (or GPU's counsel) with copies of all filings made by FirstEnergy or any of its Subsidiaries with any state or Federal court, administrative agency, commission or other Governmental Entity in connection with this Agreement and the transactions contemplated hereby.

Section 6.09 Rights Agreement. FirstEnergy shall not redeem the FirstEnergy rights or amend (other than to delay the "Distribution Date" (as defined in the FirstEnergy Rights Agreement)) or terminate the FirstEnergy Rights Agreement prior to the Effective Time unless required to do so by order of a court of competent jurisdiction.

Section 6.10 Accounting. FirstEnergy shall not, nor shall FirstEnergy permit any of its Subsidiaries to, make any changes in its accounting methods, except as required by law, rule, regulation or GAAP.

Section 6.11 Tax-Free Status. FirstEnergy shall not, nor shall FirstEnergy permit any of its Subsidiaries to, take any actions which would, or would be reasonably likely to, adversely affect the status of the treatment of the Merger as a "reorganization" within the meaning of Section 368(a) of the Code.

Section 6.12 Affiliate Transactions. FirstEnergy shall not, nor shall FirstEnergy permit any of its Subsidiaries to, enter into any agreement or arrangement with any of their respective affiliates (other than wholly owned Subsidiaries of FirstEnergy) on terms to FirstEnergy or its Subsidiaries materially less favorable than could reasonably be expected to have been obtained with an unaffiliated third party on an arm's length basis.

Section 6.13 Third-Party Consents. (a) FirstEnergy shall, and shall cause its Subsidiaries to, use all commercially reasonable efforts, consistent with United States and foreign laws, to obtain any third-party consents necessary to consummate the Merger.

(b) FirstEnergy shall promptly notify GPU of any failure or prospective failure to obtain any such consents end, if requested, shall provide copies of all consents obtained to GPU.

Section 6.14 Tax-Exempt Status. FirstEnergy shall not, nor shall FirstEnergy permit any Subsidiary to, take any action that would likely jeopardize the qualification of the outstanding revenue bonds issued for the benefit of any of its Subsidiaries which qualify on the date hereof under Code
Section 142(a) as "exempt facility bonds" or as tax-exempt industrial

development bonds under Section 103(b)(4) of the Internal Revenue Code of 1954, as amended prior to the Tax Reform Act of 1986.

Section 6.15 Certain Acquisitions. Without the consent of GPU, which shall not be unreasonably withheld, FirstEnergy shall not, and shall not allow any Subsidiary to, acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial equity interest in or a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof (a "target") or otherwise acquire or agree to acquire any assets if not permitted under Section 6.01 or Section 6.07 or if (i) the aggregate consideration (in any form) payable by FirstEnergy or such Subsidiary shall equal or exceed $1 billion or (ii) the target is, or the acquisition of such assets would result in their acquirer becoming, an "electric utility company" as defined in the 1935 Act.

ARTICLE VII

ADDITIONAL AGREEMENTS

Section 7.01 Preparation of Registration Statement and the Joint Proxy Statement. (a) FirstEnergy and GPU shall promptly prepare and file with the SEC the Joint Proxy Statement and FirstEnergy shall prepare and file with the SEC the Registration Statement, in which the Joint Proxy Statement will be included as a prospectus.

(b) Each of FirstEnergy and GPU shall use its best efforts to have the Registration Statement declared effective under the Securities Act as promptly as practicable after such filing.

(c) FirstEnergy and GPU shall also take any action required to be taken under any applicable Blue-Sky Law in connection with the issuance of FirstEnergy Common Stock pursuant to the Merger and FirstEnergy and GPU shall furnish all information concerning themselves and the holders of their common stock as may be reasonably requested in connection with any such action.

Section 7.02 Letters of GPU's Accountants. GPU shall use commercially reasonable efforts to cause to be delivered to FirstEnergy a "comfort" letter of PricewaterhouseCoopers LLP, GPU's independent auditors, addressed to FirstEnergy, dated as of the date the Registration Statement shall become effective, and confirmed in writing as of the Effective Time, in form and substance reasonably satisfactory to FirstEnergy and customary in scope and substance for letters delivered by independent public accountants in connection with registration statements similar to the Registration Statement.

Section 7.03 Letters of FirstEnergy's Accountants. FirstEnergy shall use commercially reasonable efforts to cause to be delivered to GPU a "comfort" letter of Arthur Andersen LLP, FirstEnergy's independent auditors, addressed to GPU, dated as of the date the Registration Statement shall become effective, and confirmed in writing as of the Effective Time, in form and substance reasonably satisfactory to GPU and customary in scope and substance for letters delivered by independent public accountants in connection with registration statements similar to the Registration Statement.

Section 7.04 Access to Information. (a) To the extent permitted by law, upon reasonable notice, GPU and FirstEnergy shall each (and shall cause each of their respective Subsidiaries to) afford to the officers, employees, accountants, counsel and other representatives of the other, reasonable access, during normal business hours during the period prior to the Effective Time, to all its properties, books, contracts, commitments and records (including, but not limited to, Tax returns but excluding any documents with respect to which an attorney-client privilege is available) and, during such period, each of GPU and FirstEnergy shall (and shall cause each of their respective Subsidiaries to) furnish promptly to the other

(i) a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of Federal securities laws, or filed with or sent to the SEC, the FERC, the NRC, the DOE, the Department of Justice, the FTC, the Public Utilities Commission of Ohio, the Pennsylvania Public Utility Commission or the New Jersey Board of Public Utilities or any other Federal, state or foreign regulatory agency or commission, and

(ii) all other information concerning its business, properties and personnel as such other party may reasonably request.

(b) Any information delivered by GPU to FirstEnergy, or by FirstEnergy to GPU, shall be subject to the Confidentiality Agreement, dated May 19, 2000, between GPU and FirstEnergy (the "Confidentiality Agreement").

Section 7.05 Shareholder Approvals. (a) FirstEnergy and GPU shall each call a meeting of their respective shareholders to be held as promptly as practicable for the purpose of voting upon the adoption of this Agreement.

(b) FirstEnergy and GPU will, through their respective Boards of Directors, recommend to their respective shareholders that they vote in favor of the adoption of this Agreement (including, in the case of FirstEnergy, the amendment of the Amended Articles of Incorporation of FirstEnergy to increase the number of authorized shares of FirstEnergy Common Stock as necessary to issue the shares of FirstEnergy Common Stock as contemplated by Article II); provided, however, that neither Board of Directors shall be obligated to recommend the adoption of this Agreement and the Merger to its respective shareholders if such Board of Directors determines in good faith, after consultation with outside counsel and financial advisors, that a change or modification to such recommendation is required pursuant to its fiduciary duties under applicable law or its other legal obligations as Directors.

(c) GPU and FirstEnergy will coordinate and cooperate with respect to the timing of such shareholder approvals and shall use their best efforts to hold such meetings on the same day and to secure such approvals as soon as practicable after the date on which the Registration Statement becomes effective.

Section 7.06 Satisfaction of Conditions to the Merger. (a) Each of FirstEnergy and GPU will take all reasonable actions necessary to comply promptly with all legal requirements which may be imposed on itself with respect to this Agreement.

(b) Subject to the terms and conditions of this Agreement, each of the parties hereto agrees to use its best efforts promptly to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement (subject to the appropriate vote of shareholders of FirstEnergy and GPU, respectively, described in Section 7.05), as promptly as possible after the date of this Agreement, including fully cooperating with the other party and providing all necessary information and making all necessary filings in connection with, among other things, the approvals and clearance under the HSR Act, the Securities Act and the Exchange Act, the FERC Approvals, the NRC Approvals, the FCC Approval, the SEC '35 Act Order, the Blue-Sky Filings, the Local Approvals, the State Takeover Approvals and the Foreign Approvals.

(c) In connection therewith, the parties agree that, as between them, FirstEnergy shall be primarily responsible for the preparation and processing of the filings necessary to obtain the approvals required for the consummation of the transactions contemplated hereby under the Securities Act and the Exchange Act, the FERC Approvals, the NRC Approvals, the FCC Approval, the SEC '35 Act Order and the Local Approvals required from the State of Ohio and the Commonwealth of Pennsylvania as well as the Blue-Sky Filings; provided that FirstEnergy shall furnish GPU with copies of, and an opportunity to comment on, all such filings a reasonable time prior to filing; and GPU shall be primarily responsible for the preparation and processing of the filings necessary to obtain the Local Approvals required from the State of New Jersey and the Foreign Approvals; provided that, with respect to any Local Approvals and Foreign Approvals, GPU shall not (i) make any filing or (ii) agree to any settlement without the prior consent of FirstEnergy, which consent shall not be unreasonably withheld.

(d) Each of FirstEnergy and GPU will, and will cause its Subsidiaries to, take all actions necessary to obtain (and will cooperate with each other in obtaining) any consent, authorization, order or approval of, or any exemption by, any Governmental Entity required to be obtained or made by FirstEnergy, GPU or any of their Subsidiaries in connection with the Merger or the taking of any action contemplated thereby or by this Agreement.

(e) Notwithstanding anything to the contrary set forth in this Agreement, neither FirstEnergy nor GPU shall be required to accept or agree to any material conditions, terms or restrictions on the conduct of its business or any dispositions of assets or businesses in order to obtain any consent, waiver, license, permit, approval, authorization, ruling or order in connection with the Merger if the implementation or effectiveness of any such condition, terms or restriction, or disposition, is not conditioned on consummation of the Merger.

(f) Notwithstanding the foregoing, neither FirstEnergy nor GPU shall be required by this Agreement to take any action or make any commitment that would reasonably be expected to have a Material Adverse Effect (as defined in Section 3.01(a) but without reference to GPU or FirstEnergy) on the (x) business, operations, properties, assets, financial condition or results of operations of the Surviving Corporation and its Subsidiaries taken as a whole after consummation of the Merger or (y) the parties' ability to consummate the Merger (a "Surviving Corporation Material Adverse Effect").

Section 7.07 Rule 145 Affiliates. (a) Prior to the date of the meeting of the shareholders of GPU, GPU shall deliver to FirstEnergy a letter substantially in the form attached hereto as Exhibit A, identifying all persons who may be, at the time this Agreement is submitted for approval to such shareholders, "affiliates" of GPU ("GPU Affiliates") for purposes of Rule 145 under the Securities Act.

(b) GPU shall use commercially reasonable efforts to cause to be delivered to FirstEnergy on or prior to the date of the applicable meeting of shareholders referred to in Section 7.05 a written agreement from each of the GPU Affiliates substantially in the form attached hereto as Exhibit B.

Section 7.08 Stock Exchange Listing. FirstEnergy shall use its best efforts to cause the shares of FirstEnergy Common Stock to be issued in the Merger and, if necessary under the Benefit Plans referred to in Section 7.09, after the Merger, to be approved for listing on the NYSE, subject to official notice of issuance, prior to the Closing.

Section 7.09 Employee Benefit Plans. (a) FirstEnergy and GPU agree that the FirstEnergy Controlled Group Plans and the GPU Controlled Group Plans in effect at the date of this Agreement shall, to the extent practicable, remain in effect until otherwise determined after the Effective Time.

(b) In the case of GPU Controlled Group Plans which are continued and under which the employees' interests are based upon or valued in relation to GPU Common Stock, FirstEnergy and GPU agree that such interests shall be based on FirstEnergy Common Stock in an equitable manner (and in the case of any such interests existing at the Effective Time, on the basis of the Exchange Ratio as adjusted in accordance with Section 2.01(m)); provided, however, that nothing contained herein shall be construed as requiring FirstEnergy to continue any specific plans.

(c) GPU will not make any changes in severance benefits for officers of GPU or its Subsidiaries from those disclosed in Section 3.12(i) or Section 5.13 of the GPU Disclosure Schedule.

(d) Certain Non-bargaining Unit GPU Employees. (i) If an applicable GPU Controlled Group Plan is terminated in which non-bargaining unit employees of GPU, GPU Service, Inc. ("GPU Service"), GPU Telcom Services, Inc., GPU Advanced Resources, Inc., GPU International, Inc. (domestic corporate level employees), JCP&L, MetEd or Penelec, participate, FirstEnergy shall, and shall cause each of its Subsidiaries, as applicable, to:

(A) permit such employees to participate in any similar FirstEnergy Controlled Group Plan established by FirstEnergy in a manner substantially similar to similarly situated employees of FirstEnergy and its Subsidiaries, recognizing that the availability, providers or benefit levels of such FirstEnergy Controlled Group Plan may reflect differing circumstances;

(B) grant all such employees credit for all service with GPU prior to the Effective Time with respect to the applicable FirstEnergy Controlled Group Plan;

(C) waive any pre-existing condition exclusions and actively-at-work requirements with respect to the applicable FirstEnergy Controlled Group Plan; and

(D) provide that any expenses incurred on or before the Effective Time by any such employee or any such employee's covered dependent shall be taken into account for purposes of satisfying applicable deductible, coinsurance and maximum out-of-pocket provisions with respect to the applicable FirstEnergy Controlled Group Plan.

(ii) FirstEnergy shall, and shall cause each of its subsidiaries to:

(A) allow, after the Effective Time such employees to use the remaining amount of accrued but unused vacation and sick leave such employees were entitled immediately prior to the Effective Time;

(B) allow such employees to participate, as soon as practical, in all job placement, job posting, job training, career development and educational programs of FirstEnergy and its Subsidiaries; and

(C) consider such employees for positions at FirstEnergy and its Subsidiaries resulting from the Merger using criteria including previous work history, job experience and qualifications.

(e) Other. Without limiting the generality of the foregoing, FirstEnergy agrees to the matters set forth in Section 7.09(e) of the FirstEnergy Disclosure Schedule.

Section 7.10 Expenses. Except as set forth in Section 9.05, whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expense, and, in connection therewith, each of FirstEnergy and GPU shall pay, with its own funds and not with funds provided by the other party, any and all real property transfers or gains, sales, use, transfer, stock transfer or stamp Taxes, any transfer, recording, registration or other fees, or any similar conveyance Taxes imposed on such party resulting from the Merger, except that

(a) expenses incurred in connection with printing and mailing the Joint Proxy Statement and the Registration Statement shall be shared equally by FirstEnergy and GPU,

(b) all out-of-pocket costs of the parties (including attorneys' fees) incurred to obtain the FERC Approvals, the FCC Approvals, the SEC '35 Act Order, the NRC Approvals (including, without limitation, all such costs incurred for all filings and proceedings relating thereto), the Local Approvals and the Foreign Approvals shall be shared equally by FirstEnergy and GPU, and

(c) all other out-of-pocket expenses of a joint nature incurred in connection with the transactions contemplated by this Agreement shall be shared equally by FirstEnergy and GPU.

Section 7.11 Brokers or Finders. Each of FirstEnergy and GPU represents, as to itself, its Subsidiaries and its affiliates, that no agent, broker, investment banker, financial advisor or other firm or person is or will be entitled to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated by this Agreement, except for the GPU Advisor, whose fees and expenses will be paid by GPU in accordance with GPU's agreement with such firm (copies of which have been delivered by GPU to FirstEnergy prior to the date of this Agreement), and except for the FirstEnergy Advisor, whose fees and expenses will be paid by FirstEnergy in accordance with FirstEnergy's agreement with such firm (copies of which have been delivered by FirstEnergy to GPU prior to the date of this Agreement), and each of FirstEnergy and GPU agree to indemnify and hold the other harmless from and against any and all claims, liabilities or obligations with respect to any other fees, commissions or expenses asserted by any person on the basis of any act or statement alleged to have been made by such party or its affiliate.

Section 7.12 Surviving Corporation Board of Directors and Officers. (a) FirstEnergy's Board of Directors shall take such actions as may be necessary to cause (x) the number of Directors comprising the full Board of Directors of the Surviving Corporation's at the Effective Time to be 16 and (y) at the Effective Time, 10 members of the Board of Directors of the Surviving Corporation to be persons designated prior to the Effective Time by FirstEnergy's Board of Directors and 6 members of the Board of Directors of the Surviving Corporation to be persons designated prior to the Effective Time by GPU's Board of Directors ("GPU Designees"). At the Effective Time, the GPU Designees shall be allocated among the classes of the Surviving Corporation's Board of Directors as designated by GPU's Board of Directors prior to the Effective Time so long as the GPU Designees are allocated among those classes in a manner that is as nearly equal as possible.

(b) If, at any time during the two year period following the Effective Time, there are fewer than 6 GPU Directors, the vacancy or vacancies, as applicable, shall be tilled as promptly as practicable by the appointment by the Surviving Corporation's Board of Directors of a person or persons recommended by not less than 80% of the remaining members of the Surviving Corporation's Board of Directors. At all times during such two year period, the chairman of at least one of the standing committees of the Surviving Corporation's Board of Directors shall be a GPU Director. The term "GPU Director" means (i) any GPU Designee who becomes a Director of the Surviving Corporation at the Effective Time and (ii) any person who subsequently becomes a Director of the Surviving Corporation pursuant to this paragraph.

(c) From the Effective Time until the earlier of the date he reaches the age of 62 or the date he is no longer willing or able to serve in such capacity, Mr. Hafer shall serve as Chairman of the Surviving Corporation and from such date until otherwise determined by the Surviving Corporation's Board of Directors, Mr. Burg shall serve as Chairman of the Surviving Corporation.

(d) From the Effective Time until otherwise determined by the Surviving Corporation's Board of Directors, Mr. Burg shall serve as Chief Executive Officer and, until the date referred to in (c) above, Vice Chairman of the Surviving Corporation.

(e) All other officers of the Surviving Corporation will be designated by the Surviving Corporation's Board of Directors.

Section 7.13 Indemnification; Directors' and Officers' Insurance. (a) GPU and, from and after the Effective Time, the Surviving Corporation (each of GPU and the Surviving Corporation, as the case may be, is referred to herein as a "GPU Indemnifying Party") shall indemnify, defend, and hold harmless each person who is now, or has been at any time prior to the date of this Agreement or who becomes prior to the Effective Time, an officer, director, or employee of GPU or any of its Subsidiaries (the "GPU Indemnified Parties") against

(i) all losses, claims, damages, costs, expenses, liabilities or judgments or amounts that are paid in settlement with the approval of the GPU Indemnifying Party (which approval shall not be unreasonably withheld) of or in connection with any claim, action, suit, proceeding or investigation based in whole or in part on or arising in whole or in part out of the fact that such person is or was a director, officer or employee of GPT or any of its Subsidiaries, whether pertaining to any matter existing or occurring at or prior to the Effective Time and whether asserted or claimed prior to, or at or after, the Effective Time (the "GPU Indemnified Liabilities"), and

(ii) all GPU Indemnified Liabilities based in whole or in part on, or arising in whole or in part out of, or pertaining to this Agreement or the transactions contemplated hereby, in each case to the full extent permitted by applicable law (and the applicable GPU Indemnifying Party will pay expenses as incurred in advance of the final disposition of any such action or proceeding to each GPU Indemnified Party to the full extent permitted by applicable law).

(b) (i) Without limiting the foregoing, in the event any such claim, action, suit, proceeding, or investigation is brought against any GPU Indemnified Party (whether arising before or after the Effective Time),

(A) the GPU Indemnified Parties may retain counsel satisfactory to them and approved by the GPU Indemnifying Party, which approval shall not be unreasonably withheld,

(B) the GPU Indemnifying Party shall pay all reasonable fees and expenses of such counsel for the GPU Indemnified Parties promptly as statements therefor are received, and

(C) the GPU Indemnifying Party will use all reasonable efforts to assist in the vigorous defense of any such matter.

(ii) However, no GPU Indemnifying Party shall be liable for any settlement of any claim effected without its written consent, which consent shall not be unreasonably withheld.

(iii) Any GPU Indemnified Party wishing to claim indemnification under this Section 7.13, upon learning of any such claim, action, suit, proceeding, or investigation, shall notify the applicable GPU Indemnifying Party (but the failure so to notify a GPU Indemnifying Party shall not relieve it from any liability which it may have under this Section 7.13 except to the extent such failure prejudices such party).

(iv) The GPU Indemnified Parties as a group may retain only one law firm to represent them with respect to each such matter unless there is, under applicable standards of professional conduct, a conflict on any significant issue between the positions of any two or more GPU Indemnified Parties.

(c) For a period of six years after the Effective Time, the Surviving Corporation shall cause to be maintained in effect the current policies of directors' and officers liability insurance maintained by GPU (provided that the Surviving Corporation may substitute therefor policies of at least the same coverage and amounts and otherwise containing terms and conditions which, in the aggregate, are no less advantageous than the current policies maintained by GPU with respect to its directors and officers) with respect to claims arising from facts or events which occurred before the Effective Time; provided, however, that in no event shall the Surviving Corporation be required to expend, in order to maintain or procure insurance coverage pursuant to this Section 7.13(c), any amount per annum in excess of 200% of the aggregate premiums paid by GPU in 2000 on an annualized basis for such purpose. For a period of six years after the Effective Time, the Regulations of the Surviving Corporation (or similar constitutional documents of any successor entity) shall contain provisions not less favorable than are set forth in Sections 31-33 of FirstEnergy's Regulations as in effect as of the date of this Agreement.

(d) FirstEnergy and, from and after the Effective Time, the Surviving Corporation. (each of FirstEnergy and the Surviving Corporation, as the case may be, is referred to herein as an "FirstEnergy Indemnifying Party") shall indemnify, defend, and hold harmless each person who is now, or has been at any time prior to the date of this Agreement or who becomes prior to the Effective Time, an officer, director, or employee of FirstEnergy or any of its Subsidiaries (the "FirstEnergy Indemnified Parties") against

(i) all losses, claims, damages, costs, expenses, liabilities or judgments or amounts that are paid in settlement with the approval of the FirstEnergy Indemnifying Party (which approval shall not be unreasonably withheld) of or in connection with any claim, action, suit, proceeding or investigation based in whole or in part on or arising in whole or in part out of the fact that such person is or was a director, officer or employee of FirstEnergy or any of its Subsidiaries, whether pertaining to any matter existing or occurring at or prior to the Effective Time and whether asserted or claimed prior to, or at or after, the Effective Time (the "FirstEnergy Indemnified Liabilities"), and

(ii) all FirstEnergy Indemnified Liabilities based in whole or in part on, or arising in whole or in part out of, or pertaining to this Agreement or the transactions contemplated hereby, in each case to the full extent permitted by applicable law (and the applicable FirstEnergy Indemnifying Party will pay expenses as incurred in advance of

the final disposition of any such action or proceeding to each FirstEnergy Indemnified Party to the full extent permitted by applicable law).

(e) (i) Without limiting the foregoing, in the event any such claim, action, suit, proceeding, or investigation is brought against any FirstEnergy Indemnified Party (whether arising before or after the Effective Time),

(A) the FirstEnergy Indemnified Parties may retain counsel satisfactory to them and approved by the FirstEnergy Indemnifying Party, which approval shall not be unreasonably withheld,

(B) the FirstEnergy Indemnifying Party shall pay all reasonable fees and expenses of such counsel for the FirstEnergy Indemnified Parties promptly as statements therefor are received, and

(C) the FirstEnergy Indemnifying Party will use all reasonable efforts to assist in the vigorous defense of any such matter.

(ii) However, no FirstEnergy Indemnifying Party shall be liable for any settlement of any claim effected without its written consent, which consent shall not be unreasonably withheld.

(iii) Any FirstEnergy Indemnified Party wishing to claim indemnification under this Section 7.13, upon learning of any such claim, action, suit, proceeding, or investigation, shall notify the applicable FirstEnergy Indemnifying Party (but the failure so to notify a FirstEnergy Indemnifying Party shall not relieve it from any liability which it may have under this Section 7.13 except to the extent such failure prejudices such party).

(iv) The FirstEnergy Indemnified Parties as a group may retain only one law firm to represent them with respect to each such matter unless there is, under applicable standards of professional conduct, a conflict on any significant issue between the positions of any two or more FirstEnergy Indemnified Parties.

(f) For a period of six years after the Effective Time, the Surviving Corporation shall cause to be maintained in effect the current policies of directors' and officers' liability insurance maintained by FirstEnergy (provided that the Surviving Corporation may substitute therefor policies of at least the same coverage and amounts and otherwise containing terms and conditions which, in the aggregate, are no less advantageous than the current policies maintained by FirstEnergy with respect to its directors and officers) with respect to claims arising from facts or events which occurred before the Effective Time; provided, however, that in no event shall the Surviving Corporation be required to expend, in order to maintain or procure insurance coverage pursuant to this Section 7.13(f), any amount per annum in excess of 200% of the aggregate premiums paid by FirstEnergy in 2000 on an annualized basis for such purpose.

(g) The provisions of this Section 7.13 are intended to be for the sole benefit of, and shall be enforceable by, each Indemnified Party and his or her heirs and representatives.

Section 7.14 Further Assurances. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement or to vest the Surviving Corporation or its Subsidiaries with full title to all properties, assets, rights, approvals, immunities and franchises of FirstEnergy and GPU, the proper officers and directors of FirstEnergy and GPU shall take all such necessary action.

Section 7.15 Tax Treatment. FirstEnergy and GPU each agree to treat the Merger as a "reorganization" within the meaning of Section 368(a) of the Code, and each party hereto shall use all reasonable efforts to achieve such result. Following the Effective Time, FirstEnergy shall not, nor shall FirstEnergy permit any of its Subsidiaries to, take any actions which would, or would be reasonably likely to, adversely affect the status of the treatment of the Merger as a "reorganization" within the meaning of Section 368(a) of the Code.

Section 7.16 Accounting Treatment. FirstEnergy and GPU each agree to, and to cause the Surviving Corporation to, account for the Merger on a purchase accounting basis in accordance with GAAP and applicable SEC regulations.

Section 7.17 Disclosure Schedules. (a) On the date hereof,

(i) GPU has delivered to FirstEnergy a GPU Disclosure Schedule, accompanied by a certificate signed by the chief financial officer of GPU stating the GPU Disclosure Schedule is being delivered pursuant to this Section 7.17(a), and

(ii) FirstEnergy has delivered to GPU a FirstEnergy Disclosure Schedule, accompanied by a certificate signed by the chief financial officer of FirstEnergy stating the FirstEnergy Disclosure Schedule is being delivered pursuant to this Section 7.17(a).

(b) The GPU Disclosure Schedule and the FirstEnergy Disclosure Schedule are collectively referred to herein as the "Disclosure Schedules"

(c) (i) The Disclosure Schedules constitute an integral part of this Agreement and modify the respective representations, warranties, covenants or agreements of the parties hereto contained herein.

(ii) Anything to the contrary contained herein or in the Disclosure Schedules notwithstanding, any and all statements, representations, warranties or disclosures set forth in the Disclosure Schedules shall be deemed to have been made on and as of the date hereof.

Disclosure of any matters in one part of the GPU Disclosure Schedule or the FirstEnergy Disclosure Schedule, in any Section thereof or in this Agreement shall be deemed to be a disclosure of such matters in response to any other provision of this Agreement (including any other part of the GPU Disclosure Schedule or FirstEnergy Disclosure Schedule, as the case may be) to which such matter may be applicable.

Section 7.18 Public Announcements. Subject to each party's disclosure obligations imposed by law and applicable stock exchange rules, FirstEnergy and GPU will cooperate with each other in the development and distribution of all news releases and other public information

disclosures with respect to this Agreement or any of the transactions contemplated hereby and shall not issue any public announcement or statement with respect thereto without the consent of the other party, which consent shall not be unreasonably withheld.

Section 7.19 Employee Agreements. FirstEnergy and GPU shall cause the Surviving Corporation and its Subsidiaries, following the Effective Time, to honor, without modification, all contracts, agreements, collective bargaining agreements and commitments of the parties prior to or at the date hereof or made herein or permitted to be entered into prior to the Effective Time pursuant to this Agreement which apply to any current or former employee or current or former director of the parties hereto; provided, however, that this undertaking is not intended to prevent the Surviving Corporation or its Subsidiaries from enforcing such contracts, agreements, collective bargaining agreements and commitments in accordance with their terms, including, without limitation, any reserved right to amend, modify, suspend, revoke or terminate any such contract, agreement, collective bargaining agreement or commitment.

Section 7.20 Transition Management. (a) As promptly as practicable after the date hereof, GPU and FirstEnergy shall create a special transition management task force (the "Task Force") headed by Mr. Burg (or an individual designated by him or by the Board of Directors of FirstEnergy). Members of the Task Force shall consist of representatives of FirstEnergy and GPU as designated by Mr. Burg in consultation with Mr. Hafer.

(b) The functions of the Task Force shall include

(i) to serve as a conduit for the flow of information and documents between the companies and their subsidiaries as contemplated by Sections 5.10 and 6.08,

(ii) development of regulatory plans and proposals, corporate organizational and management plans, workforce combination proposals, and such other matters as they deem appropriate, and

(iii) to evaluate and recommend the manner in which best to organize and manage the business of the Surviving Corporation after the Effective Time; provided that the Task Force shall not be responsible for controlling the operations of the businesses of FirstEnergy, GPU or any of their respective Subsidiaries.

(c) Mr. Burg or his designee, shall be responsible for directing all activities of the Task Force contemplated by this Section 7.20.

(d) Effective from the date hereof to the earlier of the Effective Time or the termination of this Agreement pursuant to Section 9.01 hereof, the Chairman of the Board of Directors of FirstEnergy may request of the Chairman of the Board of Directors of GPU to attend any meeting of the Board of Directors of GPU and the Chairman of the Board of Directors of GPU may request of the Chairman of the Board of Directors of FirstEnergy to attend any meeting of the Board of Directors of FirstEnergy. Each company whose Chairman receives any such request shall consider the request and, if the company to whose Chairman the request was made determines in its sole discretion to do so, that company may accommodate the request of the other party's Chairman.

Section 7.21 Charitable Commitments; Offices; Name. The Surviving Corporation will maintain GPU's charitable commitments substantially at current levels in the communities which JCP&L, MetEd and Penelec currently serve for a minimum of three years after the Effective Time. The parties intend that after this three year period, the Surviving Corporation will make charitable commitments in such communities in a manner substantially similar to what FirstEnergy's Subsidiaries do in the communities they currently serve. After the Effective Time, subject to the authority of the Surviving Corporation's Board of Directors to manage the affairs of the Surviving Corporation, GPU's offices and presence will be maintained in their current general locations in Morristown, New Jersey and Reading, Pennsylvania, and the headquarters of the Surviving Corporation will be located in Akron, Ohio. The Surviving Corporation will maintain the use of the "GPU Energy" name until otherwise determined by the Surviving Corporation; provided that such name will also reflect the affiliation with FirstEnergy.

ARTICLE VIII

CONDITIONS PRECEDENT

Section 8.01 Conditions to Each Party's Obligation To Effect the Merger. The respective obligation of each party to effect the Merger shall be subject to the satisfaction prior to the Closing Date of each of the following conditions:

(a) Shareholder Approvals. This Agreement shall have been adopted by the shareholders of GPU in accordance with the Pennsylvania BCL and by the shareholders of FirstEnergy in accordance with the Ohio GCL.

(b) Listing. The shares of FirstEnergy Common Stock issuable to holders of GPU Common Stock pursuant to this Agreement and such other shares required to be reserved for issuance in connection with the Merger shall have been authorized for listing on the NYSE upon official notice of issuance.

(c) Regulatory Approvals. (i) Other than the filings provided for by Section 1.03, all authorizations, consents, orders or approvals of, or declarations or filings with, or expirations of all applicable waiting periods (including but not limited to the waiting period under the HSR Act), including extensions thereof, imposed by, any Governmental Entity or required under any applicable law, statute, regulations or rule (including but not limited to the FERC Approvals, the NRC Approvals, the FCC Approvals, the SEC '35 Act Order, the Local Approvals, the State Takeover Approvals and the Foreign Approvals) shall have been made or obtained and have become Final Orders (as hereinafter defined) and, with respect to any waiting period, including any extension thereof, such waiting period shall have expired or terminated, except to the extent that failures (x) to make or obtain these authorizations, consents, orders, approvals, declarations, and filings, including Final Orders, and (y) of any applicable waiting period, or extension thereof, to expire or be terminated would not, in the aggregate, be reasonably expected to result in a Surviving Corporation Material Adverse Effect, and the foregoing authorizations, consents, orders, approvals, declarations and filings, including Final Orders, shall not impose terms or conditions on FirstEnergy, GPU or any of its Subsidiaries that would be reasonably expected to result in a Surviving Corporation

Material Adverse Effect. For purposes of this Section 8.01(c), any requirement in a Final Order that generation assets of any of FirstEnergy's Subsidiaries which are, in the sole judgement of FirstEnergy, made on a reasonable basis, material to the business or operations of FirstEnergy or any of its Subsidiaries, be divested shall be deemed to be a Surviving Corporation Material Adverse Effect. A "Final Order" means action by the relevant regulatory authority which has not been reversed, stayed, enjoined, set aside, annulled or suspended, with respect to which any waiting period prescribed by law before the transactions contemplated hereby may be consummated has expired, and as to which all conditions to the consummation of such transactions prescribed by law, regulation or order have been satisfied.

(ii) FirstEnergy shall have received all permits and other authorizations necessary under the Blue-Sky Laws to issue the FirstEnergy Common Stock in exchange for the GPU Common Stock and to consummate the Merger, except to the extent that the failure, in the aggregate, to receive such permits or other authorizations would not be reasonably expected to result in a Surviving Corporation Material Adverse Effect.

(d) Registration Statement Effective. The Registration Statement shall have become effective under the Securities Act and shall not be the subject of any stop order, or proceedings seeking a stop order, under
Section 8 of the Securities Act.

(e) Injunctions or Restraints. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition (an "Injunction") preventing the consummation of the Merger shall be in effect.

(f) Agreements from Rule 145 Affiliates. The Surviving Corporation shall have received from each person named in the letters from GPU and FirstEnergy referred to in Section 7.07, an executed copy of an agreement substantially in the form of Exhibit B hereto.

Section 8.02 Conditions to Obligations of FirstEnergy. The obligation of FirstEnergy to effect the Merger is subject to the satisfaction of each of the following conditions unless waived by FirstEnergy:

(a) Representations and Warranties. Except as otherwise contemplated by this Agreement, the representations and warranties of GPU set forth in this Agreement shall be true and correct as of the date of this Agreement (except to the extent such representations and warranties speak as of an earlier date) and as of the Closing Date as though made on and as of the Closing Date except to the extent that all failures of GPU's representations and warranties to be true and correct, taken together, would not, as of the Closing Date, reasonably be expected to have a GPU Material Adverse Effect (it being understood that, for purposes of this paragraph (a), all "GPU Material Adverse Effect" and other materiality qualifications in GPU's representations and warranties shall be disregarded), and FirstEnergy shall have received a certificate signed on behalf of GPU by its chief executive officer and chief financial officer to such effect.

(b) Performance of Obligations of GPU. GPU shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior

to the Closing Date, and FirstEnergy shall have received a certificate signed on behalf of GPU by its chief executive officer to such effect.

(c) Tax Opinion. FirstEnergy shall have received an opinion, dated the Closing Date, from Winthrop, Stimson, Putnam & Roberts, counsel to FirstEnergy (or, if Winthrop, Stimson, Putnam & Roberts refuses to issue this opinion, from other counsel reasonably satisfactory to FirstEnergy), to the effect that the Merger will be treated for Federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. In rendering such opinion, Winthrop, Stimson, Putnam & Roberts (or such other counsel) shall be entitled to receive and rely upon customary representations contained in certificates of FirstEnergy and GPU, and such other persons as such counsel reasonably deems necessary or appropriate, in each case in form and substance reasonably acceptable to such counsel.

(d) Rights Agreement. Under the GPU Rights Agreement, no "Stock Acquisition Date," as defined therein, shall have occurred with respect to the GPU Rights Agreement that would increase the number of shares of FirstEnergy Common Stock to be issued under the Merger.

(e) Regulatory Material Adverse Effect. Since the date of this Agreement, no law, regulation, ruling, order or decree (or new interpretation of any of the foregoing) affecting GPU or any of its Subsidiaries shall have been adopted, amended or issued that, individually or in the aggregate, would have a Surviving Corporation Material Adverse Effect.

(f) Material Adverse Effect. Since June 30, 2000, there shall not have been any event which constitutes a GPU Material Adverse Effect.

Section 8.03 Conditions to Obligations of GPU. The obligation of GPU to effect the Merger is subject to the satisfaction of each of the following conditions unless waived by GPU:

(a) Representations and Warranties. Except as otherwise contemplated by this Agreement, the representations and warranties of FirstEnergy set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement (except to the extent such representations and warranties speak as of an earlier date) and as of the Closing Date as though made on and as of the Closing Date, except to the extent that all failures of FirstEnergy's representations and warranties to be true and correct taken together, would not, as of the Closing Date, reasonably be expected to have a FirstEnergy Material Adverse Effect (it being understood that, for purposes of this paragraph (a), all "FirstEnergy Material Adverse Effect" and other materiality qualifications in FirstEnergy's representations and warranties shall be disregarded) and GPU shall have received a certificate signed on behalf of FirstEnergy by its chief executive officer and chief financial officer to such effect.

(b) Performance of Obligations of FirstEnergy. FirstEnergy shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and GPU shall have received a certificate signed on behalf of FirstEnergy by its chief executive officer to such effect.

(c) Tax Opinion. GPU shall have received an opinion, dated the Closing Date, from Fried, Frank, Harris, Shriver & Jacobson, counsel to GPU (or, if Fried, Frank, Harris,

Shriver & Jacobson refuses to issue this opinion, from other counsel reasonably satisfactory to GPU), to the effect that the Merger will be treated for Federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. In rendering such opinion, Fried, Frank, Harris, Shriver & Jacobson (or such other counsel) shall be entitled to receive and rely upon customary representations contained in certificates of FirstEnergy and GPU, and such other persons as such counsel reasonably deems necessary or appropriate, in each case in form and substance reasonably acceptable to such counsel.

(d) Rights Agreement. Under the FirstEnergy Rights Agreement, no "flip-in" or "flip-over" or similar event commonly described in rights plans, or a "Triggering Event" as defined therein, shall have occurred with respect to the FirstEnergy Rights Agreement.

(e) Regulatory Material Adverse Effect. Since the date of this Agreement, no law, regulation, ruling, order or decree (or new interpretation of any of the foregoing) affecting FirstEnergy or any of its Subsidiaries shall have been adopted, amended or issued that would have a Surviving Corporation Material Adverse Effect.

(f) Material Adverse Effect. Since March 31, 2000, there shall not have been any event which constitutes a FirstEnergy Material Adverse Effect.

ARTICLE IX

TERMINATION AND AMENDMENT

Section 9.01 Termination. At any time prior to the Effective Time, whether before or after the adoption of this Agreement by the holders of FirstEnergy Common Stock or by the holders of GPU Common Stock, this Agreement may be terminated:

(a) by mutual written consent of FirstEnergy and GPU;

(b) by either FirstEnergy or GPU

(i) if there has been a material breach of any representation, warranty, covenant or agreement on the part of the other party set forth in this Agreement which breach has not been cured within twenty (20) business days following receipt by the breaching party of notice of such breach or adequate assurance of such cure shall not have been given by or on behalf of the breaching party within such twenty (20) business day period and as a result of such breach a condition set forth in Sections 8.02(a) or (b) (with respect to a breach by GPU) or Sections 8.03(a) or (b) (with respect to a breach by FirstEnergy) shall not be satisfied prior to or as of the End Date (as defined in (d) below), or

(ii) if any permanent Injunction or other order of a court or other competent authority preventing the consummation of the Merger shall have become final and nonappealable, or any state or Federal law, rule or regulation is adopted or issued, which has the effect of prohibiting the Merger;

(c) by GPU, upon two days' prior notice to FirstEnergy, if, as a result of a GPU Takeover Proposal, the Board of Directors of GPU determines in good faith after consultation with outside counsel that the termination of this Agreement and the acceptance of such GPU Takeover Proposal is required pursuant to its fiduciary duties under applicable law; provided, however, that during the two-day period prior to any such termination, if requested by FirstEnergy, GPU shall, and shall cause its respective financial and legal advisors to, negotiate in good faith with FirstEnergy regarding any adjustments in the terms and conditions of this Agreement proposed by FirstEnergy that would enable GPU to proceed with the transactions contemplated herein;

(d) by either FirstEnergy or GPU if the Merger shall not have been consummated before September 30, 2001 (the "End Date"); provided, however, that if on the End Date the conditions to the Closing set forth in Section 8.01
(c) shall not have been fulfilled but all other conditions to the Closing shall be fulfilled or shall be capable of being fulfilled, then either party shall have the right to extend the End Date to December 31, 2001 and GPU shall have the further right to extend the End Date to any date up to March 31, 2002 (the End Date, if and as extended, the "Extended End Date"); provided, however, that the right to terminate the Agreement under this Section 9.01(d) shall not be available to any party whose action, or failure TO Fulfill any obligation under this Agreement, has been the cause of, or resulted in, the failure of the Effective Time to occur on or before September 30, 2001; provided, further that in the event that (x) after the date hereof FirstEnergy or any of its Subsidiaries enters into any acquisition transaction (or any agreement with respect thereto), (y) the Effective Time does not occur on or prior to December 31, 2001 and (z) the acquisition transaction (or agreement) referred to in clause (x) is a material factor in delaying the Effective Time beyond December 31, 2001, then (i) each of the references in Section 8.02(a) to "the Closing Date" shall be deemed to be a reference to "December 31, 2001", (ii) the phrase "Since the date of this Agreement" in Section 8.02(e) shall be replaced with: "Between the date of this Agreement and December 31, 2001", and (iii) the phrase "Since June 30, 2000" in Section 8.02(f) shall be replaced with: "Between June 30, 2000 and December 31, 2001 ", or

(e) by either FirstEnergy or GPU if the required approval of the holders of FirstEnergy Common Stock or the holders of GPU Common Stock shall not have been obtained by reason of the failure to obtain the required approval upon a vote taken at a duly held meeting of shareholders or at any adjournment thereof.

Section 9.02 Effect of Termination. In the event of termination of this Agreement by either GPU or FirstEnergy as provided in Section 9.01, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of FirstEnergy or GPU or their respective officers or directors, except

(i) with respect to Sections 7.04(b), 7.10, 7.11, 7.13 and 9.05, and

(ii) to the extent that such termination results from the willful breach by, a party hereto of any of its representations, warranties, covenants or agreements set forth in this Agreement.

Section 9.03 Amendment. This Agreement may be amended by the parties hereto, by action taken or authorized by their respective Boards of Directors, at any time before or after adoption of this Agreement by the holders of FirstEnergy Common Stock or the holders of GPU Common Stock but, after this Agreement is so adopted, no amendment shall be made which by law or applicable rule of the NYSE requires further approval by such shareholders, unless the amendment is made subject to obtaining such further approval.

Section 9.04 Extension; Waiver. (a) At any time prior to the Effective Time, the parties hereto, by action duly taken, may, to the extent legally allowed,

(i) extend the time for the performance of any of the obligations or other acts of the other parties hereto,

(ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, and

(iii) waive compliance with any of the agreements or conditions contained herein.

(b) Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party.

Section 9.05 Termination Fee; Expenses. (a) Termination Fee Upon Breach. If this agreement is terminated at such time that this Agreement is terminable pursuant to Section 9.01(b)(i) (other than solely pursuant to a non-curable breach of a representation or warranty unless such breach was willful) by one of the parties but not the other, then, if requested in writing by the non-breaching party, the breaching party shall promptly (but not later than five business days after receipt of notice from the non-breaching party) pay, in addition to its own expenses, to the non-breaching party in cash an amount equal to $25,000,000, plus cash in an amount equal to all documented out-of-pocket expenses and fees incurred by the non-breaching party (including, without limitation, fees and expenses payable to all legal, accounting, financial, public relations and other professional advisors) arising out of, in connection with or related to the Merger or the transactions contemplated by this Agreement.

(b) Additional Termination Fee. (i) If

(A) this Agreement

(I) is terminated by GPU pursuant to Section 9.01(c), or

(II) is terminated by FirstEnergy as a result of GPU's material breach of Section 5.05, and

(B) at the time of such termination or prior to the meeting of GPU's shareholders there shall have been a GPU Takeover Proposal which at the time of such termination or of the meeting of GPU's shareholders shall not have been

(I) rejected by GPU and its board of directors, and

(II) withdrawn by the third-party offeror, and

(C) within two and one-half years of any such termination described in clause (A) above, GPU or its Significant Subsidiary which is the subject of the GPU Takeover Proposal (the "Target Party") becomes a subsidiary of such third-party offeror or a subsidiary of an affiliate of such third-party offeror or accepts a written offer to consummate or consummates a Business Combination with such third-party offeror or affiliate thereof,

then such third-party offeror, together with its affiliates, on the one hand, will, at the closing (and as a condition to the closing) of such Target Party so becoming a subsidiary or of such Business Combination, pay to FirstEnergy a termination fee equal to $145,000,000 in cash, plus cash in an amount equal to all documented out-of-pocket expenses and fees incurred by such other party (including, without limitation, fees and expenses payable to all legal, accounting, financial, public relations and other professional advisors) arising out of, in connection with or related to the Merger or the transactions contemplated by this Agreement.

(ii) For purposes of this Agreement, a "Business Combination" shall mean any merger, sale or other business combination, in each case involving at least 30% of GPU'S assets on a consolidated basis.

(c) Rights; Expenses. (i) The existence of the rights to receive payment pursuant to this Section 9.05 shall not constitute an election of remedies or in any way limit or impair a party's right to pursue any other remedy against the other party to which it may be entitled under this Agreement, at law or in equity, or otherwise; provided, however, the successful exercise of the rights under this Section 9.05 shall constitute an election of remedies and shall preclude that party from any other remedy against the other party to which it may otherwise be entitled under this Agreement, at law or in equity or otherwise.

(ii) The parties agree that the agreements contained in this
Section 9.05 are an integral part of the transactions contemplated by the Agreement, that the damages that would be suffered by a party upon breach of this Agreement by the other party are inherently insusceptible of calculation, and that the agreements contained in this Section 9.05 therefore constitute liquidated damages and not a penalty.

(iii) If one party fails to pay promptly to the other any fee due hereunder, the defaulting party shall pay the costs and expenses (including legal fees and expenses) in connection with any action, including the filing of any lawsuit or other legal action, taken to collect payment, together with interest on the amount of any unpaid fee at the publicly announced prime or base rate of Citibank, N.A., from the date such fee was required to be paid.

ARTICLE X

GENERAL PROVISIONS

Section 10.01 Nonsurvival of Representations and Warranties. None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time.

Section 10.02 Further Assurances. Each party will execute and deliver all such further documents and instruments and take all such further action as may be necessary in order to consummate the transactions contemplated hereby.

Section 10.03 Notices. Any notice or communication required or permitted hereunder, including any request by either party to the other for modification of the covenants relating to the conduct of business contained in Article V or Article VI, shall be in writing and either delivered personally or telecopied (with confirmation of receipt) or sent by certified or registered mail, postage prepaid, and shall be deemed to be given, dated and received when so delivered personally or telecopied (with confirmation of receipt) or, if mailed, five business days after the date of mailing to the following address or telecopy number, or to such other address or addresses as such person may subsequently designate by notice given hereunder.

(a) if to FirstEnergy, to

FirstEnergy Corp.

76 South Main Street
Akron, Ohio 44308

Telecopy: (330) 761-4104
Telephone: (330) 384-5800

Attention: Leila L. Vespoli, Esq.
Vice President and General Counsel

with a copy to

Winthrop, Stimson, Putnam & Roberts
One Battery Park Plaza
New York, NY 10004

Telecopy: (212) 858-1500
Telephone: (212) 858-1000

Attention: Michael F. Cusick, Esq.

(b) if to GPU, to

GPU, Inc.
310 Madison Avenue P.O. Box 1957
Morristown, New Jersey 07962-1957

Telecopy: (973) 401-8777 Telephone: (973) 455-8200

Attention: Ira H. Jolles, Esq.

Senior Vice President and General Counsel

with a copy to

Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, NY 10004

Telecopy: (212) 859-4000
Telephone: (212) 859-8000

Attention: Paul M. Reinstein, Esq.

Section 10.04 Interpretation. (a) When a reference is made in this Agreement to Sections, such reference shall be to a Section of this Agreement unless otherwise indicated.

(b) Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation".

(c) The phrase "made available" in this Agreement shall mean that the information referred to has been made available if requested by the party to whom such information is to be made available or, with respect to GPU SEC Documents or FirstEnergy SEC Documents, available on the SEC's Electronic Data Gathering Analysis, and Retrieval System (EDGAR).

(d) Whenever the phrase "to the knowledge of the executive officers" or any party, or any similar phrase is used in this Agreement, such phrase shall mean to the actual knowledge of those officers of that party that are subject to the provisions of Section 16 of the Exchange Act, after inquiry reasonable under the circumstances.

Section 10.05 Descriptive Headings. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 10.06 Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become

effective when two or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

Section 10.07 Entire Agreement. This Agreement (including the documents and the instruments referred to herein) and the Confidentiality Agreement constitute the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

Section 10.08 No Third Party Beneficiaries. Except as provided in
Section 7.13 (which covenants shall be enforceable by the persons affected thereby following the Effective Time), this Agreement (including the Disclosure Schedules, documents and the instruments referred to herein) is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

Section 10.09 Governing Law. This Agreement shall be governed and construed in accordance with the internal substantive laws of the Commonwealth of Pennsylvania without regard to any applicable conflicts of law, except that with respect to any provision of this Agreement subject to the Ohio GCL, the provision shall be governed and construed in accordance with the Ohio GCL.

Section 10.10 Severability. (a) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect.

(b) In the event any court or other competent authority holds any provision of this Agreement to be null, void or unenforceable, the parties hereto shall negotiate in good faith the execution and delivery of an amendment to this Agreement in order, as nearly as possible, to effectuate, to the extent permitted by law, the intent of the parties hereto with respect to such provision.

Section 10.11 Binding Effect. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.

Section 10.12 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties.

Section 10.13 Amendments; Waiver. This Agreement may be amended by the parties hereto and the terms and conditions hereof may be waived only by an instrument in writing signed on behalf of each of the parties hereto, or, in the case of a waiver, by an instrument signed on behalf of the party waiving compliance.

IN WITNESS WHEREOF, FirstEnergy and GPU have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first above written.

GPU, INC.	FIRSTENERGY CORP.
BY:	BY:
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Name: Fred D. Hafer	Name: H. Peter Burg
Title: Chairman, President and Chief Executive Officer	Title: Chairman and Chief Executive Officer

EXHIBIT A

[LETTERHEAD OF GPU, INC.]

[Date]

FirstEnergy Corp.
76 South Main Street
Akron, Ohio 44308

Ladies and Gentlemen:

The following persons may be deemed to be "affiliates" of GPU, Inc. subject to Rule 145 under the Securities Act of 1933 on the date the adoption of the Merger is submitted for a vote of the shareholders of GPU, Inc.:

Very truly yours,

GPU, Inc.

By:

Name:

Title:

EXHIBIT B

[Date]

Ladies and Gentlemen:

The undersigned, a holder of shares of Common Stock, par value $2.50 per share ("GPU Common Stock"), of GPU, Inc., a Pennsylvania corporation ("GPU"), may receive, in connection with the merger (the "Merger") of GPU with and into FirstEnergy Corp., an Ohio corporation ("FirstEnergy"), with FirstEnergy continuing as the surviving corporation, common stock, par value $.10 per share, of FirstEnergy (the "FirstEnergy Common Stock"). The undersigned acknowledges that the undersigned may be deemed an "affiliate" of GPU subject to Rule 145 ("Rule 145") promulgated under the Securities Act of 1933 (the "Act"), although nothing contained herein should be construed as an admission of such fact.

If in fact the undersigned is an affiliate of GPU under the Act at the time the Merger is submitted to a vote of shareholders of GPU, the undersigned's ability to sell, assign or transfer the FirstEnergy Common Stock received by it in exchange for any shares of GPU Common Stock pursuant to the Merger may be restricted unless such sale, assignment or transfer is registered under the Act or an exemption from such registration is available. The undersigned understands that such exemptions are limited and the undersigned has obtained advice of counsel as to the nature and conditions of such exemptions, including information with respect to the applicability to the sale of such securities of Rules 144 and 145(d) promulgated under the Act.

The undersigned hereby represents to and covenants with FirstEnergy that it will not sell, assign or transfer any of the FirstEnergy Common Stock received by it in exchange for shares of GPU Common Stock pursuant to the Merger except

(i) pursuant to an effective registration statement under the Act,

(ii) in a transaction in conformity with the volume and other limitations of Rule 145; or

(iii) in a transaction which, in the opinion of independent counsel reasonably satisfactory to FirstEnergy (the fees of which counsel will be paid by the undersigned) or as described in a "no-action" or interpretive letter from the Staff of the Securities and Exchange Commission is not required to be registered under the Act.

In the event of a sale or other disposition of FirstEnergy Common Stock other than pursuant to an effective registration statement under the Act, the undersigned will supply FirstEnergy with evidence of compliance with Rule 145, in the form of a letter in the form of Annex A hereto or the opinion of counsel referred to above. The undersigned understands that FirstEnergy may instruct its transfer agent to withhold the transfer of any FirstEnergy Common Stock disposed of by it, but that upon receipt of such letter or opinion the transfer agent shall effectuate the transfer of such FirstEnergy Common Stock indicated as sold in the letter or sold in accordance with that opinion.

The undersigned acknowledges and agrees that customary legends will be placed on certificates representing shares of FirstEnergy Common Stock received by the undersigned pursuant to the Merger or held by a transferee thereof (unless the shares were transferred to the transferee pursuant to an effective registration statement under the Act or in a transaction in conformity with Rule 145), which legends will be removed in connection with a transfer thereof pursuant to an effective registration statement under the Act or in a transaction made in conformity with Rule 145 or by delivery of substitute certificates upon receipt of an opinion in form and substance reasonably satisfactory to FirstEnergy from independent counsel reasonably satisfactory to FirstEnergy (the fees of which counsel will be paid by the undersigned) to the effect that such legends are no longer required for purposes of the Act.

The undersigned acknowledges that it has carefully read this letter and understands the requirements hereto and the limitations imposed upon the distribution, sale, transfer or other disposition of shares of FirstEnergy Common Stock.

Very truly yours,

[Name]

Dated:

Annex A

To Exhibit B

[Date]

FirstEnergy
[Address]

Attention:

On _____ I sold the securities (the "Securities") of FirstEnergy ("FirstEnergy") described below in the space provided for that purpose. The Securities were received by me in connection with the merger of GPU with and into FirstEnergy.

Based upon the most recent report or statement filed by FirstEnergy with the Securities and Exchange Commission, the Securities were sold by me in conformity with Rule 145 promulgated under the Securities Act of 1933 (the "Act").

Very truly yours,

[Name]

[Spaces to be provided for description of Securities]

Exhibit D2

UNITED STATES OF AMERICA 94 FERC (Paragraph) 61,291
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Curt Hebert, Jr., Chairman; William L. Massey, and Linda Breathitt.

Ohio Edison Company,
The Cleveland Electric Illuminating Company, The Toledo Edison Company,
Pennsylvania Power Company,
American Transmission Systems, Inc.
and their public utility affiliates

and Docket No. EC01-22-000

Jersey Central Power & Light Company,
Metropolitan Edison Company,
Pennsylvania Electric Company
and their public utility affiliates

ORDER AUTHORIZING MERGER

(Issued March 15, 2001)

On November 9, 2000 GPU and FirstEnergy filed an application under section 203 of the Federal Power Act (FPA) (1) seeking authorization for the merger of GPU into FirstEnergy (collectively, Applicants). Ohio Edison Company (Ohio Edison), The Cleveland Electric Illuminating Company (CEI), The Toledo Edison Company (Toledo Edison), Pennsylvania Power Company (Penn Power), American Transmission Systems, Inc. (ATSI), and their public utility affiliates are wholly-owned direct or indirect subsidiaries of FirstEnergy Corp. (collectively, FirstEnergy). Jersey Central Power & Light Company (JCP&L), Metropolitan Edison Company (MetEd), and Pennsylvania Electric Company (Penelec), and their public utility affiliates are wholly-owned direct or indirect subsidiaries of GPU, Inc. (collectively, GPU).

(1) 16 U.S.C. Section 824b (1994).

The Commission has reviewed the proposed merger under the Commission's Merger Policy Statement (2) and, as discussed below, we will authorize it as consistent with the public interest.

I. Background

A. Description of the Parties to the Merger

FirstEnergy Corp. is a diversified energy services holding company. Its traditional public utility operating companies, i.e., Ohio Edison, CEI, Toledo Edison and Penn Power, along with ATSI, comprise the nation's tenth largest investor-owned electric system, serving 2.2 million customers within 13,200 square miles of northern and central Ohio and western Pennsylvania.

FirstEnergy owns and operate 16 power plants that produce approximately 12,500 MW of power. They provide wholesale electric capacity, energy or transmission services to 37 municipal electric systems in Ohio and Pennsylvania and transmission service to 11

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(2) Inquiry Concerning the Commission's Merger Policy Under the Federal Power Act: Policy Statement, Order No. 592, 61 Fed. Reg. 68,595 (1996), FERC Statutes and Regulations (Paragraph) 31,044 (1996), reconsideration denied, Order No. 592-A, 62 Fed. Reg. 33,341 (1997), 79 FERC (Paragraph) 61,321 (1997) (Merger Policy Statement). We note that Order No. 642, 65 Fed. Reg. 70,984 (Nov. 28, 2000); III FERC Stats. & Regs. (Paragraph) 31,111 (Nov. 15, 2000), reh'g denied, [INSERT CITATION BEFORE ISSUANCE], was issued by the Commission several days after Applicants filed the instant application. Order No. 642 did not become effective until January 29, 2001; therefore we have not reviewed this application under Order No. 642.

rural electric cooperatives. FirstEnergy Corp. also indirectly owns an interest in gas transport and production facilities.

On September 1, 2000, the First Energy companies transferred ownership and operation of their high voltage transmission facilities in Ohio and Pennsylvania to ATSI. FirstEnergy Operating Companies and American Transmission Systems, Inc., 89 FERC (Paragraph) 61,090 (1999). Since September 1, 2000 ATSI has owned, operated and controlled the FirstEnergy high voltage transmission system. ATSI is a member of the Alliance regional transmission organization (RTO).

GPU is an international provider of energy-related infrastructure and services. Domestically, GPU serves 2.1 million electric customers in Pennsylvania, New Jersey and the town of Waverly, New York. It now operates primarily as a transmission and local distribution system and GPU Energy (3) retains only 285 MW of installed capacity. GPU's transmission is under the operational control of the Pennsylvania-New Jersey-Maryland Interconnection Independent System Operator (PJM/ISO).

Applicants propose that post-merger, ATSI will remain in the Alliance RTO and the GPU companies will remain in the PJM/ISO.

B. Description of Proposed Merger

The proposed merger is governed by an Agreement and Plan of Exchange and Merger (Merger Agreement) that provides that GPU, Inc. will be merged into FirstEnergy Corp. with FirstEnergy Corp. continuing as the surviving corporation. Generally, each GPU, Inc. shareholder may choose to receive cash for all of his or her GPU shares, FirstEnergy Corp. shares for all of his or her GPU Inc. shares, or cash for a portion and FirstEnergy Corp. shares for a portion of his or her shares.

II. Notice of Filing and Responsive Pleadings

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(3) GPU Energy is comprised of JCP&L, Penelec and MetEd.

Notice of Applicants' filing was published in the Federal Register, 65 Fed. Reg. 70,340 (2000), with comments, interventions, and protests due on or before January 8, 2001. The Public Utilities Commission of Ohio (Ohio Commission) filed a timely notice of intervention raising no substantive issues. The following filed timely motions to intervene raising no substantive issues:
Consumers Energy Company; PPL Electric Utilities Corporation and PPL EnergyPlus, L.L.C.; Ohio Rural Electric Cooperatives, Inc. and Buckeye Power, Inc.; the Ohio Consumers' Counsel; Midwest Independent System Operator; Norton Energy Storage, L.L.C.; PJM Interconnection L.L.C.; and Allegheny Power Service Corporation. The following filed timely motions to intervene and protests or comments: Shell Energy Services Company, L.L.C.; American Municipal Power- Ohio, Inc.; National Energy Marketers Association (NEM); Mid-Atlantic Power Supply Association (MAPSA); (4) Co-Steel, Inc. (Co-Steel); Citizen Power, Inc. and David Hughes; (5) New Jersey Division of the Ratepayer Advocate; Enron Power Marketing, Inc.; Met-Ed Industrial Users Group (MEIUG), Penelec Industrial Customer Alliance and Industrial Energy Users - Ohio; the Pennsylvania Office of Consumer Advocate; and the Citizens for Pennsylvania's Future. Calpine Eastern, a subsidiary of the Calpine Corporation, filed a motion to intervene out of time. Reliant Energy Northeast Generation, Inc. (Reliant) also filed a motion to intervene out of time and comments.

On January 23,2001, Applicants filed an answer to the timely interventions and protests.

III. Discussion

A. Procedural Issues

Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. Section 385.214 (2000), the Ohio Commission's notice of intervention makes it a party to this proceeding and the timely, unopposed motions to intervene of those entities making

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(4) MAPSA also moved to consolidate this proceeding with another proceeding involving FirstEnergy (Docket No. ER01-103-000). The Commission issued an order on that proceeding on January 24, 2001 (see 94 FERC P 61,052
(2001)). Accordingly, the motion to consolidate is moot.

(5) This intervenor also filed a motion to consolidate this proceeding with several other proceedings involving FirstEnergy (Docket Nos. EC01-52-000, ER01-845-000, ER01-103-000 and EL00-94-000. The Commission has already rejected this motion for consolidation (see 94 FERC P 61,179 and 94 FERC P 61,182 (2001)).

such motions serve to make them parties to this proceeding. We find no good cause to grant Calpine Eastern's and Reliant's untimely motions to intervene. Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. 385.213 (2000), generally prohibits answers unless otherwise permitted by the decisional authority. We find that good cause exists to allow Applicants' answer because it provides additional information that assists us in the decision-making process.

B. The Merger

1. Standard of Review

Section 203(a) of the FPA (6) provides that the Commission must approve a proposed merger if it finds that the merger "will be consistent with the public interest." Consistent with the Merger Policy Statement, the Commission will generally take account of three factors in analyzing proposed mergers: (a) the effect on competition; (b) the effect on rates; and (c) the effect on regulation.

2. Effect on Competition

Horizontal Competitive Issues

Applicants' Analysis

Applicants performed an Appendix A analysis to determine the effect of the proposed merger on the relevant energy, ancillary services and capacity markets. They identify non-firm energy and short-term capacity, further delineated into 11 time/load periods as the relevant products. They identify 12 different destination markets as the relevant geographic markets. Applicants do not evaluate the effect of the merger in one market, the Cinergy market, into which both FirstEnergy and GPU have sold energy because, they argue, it is too remote from their generation facilities.

Applicants report screen failures for economic capacity for the off-peak periods in the highly concentrated FirstEnergy and Duquesne Light Company (DQE) destination markets. However, they argue that the failures are not indicative of a competitive problem because in off-peak periods: (1) there is likely to be a large quantity of supply

(6) 16 U.S.C. Section 824b(a) (1994).

chasing relatively little demand in both these markets so that any attempt to raise prices would be defeated by other suppliers; (2) in the FirstEnergy market, most energy is supplied by nuclear units and a minimum operating level of coal-fired units which must be kept running in order to meet demand during the next day's peak (thereby making the output from such units difficult to withhold from the market); and (3) the predominant energy flow between the East Central Area Reliability Coordination Agreement (ECAR) region and PJM is west to east, indicating that prices must be lower in ECAR than PJM, so GPU would have incentive to sell its output in PJM rather than ECAR. Applicants therefore conclude that the screen failures are not indicators of merger-induced competitive harm.

In analyzing the effect of the proposed merger on ancillary service markets, Applicants argue that the relevant product market is regulation service in PJM, because it is the only market in which both applicants own generation and because regulation service is rarely provided from remote sources. Applicants estimate that the relevant market for this ancillary service is moderately concentrated and that the merger does not increase concentration beyond the thresholds set forth in the Policy Statement. Applicants therefore conclude that the proposed merger will not adversely affect competition.

Intervenor Comments and Applicants' Response

Intervenors raise a number of concerns regarding Applicants' analysis. AMP-Ohio argues that Applicants should have analyzed the potential merger's effect on the Cinergy market because FirstEnergy has made significant sales to Cinergy in the past and because the impending Alliance RTO would eliminate rate pancaking and thereby facilitate additional sales by the merged company. New Jersey Advocate argues that Applicants should have allocated transmission on an economic rather than a pro-rata basis. Applicants respond that the Commission has accepted the pro-rata method of transmission allocation in previous merger applications. E.g., CP&L Holdings, Inc., 92 FERC (Paragraph) 61,023 at 61,054 (2000).

Intervenors also object to Applicants' conclusions regarding screen failures in off- peak periods. New Jersey Advocate, Co-Steel and AMP-Ohio point out that there are significant times when energy flows are from east to west and periods where prices are actually higher in ECAR than PJM based on system lambda data in the FirstEnergy market and futures prices at the Cinergy hub. Applicants respond that Cinergy prices are

for peak (not off-peak) periods. Finally, with regard to the effect of the merger in the PJM regulation market Co-Steel argues that Applicants erroneously base their claim of no harm to competition on market share statistics and that there is no guarantee that other potential or current market participants will maintain their course of operation in offering regulation services. Co-Steel asks the Commission to require Applicants to implement specific guarantees that markets will be competitive after the merger.

New Jersey Advocate, MAPSA, Citizen, NEM and Ohio Consumers' Council raise concern's about the merger's effect on retail competition and ask the Commission to analyze the proposed merger's effect on retail competition in New Jersey, Ohio and Pennsylvania. Applicants note that none of the state commissions have protested in this merger proceeding.

Discussion

Intervenors raise a number of concerns regarding the data, analysis, and conclusions offered by Applicants. We do not find these concerns compelling. For example, while Intervenors argue that Applicants should have evaluated the effect of the merger in the Cinergy market, it is clear that while FirstEnergy has made significant sales to Cinergy, GPU has not. (7) As a result, the Cinergy market is unlikely to be affected by the horizontal aspects of the proposed merger. Moreover, although intervenors are correct that the formation of RTOs in the region may increase the ability of FirstEnergy to compete in Cinergy and other Midwestern markets, (8) the formation of RTOs in the region will also allow others to compete in the Cinergy and other Midwestern markets. We view RTOs as pro-competitive.

On another matter, we reject intervenor claims that transmission capability should be allocated on an economic basis rather than on a pro-rata basis. As noted by Applicants, we have accepted the pro-rata method of transmission allocation in past merger applications and find no reason to dispute its use here.

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(7) GPU sold a total of 15,086 MWhs of electricity to Cinergy from 1997 to 1999, accounting for approximately 0.08 percent of GPU's total energy sales of 17,079,113 MWhs for the period. (Application Exhibit No. APP-304 at 1)

(8) ATSI is in the Alliance RTO and Applicants intend that GPU will remain in the PJM/ISO, which they expect will soon become a Commission-approved RTO.

Furthermore, while we agree with intervenors that as a general matter off-peak screen failures should not be disregarded, we believe that the screen failures identified in the FirstEnergy and DQE markets do not indicate that the proposed merger will adversely affect competition. First, it is unlikely that GPU exerts any significant competitive discipline (that the merger would eliminate) in the DQE and FirstEnergy markets in off-peak periods, particularly since GPU has retained a de minimis amount of generation (285 MW), most of which we assume will be used to serve its retail customers. Moreover, GPU would have little incentive to sell into the FirstEnergy or DQE destination markets unless prices in ECAR were higher than in PJM. Based on data reported by Applicants, energy flowed from the PJM to the FirstEnergy destination market during only 5.8 percent of the off-peak hours from January 1998 through October 2000. Thus during off-peak hours, prices in the FirstEnergy destination market, in fact, rarely exceeded prices in the PJM destination market. Therefore, it is unlikely that GPU provided any real discipline in that market before the merger.

Second, we note that Applicants have argued that the units needed to serve off-peak demand are nuclear and minimum run-level coal plants. As we stated in Commonwealth Edison, 91 FERC (Paragraph) 61,036 at 61,134 n.42 (2000), it is difficult to engage in strategic dispatch of nuclear units, given their operating characteristics and stringent regulatory oversight. Further, it is likely that the opportunity cost associated with the merged firm shutting down its coal-fired units during off-peak periods in order to drive up the market price would outweigh the potential profit. Moreover, due to the large amount of low-cost capacity in the region, Applicants would have to withhold a significant amount of capacity in order to drive up the market price during the off-peak period. As a result, we find that merger-induced increases in concentration in the FirstEnergy and DQE destination markets will not harm competition in those markets.

We reject Intervenors' argument that the Commission should analyze the effect of the merger on retail competition in New Jersey, Pennsylvania and Ohio. As we stated in Order No. 592, (9) we will examine the effects of a proposed merger on retail competition in cases where the affected state commissions lack jurisdiction and request the Commission to do so. None have asked us to do so in this case.

Finally, we find that Applicants have shown that the proposed merger will not harm competition in the PJM regulation services market. Applicants' conclusions are not based solely on their own market shares, as argued by Co-Steel, but also on pre- and post-merger market concentration statistics.

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(9) Merger Policy Statement at 30,128.

Vertical Competitive Issues

Applicants' Analysis

Applicants argue PJM is the relevant geographic market of potential concern in evaluating the effects of combining their generation and transmission resources. However, they assert that GPU's participation in the PJM ISO means it has limited ability to use its transmission to benefit its remaining 285 MWs generation. Applicants also note that ATSI has committed to participate in the Alliance or another Commission-approved RTO (if Alliance fails to achieve timely compliance with Order No. 2000). They explain that FirstEnergy will compete for firm transmission service into PJM with all other potential suppliers and that the merged company commits "not [to] seek to invoke native load obligations as a means to preempt transmission capacity reserved by other transmission customers." (Application, APP-100 at 12)

Intervenor Comments and Applicants' Response

New Jersey Advocate argues that Applicants summarily dismiss vertical market power concerns and it claims that Applicants' conclusion rests on both GPU's and FirstEnergy's transmission facilities being under the control of a Commission-approved RTO. They urge the Commission to require FirstEnergy to commit to a date for turning over control of its transmission facilities to an RTO. Along with Citizen Power, MEIUG and Shell, New Jersey Advocate expresses concern that the Alliance RTO may not be approved, and even if it is, it would not mitigate vertical market power as well as Midwest ISO or PJM West would. New Jersey Advocate and Pennsylvania OCA also ask the Commission to accept Applicants' offer to keep the GPU transmission system under the control of PJM as a condition of merger approval. Applicants dispute these claims, arguing that they have committed to turning over the ATSI transmission assets to the Alliance or another Commission-approved RTO. Applicants further state that they currently have no plans of transferring GPU's transmission facilities from PJM. They argue that if they did attempt to do so, they would have to receive Commission approval.

New Jersey Advocate and MAPSA also argue that the merger would internalize a key transmission interface between ECAR and PJM. They note that Applicants' commitment to waive native load priority on the interface is not unconditional and that the merged firm could still exclude competitors from selling into PJM from ECAR by asserting their native load priority. Applicants dispute this claim, noting that: (1) both sides of the interface are subject to open access rules, one side of which is controlled by PJM; (2) FirstEnergy's merchant function will still have to make transmission

reservations for the interface on OASIS; (3) even if the merged company did control one interface, they could not set the price of electricity into PJM because PJM has two other western interfaces; (4) coordination across the seam is not a merger-related issue and will be the subject of RTO proceedings; and
(5) contrary to New Jersey Advocate's claim otherwise, they have waived their native load priority over the FirstEnergy/Penelec interface.

MAPSA argues that the Application fails to include an adequate Code of Conduct to address the potential for affiliate abuse among the FirstEnergy Companies, the GPU Companies and FirstEnergy's power marketing affiliate. It requests the Commission to require the FirstEnergy Code of Conduct to explicitly state that all personnel of First Energy Services, the FirstEnergy Companies and the GPU Companies will abide by the Standard of Conduct established by the Commission in Order Nos. 889 and 889-A and that transmission and ancillary services provided by First Energy, the FirstEnergy Companies, ATSI or the GPU Companies to First Energy Services will be provided under the FirstEnergy or PJM OATT.

Discussion

With regard to vertical competitive issues, we note that GPU does not own or control any gas transportation or distribution facilities and FirstEnergy only owns or controls limited facilities of this nature.(10) FirstEnergy does not deliver gas from any pipeline in which it has an interest to any competitor of the merged company. We find no evidence, nor does any party allege, that the combination of Applicants' electric generation resources and its limited gas facilities would create or enhance their ability and/or their incentive to adversely affect prices or output through the exercise of vertical market power.

The New Jersey Advocate claims that the merged company can use its transmission and generation to adversely affect electricity prices or output in PJM as a result of the merger's internalizing a key ECAR/PJM interface. GPU, however, controls only 284 MW in the PJM relevant market (0.6 percent of PJM's economic generation capacity). Given such limited generation facilities, we see no reason to pursue

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(10) FirstEnergy indirectly owns a small gas local distribution company (LDC) in Ohio (Northeast Ohio Natural Gas Corp.), and a 50 percent interest in
(1) an intrastate gas pipeline (Ohio Intrastate Gas Transmission Co.) located in northeast Ohio, and (2) a 100-mile interstate gas pipeline (Gas Transport, Inc.) running between West Virginia and Ohio.

allegations that the merger will enhance Applicants' incentive to adversely affect electricity prices or output in PJM.

Applicants have also adequately addressed MAPSA's arguments regarding the Code of Conduct. Applicants have committed not to sell power to each other unless the Commission authorizes such sales, and that Applicants' public utility affiliates "will not sell non-power goods and services to each other except under the conditions the Commission imposes on similar transactions between utilities and their affiliated power marketers." (Application at 31-32).

New Jersey Advocate has not demonstrated how the possible withdrawal of GPU from PJM would adversely affect competition in the context of the proposed merger. In any event, Applicants state that GPU cannot withdraw from PJM without the Commission's approval and intervenors may object to any withdrawal in the relevant proceeding.

3. Effect on Rates

Applicants provide requirements service at cost-based rates to wholesale customers in Ohio and Pennsylvania.(11) Penelec, a GPU subsidiary, provides partial requirements service to Allegheny Electric Cooperative (Allegheny) and West Penn, a subsidiary of the Allegheny Power System. According to the application, both Allegheny and West Penn have on four previous occasions declined to exercise an option to terminate their wholesale agreements as part of open seasons that accompanied the divestiture of Penelec's generating capacity with no responsibility for stranded costs. Applicants state that the only other rates that can be affected by GPU Energy's costs are those under the PJM open access transmission tariff (PJM OATT), that reflects the revenue requirement associated with the costs of transmission service which GPU Energy provides under the PJM OATT.

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(11) Applicants also provide wholesale power to several customers under market-based tariffs and agreements.

First Energy provides wholesale firm power at cost-based rates to five boroughs in Pennsylvania and to several municipal electric utilities in Ohio. ATSI provides transmission service at cost-based rates to these same entities as well as other transmission-dependent utilities under the ATSI OATT. ATSI also purchases power under First Energy's ancillary services tariff at cost-based rates to satisfy its ancillary services requirements and passes these costs through to its customers without markup, as provided for under its OATT.

In Ohio, the FirstEnergy companies, in accordance with an approved plan for the transition to retail competition, have agreed to a long-term rate freeze of their base distribution electric rates, and to lower their unbundled residential tariff rates during a five-year "market development period" to reflect a five percent reduction in the generation component of such rates.

Applicants state that the merger is not likely to cause any material increases in the costs of service provided to their wholesale requirements and transmission customers. However, Applicants commit to hold harmless all of their wholesale customers, including those that either purchase requirements service at cost-based rates or transmission services and ancillary services at cost-based rates, from all merger-related costs in excess of merger-related savings.

Co-Steel, a New Jersey retail customer of JCP&L, contends that the hold harmless protection offered by Applicants is insufficient and it requests that the Commission require Applicants to enter into ratepayer protection negotiations in which Co-Steel is allowed to participate. Co-Steel, as a transmission-level retail customer which buys more power than some wholesale customers, regards the potential effect of the merger on its rates to be akin to the effect on a wholesale customer.

Co-Steel's request that Applicants be required to enter into ratepayer negotiations is denied. The Merger Policy Statement requires only that applicants propose meaningful ratepayer protection for wholesale customers, which Applicants here have done. Therefore, Applicants are not required to extend rate protection to Co-Steel, a retail ratepayer, under the Merger Policy Statement.

Both Citizen and AMP-Ohio question whether Applicants' hold harmless commitment can be effectively enforced because Applicants have failed to identify the sources of either their merger-related costs or their merger-related benefits. AMP-Ohio also argues that the hold harmless commitment should apply to charges for ancillary services as well as for transmission service. Citizen asserts further that Applicants have

failed to show that the merger will not produce net costs, since they have even not attempted to quantify operational efficiencies and costs.

The Commission deems Applicants' hold harmless commitment (which we accept) to be sufficient to protect against any adverse effects on rates for wholesale requirements and transmission customers and, therefore, we will not require that Applicants provide further explanation or quantification of merger-related benefits or costs. In its implementation of the ratepayer protection guidelines set forth in the Merger Policy Statement,(12) the Commission has accepted similar hold harmless ratepayer protection mechanisms from several merger applicants, without requiring the quantification of merger-related costs and savings.(13) We note that Applicants bear the burden of proof in future rate increase filings to show that any merger-related costs included in the cost of service are offset by merger-related savings. We further note that Applicants' hold harmless commitment, as clarified in their answer to AMP-Ohio's concerns, applies to ancillary service rates as requested by that intervenor.

Finally, Citizen requests that the merged company's customers be shielded from financial penalties that may be imposed by the Environmental Protection Agency arising from FirstEnergy's operation of its coal plants. Citizen's request is denied because it is outside the scope of this merger proceeding. Citizen has not identified a nexus between the harm it perceives and this merger. In any event, the issue of whether FirstEnergy's or the merged company's customers should bear any burden for environmental penalties incurred by First Energy may be raised in appropriate rate proceedings.

4. Effect on Regulation

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(12) Merger Policy Statement at 30,123.

(13) See Sierra Pacific Power Co., et al., 87 FERC P 61,077 at 61,334 (1999); see also, Northern States Power Co., et al., 90 FERC P 61,020 at 61,137 (2000).

As explained in the Merger Policy Statement, the Commission's primary concern with the effect on regulation of a proposed merger involves possible changes in the Commission's jurisdiction when a registered holding company is formed, thus invoking the jurisdiction of the Securities and Exchange Commission (SEC). We are also concerned with the effect on state regulation where a state does not have authority to act on a merger and has raised concerns about the effect on its regulation of the merged entity. (14)

In this case, the proposed merger would result in the formation of a public utility holding company system subject to regulation and registration under the Public Utility Holding Company Act. In view of the Ohio Power decision
(15) and the potential conflict between the SEC's and this Commission's regulation of intra-affiliate transactions involving non-power goods and services, Applicants have agreed to waive their Ohio Power immunity from Commission regulation of non-power affiliate sales and services. In other words, Applicants agree for rate-making purposes to follow the Commission's policy regarding treatment of costs and revenues of affiliate non-power transactions. Therefore we find that the merger will not adversely affect Commission regulation.

Applicants assert that the Ohio Commission lacks jurisdiction over the proposed merger but state that they will remain subject to effective state regulation following completion of the merger. Although Citizen disputes Applicants' claim of lack of jurisdiction by the Ohio Commission, it also argues that the Commission is required to be concerned with the effect on state regulation when a state does not have the authority to act on a merger. Citizen also contends that the merger, by eliminating an independent utility, will impair the ability of state commissions to establish comparative benchmarks when implementing incentive-based ratemaking.

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(14) Policy Statement at 30,124-25.

(15) Ohio Power v. FERC, 954 F. 2d 779, 792-86 (D.C. Cir.), cert. denied, 498 U.S. 73 (1992).

The Commission disagrees that the proposed merger will adversely affect state regulation. We note that under the Merger Policy Statement the effect on state regulation may be set for hearing if a state commission that lacks jurisdiction over the merger raises concerns. In this case, even if the Ohio Commission does not have regulatory authority over the merger, it raised no regulatory concerns in its intervention. Neither the Pennsylvania nor the New York Commissions have even intervened in this proceeding let alone raised issues regarding their continued regulation of Applicants. Also, as Applicants point out, after the merger many other utilities will still be available to be used to establish comparative benchmarks for incentive-based ratemaking.

Accordingly, in light of the facts and commitments stated above, we are satisfied that the proposed merger will not adversely affect state or federal regulation.

5. Accounting Matters

Applicants propose to record the merger using the purchase method of accounting. Since the merger is occurring at the holding company level and Applicants do not propose any changes to the books and records of the jurisdictional subsidiaries, we have no objection to Applicant's use of the purchase method of accounting.

Since we do not expect the proposed merger to have any effect on the books and records of the jurisdictional subsidiaries, we will not require Applicants to submit their proposed accounting. However, if the merger (including merger-related costs) affects the books and records of a jurisdictional subsidiary, Applicants shall promptly inform the Commission and provide a full explanation for any proposed adjustments.

The Commission orders:

(A) Applicants' proposed merger is authorized upon the terms and conditions and for the purposes set forth in the application.

(B) The late-filed motions to intervene of Reliant and Calpine are denied.

(C) The motions to consolidate this proceeding with Docket Nos. EC01-52-000, ER01-845-000, ER01-103-000 and EL00-94-000 are denied.

(D) The foregoing authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates, or determinations of cost, or any other matter whatsoever now pending or which may come before the Commission.

(E) Nothing in this order shall be construed to imply acquiescence in any estimate or determination of cost or any valuation of property claimed or asserted.

(F) The Commission retains authority under sections 203(b) and 309 of the FPA to issue supplemental orders as appropriate.

(G) Applicants must promptly inform the Commission of any change in the circumstances that would reflect a departure from the facts the Commission has relied upon in reviewing the merger accounting.

(H) Applicants shall promptly notify the Commission of the date on which the merger is consummated.

By the Commission.

(S E A L)

David P. Boergers, Secretary.

Exhibit D4

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
HARRISBURG, PA 17105-3265

Public Meeting held May 24, 2001

Commissioners Present:

John M. Quain, Chairman
Robert K. Bloom, Vice Chairman
Nora Mead Brownell, Concurring & Dissenting in part - Statement attached Aaron Wilson Jr.
Terrance J. Fitzpatrick

Joint Application for Approval of the Merger of GPU, Inc. with FirstEnergy Corp.	A-110300F0095 A-110400F0040
Petition of Metropolitan Edison Company and Pennsylvania Electric Company, as supplemented, for Interim Relief Pursuant to Section F.2 of Their Approved Restructuring Plan and the Electricity Generation Customer Choice and Competition Act	P-00001860 P-00001861
Kenneth C. Springirth	C-00015085
Michael and Angela Surdovel	C-00015086
Middletown Merch. Mart and/or Saturday's Market	C-00015087
Jay A. Weist	C-00015089
Marlea and Donald Terry	C-00015091
Randy L. Rosenberger	C-00015092
Allen Cummings	C-00015093
Clark DeForce	C-00015094
East Conemaugh Borough	C-00015095

OPINION AND ORDER

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BY THE COMMISSION:

I. INTRODUCTION

Before the Commission for consideration and disposition is the Recommended Decision of Administrative Law Judge (ALJ) Larry Gesoff, issued on April 25, 2001, relative to the above-captioned consolidated proceedings. These proceedings involve the proposed merger of GPU, Inc. (GPU) and its Pennsylvania public utility subsidiaries: Metropolitan Edison Company (Met-Ed) and Pennsylvania Electric Company (Penelec), with FirstEnergy Corporation (FirstEnergy). The proceedings further involve the request of Met-Ed and Penelec for relief from the generation rate cap under Section 2804 of the Public Utility Code (Code), 66 Pa. C.S. Section 2804.

By way of the Recommended Decision, ALJ Gesoff recommended approval of the merger with conditions. The ALJ also recommended approval of the Petition of Met-Ed and Penelec, as supplemented, for relief from the generation rate cap.

Based upon the record before us and as further set forth below, we find that the proposed merger is in the public interest provided that certain conditions are imposed. Further, we shall hold in abeyance our resolution of the proceeding regarding relief from the generation rate cap, as well as our resolution of merger benefits, pending the outcome of an expedited collaborative.

II. HISTORY OF THE PROCEEDING

A. THE MERGER PROCEEDING

On November 9, 2000, the Applicants filed an Application for a merger whereby FirstEnergy will acquire all of GPU's outstanding shares of common stock and GPU will be merged with and into FirstEnergy. On the same date, FirstEnergy, Met-Ed and Penelec (collectively referred to as Applicants) filed Direct Testimony in support of their Application.

A variety of Parties sought to intervene in the Merger proceeding, including energy marketers, utilities, industrial customers, public interest groups and several individuals, in addition to the statutory parties: the Office of Trial Staff (OTS), the Office of Consumer Advocate (OCA) and the Office of Small Business Advocate (OSBA).(1) The Commission held an organizational Prehearing Conference in the Merger proceeding on December 21, 2000. The Parties could not agree on a procedural schedule for the proceeding. On December 21, 2000, ALJ Gesoff issued a Protective Order.

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(1) The intervenors are National Energy Marketers Association (NEM); Citizens Power, Inc. (Citizens Power); Met-Ed Industrial Energy Users Group and Penelec Industrial Customer Alliance (MEIUG/PICA); Industrial Energy Consumers of Pennsylvania; International Brotherhood of Electrical Workers/Utility Workers Union of America (IBEW/UWUA); PECO Energy; Exelon Energy; Pennsylvania Renewable Resources Associates; Allegheny Power; County & City of Erie; Bruce Mangione; Shell Energy Services, Inc.; Allegheny Electric Cooperative; American Cooperative Services; Pennsylvania Rural Electric Association; ARIPPA, formerly known as the Anthracite Region Independent Power Producers Association; Camille "Bud" George (Representative George); Clean Air Council (CAC); Enron Energy Services, Inc. (Enron); Mid-Atlantic Power Supply Association (MAPSA); PJM Interconnection LLC (PJM); PPL Electric Utilities Corporation (PPL) and PPL EnergyPlus LLC (PPL EnergyPlus); Allegheny Energy Supply Company; New Power Company; York County Solid

B. THE PLR PROCEEDING

On November 29, 2000, Met-Ed and Penelec, collectively referred to as the Companies or GPU, filed a Petition,(2) captioned above, requesting expedited Commission authorization to implement an interim deferral tracking mechanism for their provider of last resort (PLR) generation service. On December 18, 2000, Pennsylvania Rural Electric Association and Allegheny Electric Cooperative, Inc. filed an Answer to the Petition, a Motion to Consolidate the Petition with the Merger proceeding and a Motion to Dismiss the Petition. On December 26, 2000, the Petition was reassigned from the Commission's Bureau of Fixed Utility Services to the Office of Administrative Law Judge (OALJ).

C. CONSOLIDATION OF THE PROCEEDINGS

The extensive delineation of ALJ Gesoff detailing the procedural developments and consolidation of these proceedings is duly incorporated herein by reference. (R.D., pp. 3-11).

As previously noted, the Recommended Decision of ALJ Gesoff was issued on April 25, 2001. On May 2, 2001, ALJ Gesoff's Errata to the Recommended Decision was served to all Parties. Exceptions,(3) Reply Exceptions, and other documents relating to the Recommended Decision were filed as will be noted herein .

Waste and Refuse Authority (York Authority); Citizens of Pennsylvania's Future (PennFuture) and Kenneth Springirth.
(2) Although there are two docket numbers, GPU filed one petition.
(3) Joint Applicants included with their Exceptions a Settlement Stipulation which will be addressed herein.

III. SUMMARY OF DECISION

The ALJ recommended, inter alia, that the Joint Application of GPU and FirstEnergy be approved with conditions. The ALJ concluded that the merger is not likely to result in anticompetitive or discriminatory conduct, including the unlawful exercise of market prices and, therefore, is unlikely to prevent retail electricity customers in Pennsylvania from obtaining the benefits of a properly functioning and workable competitive retail electricity market. The ALJ noted that while the proposed merger would bring affirmative benefits to the Commonwealth of Pennsylvania and Pennsylvania ratepayers, some conditions must be imposed so that it brings substantial, affirmative benefits and so that certain risks do not outweigh the merger benefits.

One condition proffered by the ALJ is that the merged company must flow merger-related savings through to ratepayers by an extension of the transmission and distribution rate caps from December 31, 2004 to December 31, 2007. Tied to this condition is the need to ensure that the merged company will not seek to recover the acquisition premium from Pennsylvania ratepayers and the condition that the merged company be required to expense or amortize the costs to achieve over the transmission and distribution rate cap extension period. Other merger conditions were recommended, such as directing the merged company to adhere to the current GPU Code of Conduct in Pennsylvania, to receive Commission permission before withdrawing GPU transmission facilities from PJM, implementing a Service Quality Index, and protecting the overfunded GPU pension fund. These conditions were recommended to ensure that the merger promotes the service, accommodation, convenience or safety of the public.

As to GPU's PLR Petition, the ALJ concluded that it had met its burden of establishing that the purchased power costs it incurs to meet its PLR

obligation deny it the opportunity to earn a fair rate of return. To address that situation, the ALJ recommended that the companies be granted rate increases totaling over $316 million.

After review of the applicable statutory law, case law, and the evidentiary record herein, we conclude that the instant merger is in the public interest, and should be approved, provided, however, that certain conditions are imposed. While the merger is expected to create synergies and efficiencies that may improve the operations of the GPU Companies, these factors alone would not support a finding that the merger is in the public interest. Thus, the conditions we impose, discussed in more detail herein, are critical to our approval of the merger.

Accordingly, we accept the conditions outlined in the Recommended Decision with modifications and limited additions as set forth in this Opinion and Order, and we approve the merger with conditions as set forth in the Ordering Paragraphs herein. The Applicants will have thirty days in which to advise the Secretary of the Commission of their acceptance of all of the conditions outlined herein.

Further, we decline to adopt the first Settlement Stipulation submitted during the Exception phase of this proceeding.

Finally, resolution of the PLR cost proceeding and disposition of merger benefits shall be held in abeyance pending the outcome of an expedited collaborative process to be further detailed herein.

IV. PUBLIC INPUT HEARING TESTIMONY

The Commission conducted Public Input hearings in this proceeding in Erie, Altoona and Reading. Twenty-one people testified at the Erie session. Five people, including Representative George, testified at the Altoona session. Finally, eight people testified at the Reading session.

At the Erie session, concern was expressed that GPU has declined in terms of the service it offers to its ratepayers. Also, a witness stated that he believed that GPU should honor the agreement made in 1998, to keep its rates at the same level until 2010. Concern was also expressed that the proposed merger would result in many people being laid off from work.

At the Altoona session, Representative George, an intervenor herein, asserted that GPU is asking ratepayers to pay for their shortsightedness because it was under no pressure to sell its generation without locking in long-term contracts for the customers who do not switch suppliers. Concern was also expressed that the merger not result in an adverse impact on GPU's Customer Assistance Program, the Warm Program, and the Dollar Energy Fund. It was also stated that downsizing following the merger will impact reliability, especially the ability to respond to outages.

At the Reading session, the opinion was expressed that GPU is responsible for its current problems because of poor management. It was further stated that GPU needs this merger because of its decision to sell its generation. Some consumers suggested that utilities should be re-regulated. Finally, it was noted that the Merger Application lacks specificity, uses ambiguous language and reads more like a public relations piece than a justification for the merger, and that

the merger will benefit the management of the corporation and its stockholders, not the public.

The testimony of the participants in the Public Input hearings has been duly accorded such consideration as specified in 52 Pa. Code Section 69.321, Policy Statement on Public Input hearings.

V. MERGER PROCEEDING

Initially, we are reminded that we are not required to consider expressly or at great length each and every contention raised by a party to our proceedings. (University of Pennsylvania, et al. v. Pennsylvania Public Utility Commission, 86 Pa. Cmwlth. 410, 485 A.2d 1217, 1222 (Pa. Cmwlth. 1984)). Any exception or argument that is not specifically addressed herein shall be deemed to have been duly considered and denied without further discussion.

A. BRIEF SUMMARY OF TRANSACTION

Under the planned merger, FirstEnergy will acquire all of GPU's outstanding shares of common stock, for about $4.5 billion in cash and FirstEnergy stock. FirstEnergy will assume GPU's outstanding indebtedness, which is about $7.4 billion of debt and preferred stock. GPU will be merged with and into FirstEnergy. FirstEnergy will become a registered holding company under the Public Utility Holding Company Act of 1935. When the merger is complete, FirstEnergy will be subject to the same requirements to which GPU has been subject under that Act. Met-Ed and Penelec will be wholly-owned public utility company subsidiaries of FirstEnergy. (OCA Stmt. 1, p. 11; Applicants' Stmt. 1, p. 6; Applicants' Stmt. 2, p. 2).

The merger is expected to be accretive to earnings immediately upon completion, and the Applicants' Proxy Statement indicates that shareholders can anticipate an opportunity for earnings growth of 7-8% through the merger. (OCA Stmt. 1, p. 5). Under the terms of this merger, GPU shareholders will receive an approximate $1 billion premium for their stock and could see an increase in value of $900 million or more on a net present value basis from the anticipated growth in earnings. There is the possibility of about $120 million in incremental

compensation to the officers and directors of GPU. (OCA Stmt. 1, pp. 5, 25-26). When the merger is complete, Met-Ed and Penelec will continue to operate as Pennsylvania electric public utilities subject to the continuing jurisdiction of the Commission.

Because the merger is at a parent company level, the Applicants contemplated no immediate changes to any agreements among Met-Ed, Penelec and their affiliates which the Commission had previously approved pursuant to Section 2102 of the Public Utility Code (Code), 66 Pa. C. S. Section 2102 (regarding approval of contracts with affiliated interests). The Applicants acknowledged their continuing obligation to make appropriate Section 2102 filings if, following approval and implementation of the merger, changes to the existing and approved GPU affiliated interest arrangements become necessary or appropriate. (Merger Application at PARAGRAPH. 9).

B. FIRST SETTLEMENT STIPULATION(4)

We now turn to the first "Settlement Stipulation" herein. Applicants attached a "Settlement Stipulation" as "Appendix A" to their Exceptions. Applicants claimed that the Settlement Stipulation is a proposed alternative that has been negotiated in order to permit the proceedings to be settled. At the time of the submission of Applicants' Exceptions, the Settlement Stipulation had been executed on behalf of the Applicants and MEIUG/PICA. The Parties to the Settlement Stipulation were hopeful that other active Parties to this proceeding would join in the proposed Settlement Stipulation.

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(4) A later Settlement was filed with regard to the PLR proceeding and i discussed in our separate Opinion and Order to be issued relative thereto.

Applicants furthermore noted that the Settlement Stipulation was conditioned on consummation of the merger, and that it was tendered as a means to resolve fairly and equitably the major issues in the merger proceedings and in the PLR proceeding if the merger is consummated. Accordingly, Applicants urged the Commission to approve the Settlement Stipulation as a final order or, in the alternative, to adopt the ALJ's Recommended Decision, as modified by Applicants' Exceptions. (Applicants Exc., pp. 31-32; Appendix A).

Our Secretarial Letter of May 9, 2001, advised the Parties to indicate, as part of their Reply Exceptions, their acceptance or rejection of the Partial Settlement Stipulation.

Both the OSBA and IBEW/UWUA filed Letters in support of the Settlement Stipulation. On the other hand, the following twelve Parties expressed opposition to the Settlement Stipulation: the OCA, the OTS, PPL and PPL Energy Plus, CAC, New Power Company, York Authority, Citizens Power, PennFuture, MAPSA, Enron, Representative George and Dominion Retail.

We note that, despite the Applicants' use of the term "Settlement Stipulation," there has been no substantial settlement of the issues in this case. The majority of the Parties hereto have not agreed to join in this settlement. We conclude that this is not a situation where a true settlement has been reached by a majority of the active parties, and where the inactive or peripheral parties are being asked if they agree with the terms of the settlement. As noted in some detail above, twelve of the active Parties hereto registered their objections to the "settlement," some in quite vigorous terms.

In short, the evidentiary record herein reflects that such settlement discussions as took place in this proceeding were brief and unproductive, from the

standpoint of garnering broad support from the major parties. No copy of the "Settlement Stipulation" was even available to the Parties for review prior to the Exceptions stage of this proceeding. While we recognize the Applicants' efforts to resolve some of the issues, we are unable to adopt the Settlement Stipulation at this time.

C. APPLICABLE LEGAL STANDARD

The Commission must review and approve the proposed merger pursuant to Sections 1102, 1103, and 2811 of the Code.

Section 1102(a) requires the Commission to issue a Certificate of Public Convenience as a legal prerequisite to offering service, abandoning service and certain property transfers by public utilities or their affiliated interests. The statute, in pertinent part, provides:

Upon application of any public utility and the approval of such application by the commission, evidenced by its certificate of public convenience first had and obtained, and upon compliance with existing laws, it shall be lawful:

(3) For any public utility or affiliated interest of a public utility as defined in section 2101...to acquire from, or transfer to, any person or corporation...by any method or device whatsoever, including the sale or transfer of stock, including a consolidation, merger, sale or lease, the title to, or the possession or use of, any tangible or intangible property used or useful in the public service...

66 Pa. C.S.Section 1102(a)(3).

Met-Ed and Penelec are Pennsylvania "public utility" applicants for the purposes of Section 1102(a)(3). (See also 66 Pa. C.S. Section 102). GPU (as Met-Ed's and Penelec's parent holding company) and FirstEnergy (as Penn Power's ultimate parent holding company) are applicants solely in their respective capacities as Pennsylvania "public utility" affiliates, for the purpose of compliance with Section 1102(a)(3), and to the limited extent to which the Code is otherwise applicable to such affiliates.

The planned merger of GPU with and into FirstEnergy will result in a "new controlling interest" as that term is used in the Commission's Statement of Policy at 52 Pa. Code Section 69.901. Section 69.901 provides that such a merger, even though at a parent company level, should be viewed as constituting a transfer of utility property requiring Commission approval under Section 1102(a)(3). To comply with this Statement of Policy, therefore, the Applicants requested Section 1102(a)(3) approval from the Commission, evidenced by the issuance of Certificates of Public Convenience authorizing each of the Applicants to complete the planned merger.

To obtain a Certificate of Public Convenience, the Applicants had the burden of proving that the merger is in the public interest. In order to ensure that a proposed merger is in the "public interest," the Commission may impose conditions on its granting of the Certificate of Public Convenience. Re: DQE, Inc., 88 Pa. PUC at 474. Section 1103 allows the Commission to impose conditions upon the issuance of a Certificate of Public Convenience. (66 Pa. C.S. Section 1103).

Section 2811(e)(1) of the Code, 66 Pa. C.S. Section 2811(e)(1) also requires the Commission to consider the planned merger. Section 2811(e)(2) requires that upon request for approval of a merger or acquisition, notice and an opportunity for hearing shall be afforded to explore whether a proposed transaction is "likely to result in anticompetitive or discriminatory conduct or the unlawful exercise of market power." 66 Pa. C.S. Section 2811(e)(2). The Code and applicable case law, therefore, requires that we review the proposed merger in order to determine if it is in the public interest, provides substantial, affirmative benefits, and is not likely to result in anticompetitive or discriminatory conduct or the unlawful exercise of market power.

1. POSITIONS OF THE PARTIES

Regarding merger conditions, the Applicants acknowledged that the Commission may impose just and reasonable conditions under Section 1103(a), but the Applicants also contended that there are two qualifications to the Commission's authority to approve mergers with conditions. First, the Applicants averred that the Commission's authority to set conditions is not unlimited. Second, the Applicants argued that, before the Commission imposes conditions, the Applicants must concede, or a protestant/ intervenor must establish, that the merger is flawed in some manner such that a remedy is warranted. The Applicants asserted that a party could contend that the risk of an adverse impact occurring due to the merger could justify the imposition of a merger condition. However, the Applicants argued that the validity of this view depends on whether the alleged risk is well-founded and based on facts, or whether it constitutes mere speculation. (Applicants' M.B., pp. 11-12).

2. ALJ'S RECOMMENDATION

After his discussion of the applicable legal standards pertaining to Commission approval of mergers, the ALJ stated that he agreed with the Applicants to the extent that merger conditions should not be imposed where the condition would be superfluous or unnecessary because of existing statutory or other legal requirements. (Applicants R.B., p. 3).

The ALJ further pointed out that the results of any merger are speculative because they occur after the merger. He then stated that it remains to be seen if some of the benefits the Applicants rely on to support the merger will actually materialize. The ALJ noted that FirstEnergy and GPU have not yet determined what their "best practices" are. Also, FirstEnergy's line crew training program has not proven itself yet, and the extent of FirstEnergy's ability to meet GPU's PLR obligation is uncertain.

The ALJ noted that, as these benefits are speculative, so too are some of the harms that the intervenors fear might or might not occur post-merger. For example, some of the service conditions which the OCA's Service Quality Index seeks to avoid might not even occur. FirstEnergy might not seek to place the risks of its nuclear and fossil fuel plants on GPU customers. In the alternative, FirstEnergy might not seek to transfer, consolidate or withdraw GPU's pension overfunding, or Pennsylvania might not bear a disproportionate share of job cuts. The ALJ concluded that, if these harms do materialize post-merger, however, the merger would be flawed because it would detract from the service, accommodation, convenience or safety of the public in a substantial way. Accordingly, the ALJ noted that the Commission may condition approval of this merger to avoid these harms. (R.D., pp. 29-34).

3. EXCEPTIONS AND REPLY EXCEPTIONS

The OCA excepts to the ALJ's recommendation on this issue. The OCA avers that the ALJ for the most part correctly adopted the legal standard for mergers as advocated in the OCA's Briefs. However, the OCA did object to the ALJ's conclusion that a merger condition should not be imposed where the condition is already covered by existing statutory or other legal requirements. (R.D., p. 34). The OCA argues that this is not a proper basis on which to reject a merger condition that would ensure that the public interest is protected. The OCA further avers that the current statutory and regulatory schemes may change and protections offered thereunder could vanish. The OCA concludes that for the Commission to rely upon protections afforded by the current regulatory scheme, without imposing necessary conditions to afford protections to GPU's ratepayers and Pennsylvania, is perilous given the dramatic restructuring of the utility industry that is taking place at both the state and federal levels. (OCA Exc., pp. 2-3).

The Applicants respond to the above-recounted Exceptions, especially to the Exceptions of PennFuture and Bruce Mangione, by arguing that approval of the proposed merger as filed, without any conditions, is warranted because it will bring substantial affirmative benefits to the Commonwealth. The Applicants point out that the ALJ recognized that the merger would bring affirmative benefits to Pennsylvania consumers. (R.D., pp. 12, 39). It is the Applicants' position that these benefits meet or exceed the benefits that the Commission has previously found sufficient to support approvals of mergers. (Applicants' Main Brief, pp. 9-11).

The Applicants rejoin that conditions to the merger that are superfluous and unnecessary should not be imposed. The Applicants further aver that conditions that are erroneous and/or unrelated to the merger should not be imposed. The Applicants point out that the Parties hereto that insisted on

conditions to the merger, in particular PennFuture and Bruce Mangione, have ignored or discounted these benefits because they do not promote "their narrow objectives or interests." The Applicants contend that few of the many Intervenors herein actively opposed the merger but that, more often than not, the Intervenors' proposed conditions are "wish list" items aimed at advancing their own parochial interests while couched as addressing alleged but unsubstantiated flaws or fears. (Applicants R.Exc., pp. 2-5).

Finally, the Applicants except to the ALJ's Recommended Decision in that they take the position, generally, that the ALJ failed to apply the proper legal standards governing the imposition of merger conditions. Specifically, the Applicants contended that this error led the ALJ to recommend the imposition of conditions that: (1) apply to merger detriments that were not proven on the record; or that (2) exceed the Commission's authority. (Applicants Exc., pp. 1-6).

In response to the Applicants' argument in this regard, Citizen Power argues that the Applicants' Exception on this issue should be rejected. Citizen Power avers that, while the Recommended Decision may contain numerous flaws, excessive use of the Commission's conditioning authority is certainly not one of those flaws. Citizen Power argues that the Applicants have no inherent right to merge. The applicable legal standards for mergers have been outlined by the ALJ herein, supra, but emphasis must be put on the fact that the Code provides that an application for a Certificate of Public Convenience may be granted "only if the Commission shall find and determine that the granting of such Certificate is necessary or proper for the service, accommodation, convenience, or safety of the public". (See Section 1103(a) of the Code, 66 Pa. C.S. Section 1103). (Citizen Power R.Exc., pp. 3-8).

4. DISPOSITION

Based on our review of the record evidence, we conclude that the ALJ has applied the proper legal standard to this proceeding, as above outlined. We emphasize that the Applicants have no inherent right to merge. Rather, Section 1102(a)(3) of the Code requires public utilities or affiliated interests of public utilities to first obtain a Certificate of Public Convenience. We further emphasize that, under Section 1103(a) of the Code, a Certificate will be granted "only if the Commission shall find or determine that the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public."

Additionally, as noted by the ALJ, in the City of York, supra, the Supreme Court of Pennsylvania held that a proponent of a utility merger must "demonstrate that the merger will affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way" (emphasis added). In determining whether a proposed merger will provide substantial affirmative benefits, the Commission is obligated to consider the benefits and detriments of the acquisition as they impact on all affected parties. (Middletown Twp., supra).

If a merger applicant fails to satisfy the public interest standard, the merger as proposed must be denied. However, under Section 1103(a) of the Code, outlined above, the Commission may choose to cure the deficiencies of the proposed merger by applying conditions to the merger. The alternative to applying such conditions is denial of the proposed merger. In short, applicants for a merger are given a choice. They may agree to the conditions the Commission determines to be necessary for the public interest, or they may refuse to accept those conditions, upon which the merger will be denied.

Therefore, the OCA's Exception on this issue is granted. The Applicants' Exception on this issue is denied in part, consistent with the above discussion.

D. BENEFITS OF THE MERGER

1. POSITIONS OF THE PARTIES

As noted above, for this merger to be approved by the Commission, the Applicants must meet their burden of proving by a preponderance of the evidence that the merger will provide substantial, affirmative benefits to Pennsylvania consumers and Pennsylvania. Also, the merger must also be in the public interest. Furthermore, the Commission may impose conditions on the merger.

The Applicants asserted that they have met the burden of showing that the merger will provide substantial, affirmative benefits to Pennsylvania consumers and Pennsylvania. The Applicants' witness Alexander indicated that the proposed merger is intended to enhance the combined capabilities of FirstEnergy and GPU to meet the challenges of the changing utility industry. (Applicants' St., pp. 5-8).

The Applicants asserted that there is ample evidence of the substantial benefits this merger will bring to the Commonwealth and to GPU's customers. Applicants added that, in this changing industry, the new FirstEnergy will be far better equipped to deal with exigent circumstances, offer new products and services and expand unregulated opportunities while maintaining and

improving the strong foundation of safe, reliable and adequate service that GPU has developed in Pennsylvania over many years. (Applicants' M.B., pp. 17-18).

The OCA, on the other hand, maintained that the Applicants have not met their burden of proof because the merger could expose ratepayers to substantial risks with no assurance of any benefits for Pennsylvania consumers or for Pennsylvania. Instead, the OCA maintained that the merger will enhance shareholder profits by using utility assets and customers to create opportunities in other, unregulated markets. Also GPU shareholders are expected to receive a premium that exceeds book value and market value. According to the OCA, the risks of the merger to ratepayers and the Commonwealth of Pennsylvania are significant.

2. ALJ'S RECOMMENDATION

The ALJ noted that other Intervenors herein made arguments similar or identical to the OCA's arguments.(5) The ALJ further noted that the Applicants object to the conditions many of the Intervenors would place on approval of the merger. The ALJ's opinion is that the merger brings affirmative benefits to Pennsylvania consumers and to Pennsylvania. However, he added that, without the addition of the conditions he recommended, the merger would not bring substantial, affirmative benefits, as required by City of York, supra, and Re: DQE, Inc., supra. (Emphasis added).

3. EXCEPTIONS AND REPLY EXCEPTIONS

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(5) The ALJ stated that he sometimes did not present all of the arguments of the Parties when their positions are identical or similar to the ones previously set forth.

Citizen Power excepts to the ALJ's recommendation on this issue. It was the position of Citizen Power that the ALJ erred in concluding that the merger, even with his recommended conditions, would result in substantive affirmative benefits that would not be outweighed by significant and unreasonable risks to Pennsylvania consumers. (Exc., pp. 9-12).

PennFuture excepts to the ALJ's recommendation on this issue, arguing that the ALJ failed to consider the detriments of the merger in reaching his conclusion that the merger will have affirmative public benefits. PennFuture further argues that, while the ALJ considered risks or other adverse consequences in proposed conditions, he did not give full weight to the possible negative impact of the merger. In this respect, PennFuture points in particular to the potential negative impact of the merger as proposed on PJM as possibly the most important detriment of the merger. That potential negative impact, argues PennFuture, was acknowledged in the Recommended Decision, but was otherwise ignored in reaching the conclusion that the merger as proposed would provide some public benefit. PennFuture concludes that the detriment of the proposed merger from just this one huge risk dwarfs any potential benefit of the merger as proposed. (PennFuture Exc., pp. 7-8).

Bruce Mangione also excepts to the ALJ's recommendation on this issue, stating that the Joint Application for merger should be denied. Bruce Mangione avers that the merger is not in the public interest in that it fails to provide the GPU ratepayer with substantial and affirmative benefits, as had been argued by the Applicants.

The Applicants rejoin that the ALJ correctly recognized that the proposed merger brings affirmative benefits to Pennsylvania consumers and to the Commonwealth. The Applicants further contend that the benefits to be realized

from the instant merger in fact meet or exceed the benefits the Commission has previously found sufficient to support other merger approvals. (Applicants R.Exc., pp. 2-3).

4. DISPOSITION

After review of the applicable statutory law, case law, and the evidentiary record herein, we conclude that the ALJ correctly concluded that the instant merger, on the whole, brings affirmative benefits to Pennsylvania consumers. (R.D., p. 39). Some of these benefits are enumerated in a portion of the testimony of the Applicants' witness Alexander. As also discussed above, however, it is necessary for the public interest that certain conditions are imposed on the merger. The conditions we impose herein are critical to our approval of the merger, and are designed to counteract any possible detriments that may result to Pennsylvania consumers and to the Commonwealth as a result of the consummation of the proposed merger. As stated in Middletown Twp, supra, we are obligated to weigh the benefits and the detriments of the proposed acquisition as they impact on all affected parties.

Accordingly, the Exceptions of Citizens Power, Bruce Mangione and PennFuture are denied.

E. PLR SERVICE

Coincident with the merger, the Companies pursued a request for relief under Section 2804 of the Code, 66 Pa. C.S. Section 2804, dealing with exceptions to the generation rate caps. We do not reach herein the merits of this request for relief. Rather, we will defer a ruling on this Petition until the Parties have an opportunity to seek resolution of these issues through a collaborative process. The

issue of rate cap relief is of critical importance to customers, to the Companies, and to other parties who have an interest in our electric restructuring program. The record reflects a large degree of uncertainty and disagreement over the fundamental principles we should apply in this type of case. This makes it all the more important that we work with the Parties to try to fashion a solution that the different Parties can live with, even if it does not include everything they want.

F. TRANSMISSION ASSET/RTO/ISO

1. POSITIONS OF THE PARTIES

FirstEnergy averred that, after the merger, GPU transmission facilities will remain under the operational control of PJM and that access to those facilities will continue to be provided through the Open Access Transmission Tariff that PJM administers. (Applicants' Rebuttal St. No. 8, p. 4). FirstEnergy will continue to participate in the Alliance RTO(6) which was recently approved by FERC. (Order on Compliance Filing, FERC Docket No. EC00-103-00, Order entered January 24, 2001).

The OCA, on the other hand, argued that FirstEnergy's decision to continue to be a member of the Alliance RTO, and not join PJM or PJM West, could have a negative impact on its ability to respond to GPU's PLR obligation and could also result in inefficiencies within the merged company. The Applicants failed to use the occasion of the merger to affirmatively address transmission limitations between GPU and FirstEnergy. The OCA maintained that, without firm conditions regarding these transmission issues, Pennsylvania and Pennsylvania ratepayers could be harmed. (OCA M.B., pp. 23-27).

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(6) "Regional Transmission Organization"

The OTS claimed that FirstEnergy would provide only minimal, off-peak assistance to GPU in addressing its PLR obligation. Consequently, FirstEnergy's limited generation assistance could not be identified as a merger benefit. (OTS R.B., pp. 18-19). Also, the OTS noted that PJM's system operations would be significantly impacted if GPU companies were removed from PJM, and it recommended a merger condition requiring the Applicants to complete a study within six months addressing the impact of FirstEnergy joining PJM West. This study, opined the OTS, would help the Commission monitor the impact of the merger on PJM operations during the post-merger period. (OTS M.B., pp. 30-32). The OTS also recommended that the merged company should commit to maintain Met-Ed and Penelec membership in PJM, and should also file a letter of intent if it decides to discontinue PJM membership. (OTS M.B., p. 41).

MEIUG/PICA argued that it would condition the merger on a requirement that GPU remain in PJM, and that FirstEnergy become a member of PJM or PJM West. (MEIUG/PICA M.B., pp. 23-33, 39-41).

MAPSA supported FirstEnergy's decision to maintain membership in PJM and Alliance. Allowing a merged company to operate in two separate ISOs(7)/RTOs, opined MAPSA, would likely will result in benefits to both ISOs/RTOs. MAPSA further opined that the merged company would have an incentive to advocate for the resolution of seams issues, the complementary operation of energy markets, and interregional cooperation. (MAPSA M.B., pp. 7-8).

Citizen Power, CAC and Representative George supported requiring GPU to remain in PJM.

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(7) "Independent System Operator."

PJM noted that the withdrawal of GPU transmission facilities would harm the PJM integrated transmission system and centralized markets, would harm the PJM markets, and would harm PJM regional system planning. (PJM M.B., pp. 6-11). This would result in harm to the public interest. It would fracture the integrated operations of the historic tight power pool; hinder long-range transmission planning; diminish the efficiency of transmission congestion management; increase wholesale energy prices that, through LMP, are dependent on efficient congestion management; and reduce liquidity, and therefore competitiveness, in the PJM markets. PJM argued that it is reasonable to infer that the resulting volatility would hinder development of new generation facilities. (Id., p. 6). To avoid this harm, PJM proposed a condition that would prohibit FirstEnergy from withdrawing GPU transmission facilities from the operational control of PJM without prior application to and approval of the Commission. FirstEnergy would be required to make an affirmative showing that withdrawal would, inter alia, ensure the continued provision of adequate, safe and reliable service.

2. ALJ'S RECOMMENDATION

The ALJ recommended that the Commission adopt the condition that PJM sought to impose on the merger of ensuring that the Commission retain the ability to prevent a withdrawal of GPU's transmission assets from PJM. The ALJ noted in this regard that FirstEnergy could not guarantee that GPU's transmission assets would remain permanently committed to PJM. The ALJ opined, however that PJM's retention of operational control of GPU's transmission facilities is critical to the continuation of the benefits Pennsylvania realizes from the operation of PJM as a regional ISO. (PJM M.B., pp. 5-11). The ALJ concluded that removal of the facilities would substantially harm PJM, Pennsylvania, the utilities under the Commission's jurisdiction and their ratepayers.

In addition, the ALJ stated that PJM's proposed condition will assure the industry, energy markets, and potential investors in new generation facilities that if FirstEnergy seeks to extend the Alliance RTO across the middle of Pennsylvania and bisect PJM, this Commission would then have an opportunity to assess the impact on retail service and rates and guard against harm. The ALJ averred that such a condition would not diminish FirstEnergy's flexibility or the evolution of any RTO or ISO. (PJM R.B., p.
2). (R.D., p. 49).

3. EXCEPTIONS AND REPLY EXCEPTIONS

The OCA contends that it strongly supports the ALJ's recommendation that a merger condition be approved that would require approval of the Commission before FirstEnergy or any subsidiary or affiliate could withdraw GPU's transmission assets from PJM. However, the OCA adds that, for the reasons it outlined in its Main and Reply Briefs, it recommend that in addition to obtaining Commission approval, FirstEnergy also be required to keep GPU's assets in PJM for a specified minimum period of time. (OCA Exc., p. 8).

The Applicants except to the relevant condition as recommended by the ALJ. The Applicants claim that the imposition of this condition is beyond the scope of the Commission's jurisdiction and is therefore unlawful. Indeed, aver the Applicants, the condition is inconsistent with the ALJ's acknowledgement elsewhere in his Recommended Decision that the Commission's ability to impose merger conditions is limited. The Applicants argue that, were this condition to be implemented, it would place the merged company at a competitive disadvantage with the other PJM members and would be unreasonably discriminatory since no other PJM company would be subject to a similar condition. (Applicants Exc., pp. 27-30).

The OTS also respond to the Applicants' Exception on this issue, stating that, in addition to other considerations, the Commission must consider that PJM would cease to be an effective ISO if the transmission assets of GPU were removed from PJM. In this regard, avers the OTS, GPU has surrendered operational control of its transmission system to the PJM ISO and those facilities are available for use under the PJM ISO's open access transmission tariff. (PJM Stmt. 1, pp. 23-25). The OTS, as well as the OCA, point to the testimony of PJM witnesses who have stated in no uncertain terms that PJM's system operations would be significantly impacted if the GPU transmission facilities were removed from PJM. (OTS R.Exc., pp. 6-11).

MEIUG/PICA also responds to the Applicants' Exception on this issue, stating that the ALJ correctly recognized that withdrawal of GPU's transmission facilities from PJM would harm the public interest in several ways. PJM also rejoins that this Exception should be denied. PJM points out that the Applicants never tried to refute PJM's proof that withdrawal of GPU transmission facilities from PJM would harm Pennsylvania ratepayers.

4. DISPOSITION

On review of the statutory and case law, and on review of the evidentiary record herein we conclude that the particular condition recommended by the ALJ on the issue of prior approval before withdrawal of GPU transmission facilities from PJM is well-justified. Accordingly, we adopt that condition as part our resolution of this proceeding. We reach this conclusion because we are convinced that removal of the GPU transmission assets from PJM would have a significant impact upon the safe and reliable operation of the transmission grid.

(PJM Stmt. 2, pp. 9-10). We are concerned that PJM would cease to be an effective ISO if the transmission assets of GPU were removed from PJM.

Additionally, we are of the opinion that PJM retention of operational control of GPU transmission facilities is critical to the continuation of the benefits Pennsylvania realizes from the operation of PJM as a regional ISO. The removal of those facilities, we believe, would substantially harm PJM, the Commonwealth, our jurisdictional utilities, and Pennsylvania's ratepayers. Accordingly, since we have concluded that addition of the relevant condition is critical before the instant merger could be found to be in the public interest, the Applicants' Exception on this issue is denied. The OCA's Exception(8) is likewise denied.

G. RELIABILITY/CUSTOMER SERVICE

1. POSITIONS OF THE PARTIES

The Applicants asserted that the merger would enhance GPU's continued ability to provide safe and adequate utility service to customers. (Applicants' Stmt. 1, p. 8). The Applicants further asserted that the merger would provide improved customer service opportunities, increased value and the opportunity over the long-term to expand corporate commitment to customer service and reliability. The Applicants opined that it is not necessary that every aspect of a proposed merger be specifically quantified, especially regarding the benefits the merger will bring to customer service and reliability. (Applicants'

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(8) The OCA's Exception on this issue was that the ALJ's merger condition should be amended to include a minimum time frame before Applicants may apply to the Commission for withdrawal of GPU's transmission assets from PJM. We are satisfied that the condition we are adopting adequately addresses the concerns about the possibility of GPU's transmission assets being withdrawn from PJM.

Rebuttal Stmt. 1, p. 4). The Applicants proffer that there are substantial qualitative reliability and customer service benefits that the merger will bring to customers.

The OCA pointed out that the Applicants have not completed any plans regarding the reorganization or consolidation of the customer call centers or the

reorganization of the distribution operations and have not identified any "best practices" they would seek to implement as a means of providing these benefits. (OCA Stmt. 1, pp. 17-18). The OCA also opined that a deterioration in customer service and reliability can be a real risk of the merger.

With regard to reliability, the OCA noted that on a company-wide basis, GPU's reliability performance has deteriorated over the last several years. Its system average interruption duration index (SAIDI) and its system average interruption frequency index (SAIFI) have shown deterioration in 1999.(9) The OCA claimed that, in 2000, there was some improvement in SAIFI, but SAIDI, as well as the customer average interruption duration index (CAIDI) again showed sharp deterioration. (OCA Stmt. 2, pp. 14-15). The OCA recommended adoption of a Service Quality Index (SQI) to improve reliability and to ensure that the Applicant's promise of improved reliability is delivered for the benefit of ratepayers. (OCA M.B., pp. 49-52; Appendix A, p. 1).

With regard to customer service, the OCA maintained that, although GPU has taken a regional management approach to call centers, FirstEnergy's regional management approach should provide a merger benefit because its track record is better. The OCA further maintained that GPU's regional consolidation, especially regarding its call center, has been unsatisfactory. (Tr., pp. 206, 208, 237-238, 263; OCA Stmt. 2-S, p. 10; Applicants' Rebuttal Stmt. 6, p. 12).

The standards of FirstEnergy's call center are higher than GPU's standards. It strives to answer 100% of calls within 60 seconds, while, in 1997,

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(9) SAIDI measures the duration of interruptions for an annual period and SAIFI measures the frequency of interruptions experienced by customers on average during an annual period. In all cases, a lower number would represent better performance. (OCA Statement 2, p. 14).

GPU's goal was to answer 85% of calls within 120 seconds. (Applicants' Rebuttal Stmt. 3, p. 24). Also, FirstEnergy's actual performance was better than GPU's. (Applicants' Rebuttal Stmt. 6, p. 12; OCA Stmt. 2-S, p. 10; Applicants' Rebuttal Stmt. 3, p. 24). FirstEnergy witness Mr. Carey averred that FirstEnergy should be able to bring its expertise in this area to GPU, and thereby improve GPU's performance. No Party disputed Mr. Carey's statement. Mr. Carey also testified about FirstEnergy's excellent call center performance in the midst of FirstEnergy's merger with Centerion and the beginning of retail competition in Ohio. (Applicants' M.B., p. 50).

The OCA was of the view that its proposed SQI would ensure that FirstEnergy's experience would help GPU's troubled call center performance.

The SQI proposed by the OCA measures reliability of service, customer call center performance, field operations such as cancellation of service and on-time appointments, customer complaint handling, compliance with Commission customer service regulation and safety performance. (R.D.,
p. 56' OCA St. 2, pp. 19-20). The OCA's witness Alexander described the operation of the SQI as comparing performance to a pre-established baseline standard. When performance falls below the standard, GPU would be required to reimburse customers for poor service quality by way of a one time credit or customer rebate. The rebate would be returned to customers on a pro-rata basis. Additional customer specific rebates would be appropriate for missed appointments or failure to install service in a timely manner. (OCA St. 2,
p. 20).

The OCA averred that other Commissions have established specific customer service reliability and improvement standards in merger proceedings to ensure that the promised benefit is delivered. In Re: Merger of PacifiCorp and Scottish Power, 196 PUR 4th 349 (Oregon 1999), the PUC of Oregon approved an

extensive customer service performance program as a means of providing benefits to customers. The OCA pointed out that the Massachusetts Commission now requires that all companies filing for approval of mergers or acquisitions include service quality plans as part of the filing. (OCA Stmt. 2, Exh. BA-1, p. 2).

The Applicants objected to the proposed SQI. (Applicants' M.B., pp. 50-51; R.B., pp. 20-25). The Applicants contend that the Commission's existing regulations adequately provide for performance standards and benchmarks that reflect historical levels of reliability in customer service. (Applicants' Rebuttal Stmt. 6, p. 4). Also, contended the Applicants, existing Commission regulations acknowledge the inherent variability of reliability performance from one year to the next, but the SQI proposed by OCA witness Alexander does not. Establishing a performance standard for reliability in service is premature in Pennsylvania since the Commission's existing regulations are relatively new. Finally, averred the Applicants, to the extent the SQI calculates penalties and does not recognize the possibility of a reward for good or exceptional quality, it is fundamentally unfair.

MEIUG/PICA urged that, as a condition of merger approval, the Applicants be required not merely to maintain the status quo, but to improve reliability and customer service above and beyond the levels currently required under Pennsylvania law and Commission orders. MEIUG/PICA maintained that GPU should be required to meet the benchmark standards for the GPU "Pennsylvania" jurisdiction, and for at least 75% of GPU's individual twelve operating areas in which it measures and reports performance. MEIUG/PICA further averred that the Applicants should be subject to penalties for failure to satisfy these standards. (MEIUG/PICA M.B., pp. 33-35).

IBEW/UWUA supported the SQI and noted that the Kansas State Corporation Commission requires that a utility implement a service quality plan as a condition of merger approval that was proposed by the OCA. (IBEW/UWUA M.B., pp. 17-22). Citizen Power and Representative George also supported implementation of the SQI.

2. ALJ'S RECOMMENDATIONS

The ALJ recommended adoption of the OCA's proposed SQI (1) to restore GPU's deteriorated reliability performance; (2) to prevent any slippage in this performance post merger owing to incentives to reduce costs; and (3) to ensure that FirstEnergy's experience will help GPU's troubled call center performance. (R.D., pp. 52-55).

Specifically, the ALJ noted that the OCA's SQI is designed to ensure that the merger does not result in deterioration in safety, reliability or customer service. It is also designed to ensure that the merged company achieves the improvements in these areas that the Applicants allege the merger will provide. The ALJ also opined that the SQI would guard against the incentives associated with any merger that may result in a reduction in O&M spending or a reduction in reliability and service quality.

The ALJ did not, however, recommend that the penalties and customer restitution included in the proposed SQI be self-executing. Instead, he recommended that they be considered guides for the Commission's consideration in any complaint brought as a result of the annual SQI report. (R.D., pp. 59-60).

3. EXCEPTIONS AND REPLY EXCEPTIONS

The OCA argues that the ALJ correctly recommended adoption of the OCA's proposed SQI. The OCA, however, excepts to the ALJ's recommendation to reject the self-executing penalties and customer restitution which are an integral part of effectuating the SQI. The OCA observes that the drive to produce merger savings and operational efficiencies might put pressure on the merged company to reduce O&M expenses. As a result, concludes the OCA, it is vital that this drive to reduce costs not result in a deterioration of service quality. (OCA Exc., p. 9).

Citizen Power also excepts to the ALJ's recommendations on the relevant issues, pointing out that the Applicants failed to offer any commitment to assure Pennsylvania customers that the merger would improve reliability and/or customer service. Additionally, Citizen Power excepts to the ALJ's failure to recommend implementation of the financial penalty aspects of the OCA's SQI proposal. Citizen Power opines that the ALJ's finding that the penalty aspects of the proposal should not be self-executing significantly "waters down" the effectiveness of the SQI program, by making the standards therein largely discretionary. (Citizen Power Exc., pp. 19-20).

The Applicants except to the ALJ's recommendation that a SQI be imposed. The Applicants argue that it is based on speculation, that a merger proceeding is not the proper forum for consideration of performance standards, and that the merged company should not be treated any differently than other EDCs in Pennsylvania. Applicants also aver that the ALJ incorrectly relied upon and mischaracterized various cases addressing SQI in merger proceedings. The Applicants further contend that the condition proposed by the OCA herein is premised upon the unsupported view that reductions in employee levels result in decreased reliability. The Applicants point out that those employees involved in functions that most directly impact reliability are not in the administrative

positions where duplications are most prevalent, and job cuts are most likely. (Applicants Exc., pp. 15-18).

4. DISPOSITION

On review of the statutory and case law, and on review of the evidentiary record herein, we are convinced that implementation of the SQI as modified by the ALJ to eliminate the self-executing penalties and customer restitution, will help to realize the Applicants' claimed merger benefit of improved customer service and reliability. The Code and extensive case law require a demonstration of an affirmative public benefit as a prerequisite to merger approval. We note in this regard that the Applicants have touted improved customer service and reliability as one area, indeed as the primary area, in which the merger will provide the required affirmative benefit, according to the dictates of the City of York, supra. Adoption of the SQI is in furtherance of the Applicants claim that customer service would improve as FirstEnergy and GPU pool their "best practices."

Furthermore, without the SQI or some other customer service and reliability measurement and enforcement mechanism, the Applicants' claimed public benefit of improved customer service would be illusory. However, we also agree with the ALJ that the penalties and customer restitution included in the proposed SQI need not be self-executing. (R.D., pp. 59-60). Instead, we conclude that the penalty and restitution provisions of the SQI should be considered only as guides for the Commission's consideration in any complaint brought before it as a result of the annual SQI report.

Accordingly, since we have concluded that addition of the SQI condition is critical before the instant merger may be found to be in the public

interest, the Applicants' Exception on this issue is denied. The OCA's Exception and Citizen Power's Exception are denied, for the reasons outlined above.(10)

H. MERGER SAVINGS AND EXTENSION OF THE REGULATORY RATE CAPS

The Applicants did not conduct or provide a detailed synergy study to identify merger savings. (Applicants' Stmt. 1, p. 11; OCA Stmt. 1, p. 34). Instead, the Applicants calculated merger savings based on data regarding reductions in non-generation operating and maintenance costs that generally occur in mergers. Testimony was presented that mergers typically lead to a reduction of five to fifteen percent of non-generation operating and maintenance costs, with the greatest savings achieved in mergers where, as here, utilities with adjoining service areas merge. (OCA Stmt. 1, p. 25). The Applicants opted to assume a five-percent reduction for purposes of the instant merger, resulting in an estimated savings of approximately $150 million for the combined company. (Applicants' Stmt. 1, p. 11).

1. POSITIONS OF THE PARTIES

The Applicants and IBEW/UWUA contended that merger savings should not be passed to ratepayers. They claimed that ratepayers will receive substantial benefit from aspects of the merger that do not include cost savings. In particular, the Applicants claimed that the merger will result in the mitigation of GPU's PLR obligations, and that the value of this mitigation will far exceed the estimated $150 million in cost savings. The Applicants and IBEW/UWUA further alleged that cost savings will ultimately be reflected in rates as they are adjusted in

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(10) We also adopt the ALJ's determination that a merger condition is not necessary with regard to the line crew worker training program propounded by the

the future. Under these circumstances, the Applicants and IBEW/ UWUA contended that it was unnecessary to pass cost savings to ratepayers. (M.B., p. 28, 54; Tr. 1149-1152).

The OCA, the OTS, MEIUG/PICA, Citizen Power, and the CAC maintained that it was proper to pass cost savings to ratepayers. The OTS and the CAC pointed out that Commission precedent supports passing such merger savings to ratepayers. (citing City of York, supra; In Re: DQE, Inc., supra.). The OCA further noted that the record demonstrated that the merger will bring substantial benefits to shareholders and that retention of cost savings will further add to those benefits. In contrast, the record was not clear regarding the benefits ratepayers will receive from the merger. The CAC noted that the lack of evidence provided by the Applicants regarding merger savings also made it impossible to determine if, in fact, cost savings would ultimately be reflected in rates as they are adjusted in the future.

Under these circumstances, the Parties maintained that it would be inequitable to deny ratepayers the benefit of merger savings. Moreover, given the paucity of evidence regarding merger benefits to anyone other than the shareholders, the Parties contended that unless merger savings were provided to ratepayers, the merger would not affirmatively promote the service, accommodation, convenience or safety of the public in a substantial way as required by City of York, supra. (OCA M.B., pp. 30-32, 53; MEIUG/PICA Stmt. No. 1 - Merger, p. 17; Citizen Power M.B., pp. 55-56).

Though the OCA, the OTS, MEIUG/PICA, Citizen Power, and the CAC agreed that merger savings should be returned to ratepayers, they differed

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Applicant and referenced in the Recommended Decision in relation to reliability and customer service. (R.D., pp. 60-62).

regarding the proper method for doing so. Given the lack of data supplied by the Applicants regarding merger savings, the OCA recommended an extension of the transmission and distribution rate caps for Met-Ed, Penelec, and Penn Power through December 31, 2007. (OCA M.B., pp. 30-32, 53).

The Applicants opposed the OCA's proposed rate cap extension, contending that Section D.7 of the Restructuring Settlement precluded a challenge to the transmission and distribution rate levels to which Met-Ed and Penelec are subject through December 31, 2004.

The OTS and MEIUG/PICA maintained that merger savings should be passed through to ratepayers via an immediate reduction in the rates of Met-Ed and Penelec. Citing Popowsky v. Public Utility Commission, 669 A.2d 1029 (Pa. Cmwlth. Ct. 1995) and National Fuel Gas Distribution Corporation v. Public Utility Commission, 464 A.2d 546 (Pa. Cmwlth. Ct. 1983), the OTS maintained that a failure to immediately reduce rates when merger savings were clearly identified would violate the requirement that utility rates be just and reasonable. The OTS proposed reductions to the competitive transition charge (CTC) each ratepayer pays for recovery of stranded costs. Alternatively, the OTS argued for a reduction in the distribution rate, an increase in the CTC collection rate, and maintenance of the existing cap rate. (OTS Stmt. 1-SR, p. 3; OTS M.B., pp. 33-39).

IBEW/UWUA contended that the recommendations of the OTS and MEIUG/ PICA should be rejected on the basis that a reduction in distribution rates would seriously impede the ability of Met-Ed and Penelec to provide safe and reliable service to the public. (IBEW/UWUA M.B., pp. 5-14, 29-32).

Citizen Power supported a condition that required GPU to flow back to ratepayers five percent of merger savings (based on the five percent reduction in non-generation operating and maintenance costs estimated by the Applicants), leaving GPU to devise an appropriate mechanism for doing so in consultation with the Parties. (Citizen Power M.B., pp. 55-56).

2. ALJ'S RECOMMENDATION

The ALJ recommended passing merger savings through to ratepayers by an extension of the transmission and distribution rate caps from December 31, 2004, to December 31, 2007. The ALJ reasoned that Commission precedent established that a transmission and distribution rate cap extension was a proper method to flow merger savings to ratepayers where an applicant failed to provide detailed information to the Commission regarding merger savings. (Citing, In Re:
Duquesne, R-00974104; R-00974104C0002-C0004; 89 Pa. PUC 1 (Opinion and Order) (May 29, 1998) (holding that a rate cap extension was proper where an applicant failed to provide detailed data to the Commission)).

3. EXCEPTIONS AND REPLY EXCEPTIONS

The Applicants except to the ALJ's recommendation that merger savings be returned to ratepayers via an extension of the rate cap on the basis that returning cost savings to ratepayers is unnecessary in this case given that: (a) the value that ratepayers will receive from other aspects of the merger will allegedly exceed the estimated $150 million in cost savings; and (b) cost savings will allegedly be reflected in rates as they are adjusted in the future.

Alternatively, the Applicants allege that even if it was correct for the ALJ to order merger savings to be shared with ratepayers, the ALJ erred in

utilizing an extension of the rate cap to do so. The Applicants allege that rate issues are not a proper subject of merger proceedings. The Applicants further claim that the extension would be arbitrary because the value of the extension cannot be determined. Finally, the Applicants allege that the extension is unfair because the ALJ failed to include a mechanism by which the Applicants can recoup investments made to obtain the cost savings and other related costs. (Applicants' Exc., pp. 18-19).

MEIUG/PICA rejoins that Met-Ed's and Penelec's current transmission and distribution revenues support rates of return that exceed the ten percent return on common equity that was determined to be reasonable in the Restructuring proceedings. The extension of the rate cap could perpetuate this condition. Under these circumstances, MEIUG/PICA contends that it would be inequitable to allow recovery of merger-related costs into the rate-making process. Kenneth Springirth asserts that the rate caps were not intended to allow GPU to recover costs or earn a specific return; rather, they were intended to ensure that ratepayers would be no worse off than before restructuring. Accordingly, those Parties contend that the Applicants must not be allowed to recover the costs to achieve the merger as an offset to the return of merger savings to ratepayers. (MEIUG/PICA R.Exc., pp. 9-13; Springirth Letter Exc.).

The CAC and Citizen Power support the ALJ's conclusion that merger savings should be shared with ratepayers, but except to the use of an extension of the rate cap to do so on the basis that the extension cannot guarantee that ratepayers will be provided with the annual savings of $150 million expected from the merger because the value of the extension cannot be determined. The CAC contends that the ALJ should have accepted its recommendation of an immediate rate reduction in order to ensure a return of 100% of merger savings to ratepayers. (CAC Exc., p. 3). Citizen Power contends that the ALJ should have

accepted its recommendation that the Applicants be required to devise an appropriate method by which the savings equal to the five percent reduction in non-generation operating and maintenance costs anticipated from the merger may be returned to ratepayers. (Citizen Power Exc., pp. 17-19).

The OCA, the OTS, MEIUG/PICA, PennFuture, and Kenneth Springirth support the ALJ's reasoning and recommendation that merger savings be shared with ratepayers via the rate cap extension. MEIUG/PICA further maintains that the record supports the conclusion that the Applicants have significantly understated savings in this case, justifying the rate cap extension as the minimum that must be implemented to ensure that ratepayers receive at least some of the merger savings. (OCA R.Exc., pp. 10-11; OTS R.Exc., pp. 3-5; MEIUG/PICA R.Exc., pp. 9-13; Springirth Letter Exc.; PennFuture R.Exc., pp. 20-21).

4. DISPOSITION

The record before us clearly demonstrates that the merger will provide significant benefits to shareholders. However, the record also demonstrates that a mechanism for passing merger savings through to ratepayers is necessary to ensure that the merger will not bring substantial, affirmative benefits, as required by City of York, supra.

We conclude that the lack of evidence regarding such issues as the specific role FirstEnergy will play in assisting the Companies, both monetarily and in terms of generation, in meeting their PLR responsibilities, and the quantification of merger savings that would flow to ratepayers makes it impossible, at this point, to approve the disposition of the merger savings. This

lack of clarity is all the more pressing when we consider the alleged generation funding shortfall of which GPU Companies complain.

Accordingly, the disposition of merger savings will be addressed in the collaborative on rate cap issues and the Exceptions of the Parties in this regard are held in abeyance.

I. COST TO ACHIEVE MERGER/ACQUISITION PREMIUM

1. POSITIONS OF THE PARTIES

Given that the Applicants specifically averred that they would not seek recovery of the acquisition premium from ratepayers, the acquisition premium was treated separately from other costs of acquisition.

The record established that FirstEnergy will pay an acquisition premium of approximately $1 billion to GPU shareholders. The OCA, MEIUG/PICA, and Citizen Power maintained that in order to ensure that ratepayers were not harmed by a future increase in rates related specifically to the acquisition premium, the Applicants should be directed, as a condition of the merger, not to seek recovery of the acquisition premium from ratepayers. (OCA M.B., pp. 32, 53; MEIUG/PICA M.B., pp. 19, 38-39). Additionally, Citizen Power proposed a requirement that the Applicants credit the portion of the acquisition premium attributable to Met-Ed and Penelec against customer rates to offset remaining stranded cost balances. (Citizen Power M.B., pp. 57-58).

Regarding other costs to achieve the merger, the OCA asserted that the Applicants should be required, for ratemaking purposes, to expense or amortize these costs over the same transmission and distribution rate cap extension

period that the OCA proposed be used to return a share of the merger savings to ratepayers. (OCA M.B., pp. 32-33). MEIUG/PICA, on the other hand, advocated a directive prohibiting the Applicants' from recovering costs to achieve from ratepayers, directly or indirectly, now or in the future. (MEIUG/PICA M.B., pp. 19-20).

The Applicants asserted that none of the above conditions were necessary. The Applicants argued that their promise not to seek recovery of any acquisition premium from their utility customers, as embodied in the testimony of Richard Marsh, FirstEnergy's Chief Financial Officer, was sufficient, by itself, to protect ratepayers from a future increase in rates related to the acquisition premium.

The Applicants further argued that costs to achieve the merger would not impact current customer rates because: (1) the Applicants did not intend to include merger-related costs in excess of merger-related savings as part of GPU's cost of service for ratemaking purposes; and (2) even if the Applicants decided to include merger-related costs in the rate-making process (for example, in response to a requirement that rates be reset to include a specific measure of estimated savings), the rate caps currently in place would sufficiently protect ratepayers' interests. (Applicants' M.B. pp. 29, 55).

2. ALJ'S RECOMMENDATION

The ALJ concluded that if rates were increased to allow the merged company to appropriate from Pennsylvania ratepayers its costs to achieve the merger, including its acquisition costs, the merger would detract from the service, accommodation, convenience or safety of the public in a substantial way, in violation of the standard set forth in City of York, supra. As a result, the ALJ concluded that the merger could only be approved if conditions were established that were capable of preventing such an outcome.

Accordingly, the ALJ recommended an ordering paragraph directing that the Applicants not seek to recover the acquisition premium from Pennsylvania ratepayers. Additionally, the ALJ recommended that the Applicants be required to expense or amortize the costs to achieve the merger over the same transmission and distribution rate cap extension that OCA proposed be used to return a share of the merger savings to ratepayers. According to the ALJ, the latter condition was necessary to prevent the Applicants from attempting to include the costs to achieve the merger in rate-making proceedings after the expiration of the rate cap.

3. EXCEPTIONS AND REPLY EXCEPTIONS

Citizen Power excepts to the ALJ's failure to adopt its recommendation that the acquisition premium be used to offset stranded costs. Citizen Power contends that it is inequitable to allow shareholders to recover stranded cost payments from ratepayers on the theory that the value of their assets cannot be recovered in the marketplace at the same time that the shareholders are receiving an acquisition premium that represents an above-market payment for the value of those same assets. (Citizen Power Exc., pp. 20-21).

The Applicants except to the ALJ's requirement that the costs to achieve the merger be written off. According to the Applicants, given the fact that the ALJ recommended that merger savings be shared with ratepayers through the extension of the transmission and distribution rate cap, the ALJ should also have recommended that the Applicants be allowed to include the costs to achieve the merger as part of GPU's cost of service for ratemaking purposes. (Applicants' Exc., p. 19).

4. DISPOSITION

We agree with and shall adopt herein the ALJ's recommendations that the merger include: (1) a condition that the acquisition premium associated with the merger not be recovered from the ratepayers of Met-Ed, Penelec, or Penn Power; and (2) a condition that the Applicants be required to expense or amortize the costs to achieve the merger over the same transmission and distribution rate cap extension period that the OCA proposed be used to return a share of the merger savings to ratepayers. These conditions will sufficiently ensure that the merger will affirmatively promote the service, accommodation, convenience or safety of the public in a substantial manner, as required by City of York, supra.

Regarding the Exceptions of Citizen Power, we find no support in the record for the proposition that utilizing the acquisition premium to offset stranded costs is either necessary to satisfy the standard established by City of York, or desirable under the circumstances of this case. Accordingly, we will deny the Exceptions of Citizen Power.

Regarding the Exceptions of the Applicants, we note that the issue of the disposition of merger savings has been held in abeyance and will be addressed in the collaborative on rate cap issues.

Accordingly, we will deny the Exceptions of the Applicants relative to this issue.

J. NUCLEAR/FOSSIL COST ISSUES

GPU, which has divested itself of its generating assets, is merging with a company which owns substantial nuclear and fossil generating stations.

1. POSITIONS OF PARTIES

The OCA maintained that the nuclear and fossil generating stations represented substantial risks to the service, accommodation, convenience or safety of the public. In support of this contention, the OCA pointed to the risk: (1) of extended outages, as well as liability for increasing decommissioning costs from the nuclear units; and (2) liability for substantial capital expenditures related to compliance with environmental rules and litigation brought by state attorneys general in New York and Connecticut and the U.S. Department of Justice from the fossil units. (OCA Stmt. 1, pp. 28-30; OCA M.B., pp. 33-34).

To ensure that the service, accommodation, convenience or safety of the public will not be adversely affected by costs and liabilities associated with FirstEnergy's nuclear and fossil generating stations, the OCA recommended as follows: (1) that GPU ratepayers should be responsible only for those nuclear costs and obligations that remained for GPU customers at the conclusion of the sale of the GPU assets and Penn Power ratepayers should not be responsible for any nuclear costs or obligations of GPU; and (2) there should be an unambiguous condition that the merged company would not divert capital budgeted to support programs at any of the Pennsylvania distribution companies to address problems at

a nuclear facility or other generating facilities. (OCA Stmt. 1, pp. 52-53; OCA M.B., pp. 33-34, 54).

The Applicants asserted that the foregoing conditions were unnecessary on the basis that these costs would allegedly be limited or prohibited through the normal ratemaking process. According to the Applicants, the recovery of decommissioning costs was already established in rates for all of the GPU and FirstEnergy electric utilities. The Applicants further asserted decommissioning costs, the related generating plants themselves, and the costs associated with them that were part of each utility's cost of service would not be changed or reallocated in the future without the express authorization of the appropriate regulatory commission. (Applicants' Rebuttal Stmt. 1, p. 12; Applicants' M.B., p. 29).

2. ALJ'S RECOMMENDATION

The ALJ concluded that if the merged company were able to foist the costs of FirstEnergy's nuclear and fossil fuel generating stations onto Pennsylvania ratepayers, the merger would detract from the service, accommodation, convenience or safety of the public in a substantial way, in violation of the standard set forth in City of York, supra. In this event, the merger would not be in the public interest because it would introduce significant and unreasonable risks to Pennsylvania consumers. As a result, the ALJ recommended that the merger be approved only if there is some guarantee that the costs of FirstEnergy's nuclear and fossil fuel generating stations will not be passed onto Pennsylvania ratepayers.

The ALJ opined that while the normal ratemaking process might limit or prohibit the merged company from placing the risks of FirstEnergy's nuclear and fossil plants on the Pennsylvania ratepayers, there was no guarantee

that the ratemaking process would do so. On the other hand, the ALJ concluded that the OCA's conditions were capable of guaranteeing that Pennsylvania ratepayers were protected from this harm. Therefore, the ALJ recommended that the OCA's conditions be adopted.

3. EXCEPTIONS AND REPLY EXCEPTIONS

The Applicants except to the ALJ's recommendation on the basis that it is too broad and needs to be clarified. The Applicants assert that if there is no clarification, GPU will be prevented from charging purchased power costs that include any recovery of nuclear costs or obligations to ratepayers. Further, the Applicants repeat their belief that the normal ratemaking process provides sufficient protections to Pennsylvania ratepayers, rendering the conditions recommended by the ALJ unnecessary. Finally, the Applicants contend that a condition that would prohibit diversion of capital from regulated operations to unregulated generation operations constitutes an impermissible attempt to micromanage the merged parent company's budgeting activities. (Applicants' Exc., pp. 19-20).

The OCA supports the ALJ's recommendation. Nevertheless, it does not oppose a clarification to the effect that GPU is not prevented from paying for any nuclear costs or obligations in its purchases, so long as the price paid is consistent with the rate caps, and after the rate cap period, is consistent with the statutory PLR price. (OCA R.Exc., pp. 11-12).

4. DISPOSITION

It is clear that if the merged company is able to transfer the costs of FirstEnergy's nuclear and fossil fuel generating stations from its unregulated

customers to Pennsylvania ratepayers, the merger will detract from the service, accommodation, convenience or safety of the public in a substantial way, in violation of the standard set forth in City of York, supra. Therefore, the Applicants must provide a guarantee that this will not occur before we will allow the merger to go forward.

Given the substantial public interest involved, the Applicants have not persuaded us that the normal ratemaking process is capable of providing this guarantee. Rather, we agree with the ALJ that a directive that the nuclear costs or obligations of FirstEnergy shall not be charged to the ratepayers of Met-Ed and Penelec is necessary. Accordingly, we will adopt the recommendation of the ALJ.

We note that in adopting this condition, we are not attempting to impermissibly "micro-manage" the merged company, as argued by the Applicants. Rather, we are seeking to ensure that Pennsylvania and its consumers realize substantial, affirmative benefits as a result of the merger, as we are statutorily required to do.

As stated previously, we may approve mergers only in those cases where applicants have demonstrated, by a preponderance of the evidence, that their merger will affirmatively promote the service, accommodation, convenience or safety of the public in a substantial manner. In cases in which a merger, as proposed, does not allow the applicants to sustain their burden, we may approve the merger only if we are able to devise just and reasonable conditions that will allow the applicants to sustain their burden. The condition proposed in this instance accomplishes this objective. Therefore, it is our statutory duty to impose this condition, or to deny the merger. The Applicants' argument that imposition of this condition was somehow improper or in violation of a common law duty to refrain from micromanagement is, therefore, without merit.

Finally, we note that it was not the intention of the ALJ to preclude GPU from recovery of purchased power costs that include costs related to nuclear generation so long as the costs incurred by GPU are consistent with the rate caps or the statutory PLR price. Moreover, protection of the public interest does not require such a preclusion. Therefore, we will grant the Applicants' request that we so clarify our condition.

Accordingly, we will deny in part, and grant in part the Applicants' Exception relative to this issue.

K. RESTRICTIONS ON INTER-COMPANY FINANCIAL/CREDIT ARRANGEMENTS AND AFFILIATE TRANSACTIONS

1. POSITIONS OF PARTIES

The OCA contended that the Applicants failed to present details regarding the structure and operation of the merged company sufficient to establish that the public interest would not be harmed as a result of the merger. Due to this alleged lack of necessary detail, the OCA asserted that we should adopt certain of its proposed conditions regarding the merged company's financial and credit structure and affiliate transactions. (OCA Stmt. 1, p. 6; OCA M.B., pp. 34-35). Specifically, the OCA asserted that to bring about the merger, the Applicants would incur an increased level of debt from the external financing of the merger. If increased capital costs resulted from the increased level of debt, the OCA hypothesized that this could ultimately lead to increased rates for GPU ratepayers. (OCA Stmt. 1, p. 27). The OCA asserted that to prevent this outcome, it is necessary to impose certain restrictions on the merged company's ability to structure its inter-company financial and credit transactions.

The Applicants maintained that the conditions recommended by the OCA were unnecessary because the record established that the FirstEnergy corporate structure following the merger would be consistent with the pre-existing GPU corporate structure. FirstEnergy would become a registered public utility holding company under the Public Utility Holding Company Act of 1935. Therefore, Met-Ed and Penelec would continue to function as operating utility companies under a holding company structure subject to the same rules and regulations regarding financial and affiliate arrangements that were applicable to GPU (the current registered holding company for Met-Ed and Penelec). According to the Applicants, these rules and regulations were sufficient to protect the public interest. (Applicants' Stmt. 1, p. 6; Applicants' M.B., pp. 30-31).

2. ALJ'S RECOMMENDATION

In regard to inter-company financial and credit transactions, the ALJ noted that such transactions were already subject to the prior approval of the SEC under the Public Utility Holding Company Act and/or Commission authority under the Code. The ALJ further observed that the record established that almost all of Met-Ed's and Penelec's utility properties were subject to the liens of their first mortgage bond indentures. Therefore, as a practical matter, they were currently incapable of pledging that property. (Applicant's Rebuttal Stmt. 2, pp. 4-5).

In regard to affiliate transactions, the ALJ noted that as part of base rate proceedings, costs for shared services have historically been scrutinized by the Commission. Furthermore, he observed that this Commission has reviewed and approved amendments to the activities and transactions between utility affiliates under Section 2102 of the Code, 66 Pa. C.S. Section 2102, (requiring arrangements

among affiliated interests to be filed and approved) and Section 1102 of the Code, 66 Pa. C.S. Section 1102.

Accordingly, the ALJ determined that the conditions proposed by the OCA were not necessary to ensure that the merger would affirmatively promote the service, accommodation, convenience or safety of the public in a substantial manner. Accordingly, he recommended that the OCA's proposed conditions be rejected.

3. EXCEPTIONS AND REPLY EXCEPTIONS

The OCA excepts to the ALJ's failure to impose its recommended conditions on the basis that the record allegedly fails to establish that the merged company's financial, credit, and affiliate transactions will be subject to either SEC or Commission regulation. The OCA further asserts that its conditions are necessary because, even if such transactions are subject to Commission regulation, GPU will not undergo base rate scrutiny until 2007. (OCA Exc., pp. 9-10).

4. DISPOSITION

Preliminarily, we note that the conditions recommended by the OCA would be appropriate only if the absence of these conditions prevents the merger from affirmatively promoting the service, accommodation, convenience or safety of the public in a substantial manner. (City of York, supra.). In this instance, we are not persuaded that the absence of the conditions recommended by OCA prevents the merger from conforming with the City of York standard.

The record establishes that following the merger, FirstEnergy will replace GPU as the registered public utility holding company for Met-Ed and Penelec. As a consequence, Met-Ed and

Penelec will continue to function under a holding company structure subject to the same rules and regulations regarding financial and affiliate transactions that were applicable prior to the merger. (Applicants' Stmt. 1, p. 6; Applicants' M.B., pp. 30-31). Under these circumstances, there is no basis for concluding that the merged company's new structure will subject the public to a potential harm that is substantially different than that to which the public interest was subjected under the old structure.

As a consequence, given the fact that the merger of the GPU Companies is desirable from several standpoints, and that the conditions that we adopt in other sections of this Opinion and Order ensure that the merger will affirmatively promote the service, accommodation, convenience or safety of the public in a substantial manner, we conclude that there is no basis for requiring the instant OCA-proposed condition.

Accordingly, we will deny the Exceptions of the OCA relative to this issue.

L. JURISDICTIONAL ISSUES (SEC PREEMPTION)

1. POSITION OF THE PARTIES

The OCA contended that the Applicants' failure to present details regarding the structure and operation of the merged company, combined with the fact that the merged company would be a registered holding company subject to SEC requirements, raised the possibility that the merged company would seek to evade this Commission's jurisdiction by structuring itself so that it could claim federal preemption. (OCA M.B., p. 34). As a result, the OCA asserted that certain conditions proposed by it were required to ensure that the merger would be

capable of affirmatively promoting the service, accommodation, convenience or safety of the public in a substantial manner.

The Applicants maintained that the conditions recommended by the OCA were unnecessary because Met-Ed and Penelec would continue to function as operating utility companies under a holding company structure subject to the same rules and regulations that were applicable prior to the merger. According to the Applicants, these rules and regulations were sufficient to protect the public interest. Additionally, the Applicants asserted that this Commission had no statutory authority to condition the merger on acceptance of these conditions. (Applicants' Stmt. 1, p. 6; M.B., pp. 29-31).

2. ALJ'S RECOMMENDATION

The ALJ concluded that the ability of the merged company to structure itself in a manner so as to evade regulation by this Commission would prevent the merger from affirmatively promoting the service, accommodation, convenience or safety of the public in a substantial manner, as required by City of York, supra. Therefore, the ALJ recommended that the merger be approved only if protections were provided that prevented the above scenario from occurring. Accordingly, he recommended that the conditions advocated by the OCA be adopted.

3. EXCEPTIONS AND REPLY EXCEPTIONS

The Applicants except to this recommendation, arguing that the Commission would, by adoption, impermissibly expand its jurisdiction beyond its statutory mandate. Also, Applicants contend that they would be forced to concede a jurisdictional issue in order to obtain a Certificate of Public Convenience.

In reply to this Exception, the OCA rejoins that the proposed conditions do not extend this Commission's jurisdiction, rather, they merely clarify that the Applicants will not seek to limit this Commission's regulatory jurisdiction through corporate structures or SEC regulation. The OCA further notes that the Applicants were required to give this assurance to FERC to receive merger approval. (citing In re: Ohio Edison, 94 FERC PARAGRAPH. 61,291, slip op. pp. 13-14 (March 15, 2001)). (OCA R.Exc., pp. 12-13).

4. DISPOSITION

As we observed in our previous discussion of inter-company financial, credit and affiliate transactions, there is no basis for concluding that the merged company's new structure will subject the public interest to a harm that is substantially different than that to which the public interest was subjected under the old structure. This is true so long as we assume that Met-Ed and Penelec will continue to function under a holding company structure subject to the same rules and regulations that were applicable prior to the merger.

However, we note that if the merged company is given the ability to structure itself in a manner so as to evade regulation by this Commission, Met-Ed and Penelec will not continue to function under the same rules and regulations that were applicable prior to the merger. Therefore, it follows that if the merged company is allowed to structure itself in a manner that will provide it with a federal preemption, the merger will subject the public to a potential harm that is substantially different from that to which the public interest was subjected under the old structure - namely the removal of this Commission's protections.

We believe that it is axiomatic that removal of this Commission's protections as a result of the merger will prevent the merger from affirmatively promoting the service, accommodation, convenience or safety of the public in a substantial manner, as required by City of York, supra. Because the Applicants have not established that the merger, as proposed, will prevent the merged company from evading our jurisdiction, we conclude that we are statutorily authorized to approve the instant merger only if we are able to devise just and reasonable conditions that will prevent the merged company from eluding our jurisdiction.

Under these circumstances, we conclude that in order to comply with the standard set forth in City of York, supra., the merged company must agree to the following conditions: (1) that it will not assert a defense that an SEC determination preempts this Commission's jurisdiction; and (2) that it will adhere to Chapters 11 and 21 of the Code in the same manner as the existing obligations of Met-Ed and Penelec. We note that the merged company's compliance in this regard will not serve to expand our authority beyond our statutory mandate, rather, it ensures that we will be able to protect the interests of this Commonwealth, as we are required to do under the Code.

Accordingly, we will deny the Applicants' Exceptions on this issue, and adopt the relevant conditions as recommended by the ALJ.

M. INTER-COMPANY PENSION FUNDS (11)

1. POSITIONS OF THE PARTIES

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(11) We note that this issue is further addressed in, and modified by, our subsequent determinations in the PLR proceeding, to be issued under separate Opinion and Order. 12 We note that this issue is further addressed in, and modified by, our subsequent determinations in the PLR proceeding, to be issued under separate Opinion and Order.

MEIUG/PICA and IBEW/UWUA asserted the that pension overfunding allowed GPU to recognize pension income, rather than pension expense, in its transmission and distribution revenue requirement. As a result, they maintained that a transfer or withdrawal of the pension overfunding from GPU would increase GPU's revenue requirements for pension funding in GPU's next distribution rate proceeding, allowing FirstEnergy to benefit its non-regulated customers to the detriment of Pennsylvania ratepayers. They further maintained that a consolidation of GPU's pension overfunding would similarly allow FirstEnergy to transfer merger-related pension obligations from its non-regulated entities to Pennsylvania ratepayers. Consequently, MEIUG/PICA and IBEW/UWUA contended that FirstEnergy should be prohibited from transferring, consolidating, or withdrawing GPU's pension overfunding. (MEIUG/PICA Stmt. 1S - Merger, pp. 6-8; MEIUG/PICA M.B., pp. 42-43; IBEW/UWUA M.B., pp. 33-34).

The Applicants contended that such a condition was unnecessary because: (1) no evidence was presented that FirstEnergy intended to raid GPU's pension plan; and (2) federal law placed stringent conditions on a plan sponsor's ability to access pension plan funds. (Applicant's Rebuttal Stmt.
2., pp. 9-13).

2. ALJ'S RECOMMENDATION

Based on the evidence presented, the ALJ concluded that the transfer, consolidation or withdrawal of GPU's overfunding as a result of the merger would detract from the service, accommodation, convenience or safety of the public in a substantial way, in violation of the standard set forth in City of York, supra. As a result, the ALJ recommended that the merger be approved only if Pennsylvania ratepayers were provided a guarantee that the overfunding would not be transferred, consolidated, or withdrawn.

The ALJ noted that evidence was entered into the record that, although difficult, it was possible under federal law to combine and restructure pension trust funds within a consolidated group. Consequently, he concluded that federal law could not prevent FirstEnergy from shifting the pension burdens of its non-regulated affiliates onto the ratepayers of Met-Ed and Penelec. (MEIUG/PICA Stmt. 1S - Merger, pp. 6-7; Applicants' Rebuttal Stmt. 2, p. 12).

Accordingly, first the ALJ recommended that the merged company be directed to not (a) transfer the regulated pension fund assets of Met-Ed or Penelec to FirstEnergy; (b) commingle the regulated pension fund assets of Met-Ed or Penelec with those of FirstEnergy; or (c) withdraw the excess pension funding of Met-Ed or Penelec. Second, he recommended that the merged company be required to establish separate pension trust funds for its regulated companies and place in each fund the company's pension assets and obligations as they existed at the time of the merger, subject to review of the Parties to the merger proceeding. Finally, the ALJ recommended that the merged company be prohibited from allowing additional pension fund obligations or costs incurred in conjunction with the merger to diminish the value of the excess pension funding as it existed at the time of the merger.

3. EXCEPTIONS AND REPLY EXCEPTIONS

The Applicants except to the ALJ's recommendation on the basis that it is not necessary to place any conditions on the transfer, consolidation, or withdrawal of pension overfunding because: (1) there allegedly has been no credible or probative evidence showing that rates are, or will be adversely affected by combining pension fund assets and (2) federal law allegedly protects the interests of GPU and Pennsylvania ratepayers in this case. The Applicants further

allege that this Commission has no authority to condition the merger on acceptance of this condition because: (1) this Commission may not adversely impact FirstEnergy's management prerogatives and (2) the Commission may address pension funds only in the context of its ratemaking function.

Finally, the Applicants allege that the condition requiring FirstEnergy to establish separate pension trust funds for its regulated companies would constitute a detriment to employee participants because: (1) segregated assets must be invested separately, leading to a slower growth rate than that which could be accomplished through pooling the funds of all affiliates; and (2) maintaining separate funds will likely increase the cost of fund administration. (Applicants' Exc., pp. 6-10).

MEIUG/PICA reiterates that a merger condition limiting the Applicants' use of significant GPU pension overfunding is necessary to protect the public interest. (MEIUG/PICA R.Exc., pp. 3-7).

4. DISPOSITION

We note that credible evidence was presented that, as a result of significant overfunding, GPU recognizes pension income, rather than pension expense, in its transmission and distribution revenue requirement. (Tr. 765). As GPU's pension overfunding increases, GPU's need to fund its pension funds decreases. We also note that if the pension overfunding is diminished, GPU's revenue requirements for pension funding will increase, which will, in turn, be reflected in GPU's next distribution rate proceeding. (MEIUG/PICA Stmt. 1 - Merger, pp. 7, 26).

Therefore, we conclude that the conditions recommended by the ALJ will guarantee that FirstEnergy will not be able to utilize the pension overfunding in a manner detrimental to Pennsylvania ratepayers. Accordingly, we will adopt these conditions.

We will deny the Applicants' Exceptions relative to this issue.

N. ACCESS TO BOOKS AND RECORDS

1. POSITIONS OF THE PARTIES

The OCA contended that following the merger, it was possible that the records of the merged companies would be stored in locations outside of Pennsylvania, making it more difficult for Commonwealth agencies to access them, which, in turn, would hamper regulatory oversight of the merged corporation. The OCA claimed that as a result of this possibility, conditions should be imposed on the merged company. (OCA M.B., pp. 57-58).

The Applicants maintained that the proposed conditions were unnecessary. The Applicants observed that the fact Met-Ed and Penelec were subsidiaries of GPU, which had its headquarters in another state, had not precluded access by this Commission or other parties to any documents needed for regulatory review or action, wherever the physical location of those documents. (Applicants' M.B., p. 60).

2. ALJ'S RECOMMENDATION

The ALJ concluded that the conditions proposed by OCA were not necessary to ensure that the merger would affirmatively promote the service, accommodation, convenience or safety of the public in a substantial manner. Accordingly, he recommended that the conditions not be adopted.

3. EXCEPTIONS AND REPLY EXCEPTIONS

The OCA excepts to the ALJ's failure to adopt its recommended conditions on the basis that the Applicants' failure to present specific details regarding the structure and operation of the merged company, particularly its plans for its offices in Pennsylvania, would weigh against a conclusion that the merged company's records will be accessible by Commonwealth agencies. (OCA Exc., pp. 9-10).

4. DISPOSITION

We note that we are statutorily authorized to adopt the conditions recommended by the OCA only if the absence of these conditions prevents the merger from affirmatively promoting the service, accommodation, convenience or safety of the public in a substantial manner. (City of York, supra.). We are not persuaded that the absence of the conditions recommended by the OCA in this instance prevents the merger from conforming with the City of York standard.

It is well-established that, pursuant to Sections 505 and 506 of the Code, 66 Pa. C.S. Sections 505, 506, a public utility has an absolute statutory obligation to cooperate in any Commission inspection, examination, inquiry, or investigation and that this duty includes the obligation to respond to requests for data. See, e.g.,

PUC v. Wilbar Realty, Co., Inc., 1998 Pa. PUC Lexis 84 (Opinion and Order) (January 16, 1998); In re: Section 506 Request of the United Telephone Company of Pennsylvania, 1995 Pa. PUC Lexis 11 (Order and Opinion) (April 5, 1995); In re: Section 516 Management Audit of Bell-Atlantic Pennsylvania, 1994 Pa. PUC Lexis 79 (Opinion and Order) (December 16, 1994); In re: Revision to Chapters 1, 3, and 5 of Title 52 of the Pennsylvania Code Pertaining to Practice and Procedure Before the Commission, 1988 Pa. PUC Lexis 372 (Opinion and Order) (August 5, 1988).

Accordingly, we conclude that this statutory obligation adequately protects the public interest in ensuring access to the records of the merged company. Accordingly, we will deny the OCA's Exceptions relative to this issue.

O. PENNSYLVANIA PRESENCE

1. POSITIONS OF THE PARTIES

To preserve the benefit of GPU's participation and presence in the communities in which it serves, the OCA recommended that the Commission ensure that the Applicants will maintain levels of community support consistent with their past practices. The OCA also wishes to ensure that the Applicants will retain a headquarters in Pennsylvania, with an appropriate level of management employees at this headquarters.

2. ALJ RECOMMENDATION

The ALJ found the OCA's proposed condition to be reasonable and he recommended that we adopt it. (R.D., p. 83).

3. EXCEPTIONS AND REPLY EXCEPTIONS

The Applicants except to the ALJ's recommendation that the merger be conditioned on their commitment to maintain levels of community support consistent with the past practices of GPU. The Applicants also seek clarification of the condition regarding the retention of a headquarters in Pennsylvania. The Applicants contend that these conditions are vague and moreover, inappropriate, as they address wholly discretionary matters and are not indicative of any merger flaw.

The Applicants first argue that community support is a purely discretionary activity and is not subject to Commission regulation. Nonetheless, the Applicants aver that FirstEnergy intends to maintain the levels of charitable commitments of GPU for at least the next three years. The Applicants note that although FirstEnergy's corporate headquarters are to remain in Akron, Ohio, both FirstEnergy and GPU have individually implemented a corporate structure that places management authority, decision-making, and accountability at the regional level to ensure that the needs of their customers will be met. (Applicants' Exc., pp. 22-24).

In its Reply Exceptions, the OCA rejoins that the merger could negatively impact the local communities served by GPU if the company changes its present commitments or presence. The OCA argues that although the Applicants indicated that steps would be taken to ensure continuing community

support, a condition to that effect must be added to the Merger Agreement in order to guarantee that Pennsylvania's communities will bear no risk. The OCA clarifies its request regarding the Applicants' corporate headquarters by stating that it does not object to a modification of this condition so as to change the term "corporate headquarters" to "regional offices," because it was not the OCA's intention to suggest that the Applicants relocate their corporate headquarters. (OCA R. Exc., p. 13).

4. DISPOSITION

We disagree with the Applicants' position that the Commission has no authority to impose the aforementioned conditions on this merger. (See City of York, supra.). Moreover, the benefits and detriments of a merger will be measured under the public interest test as they impact on "all affected parties." Middletown Twp., supra.

We note that, regarding the instant issue, a change in the merged company's community support and intrastate managerial presence would likely have a negative impact on Pennsylvania ratepayers and on the communities served by GPU. We therefore conclude that in order to protect the public interest, the merged company shall maintain at least the current GPU level of community support programs for the three years following the merger. Furthermore, noting the congruity of the Applicants and the OCA on the issue of retaining headquarters in Pennsylvania, we direct that the merged company will retain regional offices, with an appropriate level of management employees, in Pennsylvania.

Accordingly, the Applicant's Exception on this issue is denied.

P. PENNSYLVANIA ECONOMIC DEVELOPMENT

1. POSITIONS OF THE PARTIES

GPU developed a number of programs designed to attract commercial enterprises to Pennsylvania and recently won awards from the American Economic Development Council and the Northeastern Economic Developers Association for its economic development initiatives. The OCA noted that the Applicants have not indicated what their intentions are in respect to these programs and initiatives. The OCA averred that without a commitment to these programs, Pennsylvania could be harmed by the merger. The OCA recommended that the Commission require GPU to sustain at least its current levels of economic initiatives. (OCA Stmt. 1, p. 51, OCA M.B., pp. 37-38, 59).

2. ALJ RECOMMENDATION

The ALJ concluded that economic development in the GPU territory benefits its customers, Pennsylvania's economy, and GPU. The ALJ recommended that the merged company be directed to maintain at least the current GPU level of economic development initiatives for the three years following the merger, and, thereafter, that GPU be directed to maintain a level of economic development comparable to its economic development efforts in Ohio. (R.D., pp. 84-85).

3. EXCEPTIONS AND REPLY EXCEPTIONS

The Applicants except to the ALJ's recommendation of the merger condition requiring the merged company to maintain GPU's current levels of economic development. The Applicants contend that economic development

programs are clearly within the discretion of the company as they depend on the financial health of the company. (Applicants' Exc., pp. 25-26).

In its Reply Exceptions, the OCA reiterates that a diminution of economic development initiatives by the merged company could harm Pennsylvania. The OCA notes that the ALJ's recommendation that the merged company maintain economic development in Pennsylvania does not address the merged company's economic development initiatives in terms of dollar amounts, but, instead, addresses the level of effort to be exerted by the company. (OCA R. Exc., p. 14).

4. DISPOSITION

We disagree with the Applicants' position that the level of the merged company's economic development initiatives post-merger is wholly within the company's discretion. As previously stated, pursuant to the holding in City of York, supra, the Applicants, as the proponents of this merger, have the burden of proving that the merger will affirmatively promote the public interest. If GPU's economic development initiatives are reduced as a result of this merger, the merger could be a significant detriment to Pennsylvania.

Therefore, in order to ensure that critical economic development is not transferred out-of-state, we will direct that the merged company maintain at least the current GPU level of economic development initiatives for the three years following the merger. We believe that this condition sufficiently protects the public interest without unduly encroaching upon the company's corporate discretion.

Q. EMPLOYEE ISSUES(12)

1. POSITIONS OF THE PARTIES

The Applicants asserted that the merger will offer expanded opportunities to GPU employees for career advancement and professional growth. FirstEnergy pledged to honor the terms of all existing GPU union contracts and reiterated its commitment to ongoing employee safety training and the training of a skilled electrical workforce in GPU's service territory. (Applicants' Stmt. 1, pp. 9-10) (Applicants' Rebuttal Stmt. 1, pp. 6-7).

GPU's Pennsylvania unions expressed their approval of the merger. The unions, however, urged that the merger not be approved unless the Applicants provide a detailed list of job cuts by company, function, and job title, and that the Applicants specify how any employment reduction will be achieved. (IBEW/UWUA, Exh. No. 4; Tr., p. 1407) (IBEW/UWUA M.B., pp. 15, 34).

The OCA averred that without a detailed synergies study by the Applicants, the Commission is unable to determine the impact of the merger on employees and jobs in Pennsylvania. The OCA recommended that the following conditions be imposed so that the Commission can determine the need for programs such as outplacement services and educational/retraining reimbursement to mitigate the effects of job losses, or else to determine whether involuntary layoffs should be prohibited during a specified period after completion of the merger:

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(12) We note that this issue is further addressed in, and modified by, our subsequent determinations in the PLR proceeding, to be issued under separate Opinion and Order.

- A clear statement of the Applicants' plans prior to the issuance of a final decision, specifically, their plans to achieve the projected labor costs savings.

- A detailed list of job cuts by company, by function, and by job title to enable the Commission to determine whether Pennsylvania will bear a disproportionate share of job cuts

- Notice of how job cuts will be achieved; i.e. layoffs, early retirement programs, or attrition.

(OCA Stmt. 1, p. 35).

2. ALJ RECOMMENDATION

The ALJ recommended the adoption of the OCA's proposal without the condition that the Applicants submit their plans for job cuts to the Commission before the issuance of a final order. The ALJ found a pre-order condition to be impractical and instead recommended that the Applicants be directed to submit their plans for job cuts to the Commission within thirty days of the entry of the final order. (R.D., p. 87).

3. EXCEPTIONS AND REPLY EXCEPTIONS

The Applicants except to the ALJ's recommendation requiring them to file a detailed plan, within sixty days of any Commission order, describing their projected labor cost savings, describing how the job cuts will be achieved, and listing job cuts by company.(13) The Applicants argue that such measures are not necessary to remedy any known or potential merger risk and would place the Commission in the role of a "super board of directors". The Applicants further

(13) The ALJ recommended that the Applicants file this plan within thirty days. (R.D., p. 87).

argue that because there has been no evidence indicating a demonstrative harm or reasonable potential for harm, this condition is unreasonable, and that imposition of this condition would be beyond the Commission's lawful authority. (Applicants' Exc., pp. 10-13).

In its Reply Exceptions, the OCA rejoins that the ALJ's recommendation is reasonable given the evidence of record, and should be adopted. The OCA states that without a detailed synergies study that identifies where merger savings will be realized, it is impossible to assess the impact that the merger will have on system reliability and on Pennsylvania's economy due to job losses. (OCA R. Exc., pp. 5-6).

4. DISPOSITION

After consideration of this issue, we direct that within sixty days of the effective date of the merger, the merged company shall file a detailed plan of how it will achieve projected labor cost savings. The plan shall also include a detailed list of job cuts by company, by function, and by job title. This will allow us to determine whether Pennsylvania would bear a disproportionate share of job cuts. The plan shall specify how the job cuts will be achieved, through layoffs, early retirement programs, or attrition. The plan shall include detailed information concerning any programs that the merged company will use to minimize the impact of any work force reductions on their employees, including, but not limited to, the provision of outplacement services, educational or retraining reimbursement, early retirement, and severance benefits.

The above enunciated conditions are not an attempt to manage the utility, rather they are a means of ensuring that the merger meets the criteria for

protecting the public interest set forth by the Pennsylvania Supreme Court in City of York, supra.

Accordingly, the Applicants' Exception on this issue is denied.

R. ENVIRONMENTAL ISSUES - DEMAND SIDE & RENEWABLE ENERGY

1. POSITIONS OF THE PARTIES

The Applicants averred that they are pursuing the following demand side/renewable energy initiatives:

- GPU pilot programs that include installation of photovoltaic and solar water heating systems in low-income housing.

- Met-Ed and Penelec tariff provisions to promote the use of renewable energy and compensate customers for monthly deliveries of energy to the Companies.

- Met-Ed and Penelec Sustainable Energy Funds with $12.1 million in initial funding and an ongoing credit of .01 cents per kWh beginning on January 1, 2005. Disbursements promote the development and use of renewable/clean energy technologies, energy conservation/efficiency, sustainable energy business and service territory projects to improve the environment.

(Applicants' M.B., pp. 35-36).

The CAC asserted that any approval of the merger should contain provisions for the development of renewable energy sources. The CAC submitted that the merger should be conditioned on the Applicants' funding of two streams of wind power: (1) a disbursement to the GPU Sustainable Energy Fund of

$10 million for wind production grants which would provide direct financial support for wind farm construction; (2) a disbursement of $3 million to establish a wind block marketing program in GPU service territories. In addition, the CAC requested three years of $1.5 million funding for renewable energy consumer education programs. The CAC urged the Commission to require revision and promotion of Rider J, Renewable Energy Development Rider.

The CAC asserted that the Rider must be revised because it currently allows GPU to charge transmission and distribution fees for both kilowatts taken from the grid and kilowatts generated on-site, an ongoing disincentive to self-generation. The CAC also supported a rate incentive program to encourage businesses to implement results of energy audits. The CAC opined that a 50% increase in the Low Income Usage Reduction Program (LIURP) is a modest measure to diminish demand increases, and could easily be funded in light of merger savings. (CAC M.B., pp. 24-27, 30).

As a condition of the merger, PennFuture proposed that $50 million should be transferred to a statewide sustainable development fund to support renewable energy. Of this amount, argued PennFuture, not less than $500,000/year for five years should be allocated for renewable energy education, and not less than $20 million should be allocated to support new wind investment in Pennsylvania. (PennFuture Stmt. 1, pp. 3, 12-13).

2. ALJ RECOMMENDATION

The ALJ recommended that we reject the CAC's recommendations regarding wind generation, noting that this proceeding is not an industry-wide investigation into the merits of wind generation. The ALJ also recommended that we reject the CAC's proposal for the photovoltaic program, noting that it is a pilot

program that has not been fully implemented and evaluated. The ALJ further proposed that we reject the CAC's proposed changes to Rider J, Renewable Development Rider. The ALJ noted that GPU currently provides for net metering in its service territories and that the current interconnection standards have been revised to reflect less burdensome requirements on inverter-based technologies.

The ALJ noted that GPU supports the formation of statewide uniform interconnection requirements by participating in the Commission's interconnection requirements working group. The ALJ proposed that we reject the CAC's proposal of a $4.5 million consumer education program, finding that the CAC had failed to provide a basis for the expenditure, had failed to quantify any anticipated benefits to customers, and had failed to address cross-subsidization issues. The ALJ found that there was no basis for imposing further demand-side conditions such as an increase in LIURP funding. (R.D., pp. 88, 93-95).

3. EXCEPTIONS AND REPLY EXCEPTIONS

The CAC excepts to the ALJ's recommended rejection of its proposed conditions to the merger, including renewable energy and demand-side issues such as funding increases for LIURP and appliance rebate programs. The CAC submits that the ALJ erred by concluding that no connection exists between the merger and proposed expenditures for wind and solar power, especially where the Applicants plan to run their pollution producing coal-fired power plants at higher capacities. The CAC also excepts to the ALJ's recommended rejection of improvements to the Renewable Energy Development Rider, and of the proposal to fund renewable energy public education. (CAC Exc., pp. 5, 7-8).

PennFuture and Citizen Power also except to the ALJ's recommendation that there is insufficient evidence to support a condition to the

merger that would require the Applicants to provide $50 million to support cleaner and renewable energy. Citizen Power argues that the Applicants should be required to develop at least two 10 to 15 MW wind farms in GPU operating territories, and should be required to invest a total of $2 million in photovoltaic roof top installations in the same territories. (PennFuture Exc., p. 28; Citizens Power Exc., pp. 26-27).

4. DISPOSITION

After consideration of this issue, we adopt the ALJ's recommendations regarding the proposed demand-side and renewable energy conditions in their totality. We reach this conclusion because neither the CAC nor PennFuture has established a connection between the merger and the need for the additional expenditures related to demand-side and renewable energy issues. We recognize that the Applicants' existing and planned renewable energy programs were not developed as elements of the merger proposal. However, the potential for the improved financial strength of the merged company increases the likelihood that these efforts will be sustained and further developed in the future. While we encourage the Applicants to actively consider demand-side responses and other resources in the future, consistent with the efforts of the Commission Demand Side Response Working Group, we agree with the ALJ that it is inappropriate for us to condition approval of the merger on such further commitments.

Accordingly, the Exceptions of CAC, PennFuture, and Citizen Power on this issue are denied.

S. CLEAN AIR PROVISIONS

1. POSITIONS OF THE PARTIES

Citizen Power argued that the Applicants have not satisfied their burden of showing that the merger will not have an adverse effect on the environment of the Commonwealth. Citizen Power stated that the merger will adversely affect Pennsylvania's air quality due to increased output from FirstEnergy's Sammis and Mansfield plants. Also, there is a pending Department of Justice (DOJ)/Environmental Protection Agency (EPA) suit alleging violations of the Clean Air Act and the Ohio State Implementation Plan by FirstEnergy's Sammis Station. These factors point to a potential significant risk to the public in Pennsylvania. Citizen Power proposed that the Applicants be required to resolve the issues related to the DOJ/EPA lawsuit as a precondition to merger approval. Citizen Power further proposed that the Applicants be required to install the best available control technology at all of its coal-fired units on a specific timetable. (Citizen Power M.B., pp. 41, 44-45, 47, 62).

The CAC recommended that merger approval be conditioned on the Applicants' settlement of its federal lawsuit with the EPA. The lawsuit alleges that FirstEnergy's Sammis plant did not fulfill "New Source Review/Prevention of Significant Deterioration" pollution control technology upgrades at the time the plant underwent major modifications. The CAC submitted that FirstEnergy's failure to upgrade the plant could harm Pennsylvania residents who may be affected by transported pollution emissions. The CAC further submitted that, in light of the Applicants' plans to increase capacity at Sammis to meet PLR needs, protracted litigation with the EPA would not be in the public interest. (CAC M.B., p. 29). PennFuture also asserted that the merger should be conditioned on FirstEnergy settling the DOJ/EPA lawsuit regarding the Sammis Station plant in Ohio. (PennFuture Stmt. 1, pp. 3, 9-12).

2. ALJ RECOMMENDATION

The ALJ concluded that the instant merger proceeding is not the proper forum in which to litigate the DOJ/EPA lawsuit. He also concluded that the financial risk FirstEnergy runs due to the lawsuit is speculative. The ALJ therefore recommended that we reject all proposals to condition merger approval on settlement of the DOJ/EPA lawsuit.

3. EXCEPTIONS AND REPLY EXCEPTIONS

The CAC excepts to the ALJ's classification of the financial risk posed by ongoing environmental enforcement action against FirstEnergy as speculative and not relevant to the merger. (CAC Exc., p. 6). Citizen Power excepts to the ALJ's conclusion that the record does not support a finding that the merger should not be conditioned on mitigation of environmental harm. Citizen Power submits that the merger will likely have a direct adverse effect on Pennsylvania air quality since the Applicants will operate their Ohio coal plants, including the Sammis plant, at a higher capacity in an effort to serve GPU load. (Citizen Power Exc., pp. 22-23).

PennFuture excepts to the ALJ's recommended rejection of the proposed merger condition that would require the settlement of federal litigation against FirstEnergy for violation of the Clean Air Act. PennFuture asserts that the Sammis plant is a major polluter capable of imposing serious public health, environmental and economic consequences on Pennsylvania, and that it is therefore the Commission's legal responsibility to consider the impact of this issue on public safety. (PennFuture Exc., p. 29).

4. DISPOSITION

We conclude that, while the Exceptions of the CAC, PennFuture, and Citizen Power raise valid environmental concerns, we decline to adopt their proposals regarding FirstEnergy's DOJ/EPA lawsuit. The federal EPA and Pennsylvania's Department of Environmental Protection are the agencies that are vested with the authority to establish emission regulations and to police their enforcement. Therefore, it would be inappropriate for the Commission to attempt to perform those functions. Moreover, we cannot require the Applicants to settle a lawsuit pending in another forum.

Therefore, the Exceptions of the CAC, Citizen Power and PennFuture on this issue are denied.

T. NON-UTILITY GENERATION (NUG) COMMITMENTS

1. POSITIONS OF THE PARTIES

Because GPU has no generation resources from which to satisfy its PLR obligations, its NUG projects, amounting to 658 MW in Pennsylvania, play an important role in the companies' supply portfolio. The Applicants asserted that all GPU NUG contracts will continue in full force and effect post-merger. (Applicants' M.B., p. 33).

ARIPPA and the York Authority urged the Commission to ensure that the NUGs are provided financial surety in the event that the Applicants attempt divestiture of the NUG contracts. ARIPPA proposed that the Commission impose certain conditions on the merger. (ARIPPA M.B., p. 34; York Authority M.B., p. 8-9).

2. ALJ RECOMMENDATION

The ALJ recommended that we reject the proposals of ARIPPA and the York Authority. The ALJ noted that ARIPPA and the York Authority did not indicate whether their proposed terms were consistent with the terms of GPU's existing NUG contracts. The ALJ stated that he agreed with the Applicants' assertion that the existing NUG contracts as written should govern the rights of the parties. (R.D., p. 97).

3. EXCEPTIONS AND REPLY EXCEPTIONS

ARIPPA excepts to the ALJ's recommended rejection of its proposed conditions relating to NUG commitments. ARIPPA submits that if the merger is approved absent the proposed NUG conditions, post-merger harms could materialize and eliminate the contracts. ARIPPA notes that FirstEnergy's present intent regarding NUG contracts is subject to change, as proposed by the company's financial and legal advisors. Therefore, that intent is not guaranteed in the future. If the contracts are broken, ARIPPA contends, the consumers who rely on their clean, reliable power would suffer harm. (ARIPPA Exc., p. 5-6).

4. DISPOSITION

On review of this issue, we disagree with ARIPPA's and the York Authority's proposed conditions to the merger. As the ALJ noted, the record demonstrates that there are no plans to assign GPU's NUG contracts. We also note that, ARIPPA has not produced sufficient evidence so as to suggest that the merger would affect the status of GPU's existing NUG contracts. We conclude that the existing contracts, and the legal remedies inherent to these contracts,

afford the NUGs ample protection from what, at this juncture, can only be categorized as extremely speculative merger risks.

Therefore, ARIPPA's Exception on this issue is denied.

U. COMPETITIVE ISSUES UNDER 66 PA. C.S. SECTION 2811(e)

1. POSITIONS OF THE PARTIES

The Applicants asserted that we should find that the merger poses no risk of adverse impacts to Pennsylvania's retail electric market or wholesale competition. The Applicants point to FERC's March 14, 2001 Order Authorizing Merger as proof that the merger is in the public interest and that no additional anti-discriminatory conditions are necessary. (Applicants' M.B., pp. 38-40).

2. ALJ RECOMMENDATION

The ALJ concluded that the merger is not likely to result in anti-competitive or discriminatory conduct, or in the unlawful exercise of market power. (R.D., p. 102).

3. EXCEPTIONS AND REPLY EXCEPTIONS

Citizen Power excepts to the ALJ's conclusion that the merger is not likely to result in anti-competitive conduct. Citizen Power urges the Commission to carefully evaluate the effect the merger will have on an already weak retail market. Citizen Power points to the existing rate cap which resulted from the need to cover rising wholesale prices caused by a lack of competition in the market. In the face of that rate cap, Citizen Power argues, the Applicants' assertion that the

merger, which necessarily removes yet another company from the market, is competitively benign, must fail. (Citizen Power Exc., pp. 4-6).

New Power excepts to the ALJ's recommendation, arguing that it fails to establish sufficiently strong measures to prevent anti-competitive behavior by the merged company. According to New Power, the ALJ's determination permits disparate treatment of suppliers to the benefit of an affiliate, in that the merged company will supply its GPU affiliate with cheaper energy without extending the same advantage to other suppliers wishing to serve GPU customers. (New Power Exc., pp. 5-7).

Representative George argues that the ALJ erred in not recommending that the Commission begin an investigation under Section 2811 of the Code to determine whether GPU was a victim of anti-competitive or discriminatory conduct affecting the retail distribution of electricity. Representative George cites to the ALJ's statement that "not all aspects of the wholesale markets in PJM are fully liquid and robust" (R.D., p. 112) as proof of the ALJ's alleged belief that certain PJM members have exercised illegal market power. (Representative George Exc., pp. 2-3).

PPL argues that, as a condition of the merger, the Commission should require FirstEnergy to provide all available generation to GPU at the pre-existing generation rate cap. PPL avers that, in order to avoid distortion of the competitive market, rate cap relief must be conditioned on FirstEnergy's agreement to supply GPU's PLR load at a price equal to the shopping credit. In the alternative, PPL contends that all other similarly situated electricity distributors in Pennsylvania must be granted the same rate cap relief granted to GPU. (PPL Exc., pp. 15-16).

The Applicants contend that FirstEnergy's provision of power to GPU's PLR obligation is not anti-competitive. They further note that the Commission's recently adopted Competitive Safeguards, 52 Pa. Code Section 54.122, already provide for the possible imposition of penalties in the event of discriminatory behavior.

With regard to this argument, Dominion Retail rejoins that the recommended rate cap relief is pro-competitive. Dominion Retail notes that PPL must contend with the positive and negative results of the settlement of its restructuring case, including honoring its PLR commitment. (Dominion Retail R.Exc., p. 8).

4. DISPOSITION

We conclude that the merger does not foster anti-competitive conduct and does not allow for discrimination against PPL, New Power, or any other Pennsylvania EGS. We, therefore, adopt the ALJ's recommendation because we are persuaded that the record demonstrates that the merger is not likely to result in anti-competitive or discriminatory conduct, or in the unlawful exercise of market power.

As to PPL's assertion that FirstEnergy's generation must be sold to GPU at the shopping credit price to avoid competitive advantage over other Pennsylvania EDC, we reject this proposal. The EDCs are not in competition with one another in the pricing and supply of PLR service. FirstEnergy's supply to GPU post-merger will be subject to the same FERC cost-based tariff that PPL's own generation company is subject to as it supplies its affiliates.

Therefore, the Exceptions of Citizen Power, New Power,

Representative George, and PPL on this issue are denied.

V. CODES OF CONDUCT(14)

1. POSITIONS OF THE PARTIES

In order to ensure that consumer protections are not circumvented by the merged company's new corporate structure, the OCA urged the Commission to condition approval of the merger on the application of GPU's Codes of Conduct to the activities of FirstEnergy and GPU in Pennsylvania post-merger. The OCA proposed that the merged company should submit training and educational materials to ensure that the Codes are embodied in company operation and adhered to by employees. (OCA M.B., p. 57).

The Applicants asserted that GPU will remain subject to the same Pennsylvania law and regulations after the merger; therefore, there is no need for the imposition of such additional conditions. (Applicants' M.B., p. 58).

2. ALJ RECOMMENDATION

The ALJ concluded that the OCA's proposed conditions regarding the GPU Codes of Conduct are necessary, and he recommended their adoption. (R.D., p. 102).

3. EXCEPTIONS AND REPLY EXCEPTIONS

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(14) We note that this issue is further addressed in, and modified by, our subsequent determinations in the PLR proceeding, to be issued under separate Opinion and Order.

The Applicants except to the ALJ's recommendation that the GPU Codes of Conduct apply to this merger and to the activities of FirstEnergy in Pennsylvania, and they also except to his recommendation that the merged company be directed to issue Code of Conduct training and educational materials to employees. The Applicants contend that these conditions are unnecessary and redundant because the merged company will be subject to the Commission's Code of Conduct. The Applicants also request that this condition be clarified so that it is not construed to: (1) apply to Penn Power, which has its own Code of Conduct; or, (2) preclude future requests for a waiver of specific provisions under appropriate circumstances. (Applicants' Exc., pp. 13-14).

In its Reply Exceptions, the OCA rejoins that the addition of a retail marketing affiliate and a generation affiliate to the companies' holdings necessitates clarification of what Code of Conduct applies. (OCA R. Exc., p. 6).

4. DISPOSITION

On consideration of this issue, we conclude that the GPU Codes of Conduct should apply to this merger and to the activities of FirstEnergy in Pennsylvania after the merger. We direct that, within thirty days of the effective date of the merger, the merged company shall issue training and educational materials about the GPU Codes of Conduct to its employees.

Therefore, the Applicants' Exception on this issue is denied.

VI. PROVIDER OF LAST RESORT (PLR)

Coincident with the merger, the Companies pursued a request for relief under Section 2804 of the Code, 66 Pa. C.S. Section 2804, dealing with exceptions to the generation rate caps. We do not reach herein the merits of this request for relief. Rather, a ruling on these issues has been deferred pending possible resolution through a collaborative process. The issue of rate cap relief is of critical importance to customers, to the Companies, and to other parties who have an interest in our electric restructuring program. The record reflects a large degree of uncertainty and disagreement over the fundamental principles we should apply in this type of case. This makes it all the more important that we work with the Parties to try to fashion a solution that the different Parties can live with, even if it does not include everything they want.

VII. CONCLUSION

We have carefully reviewed the record as developed in this proceeding, including the ALJ's Recommended Decision and the Exceptions filed thereto. Premised upon our review, and for the reasons outlined above, we will approve the Applicants' proposed merger, with conditions. Also, for the reasons outlined above, we will hold in abeyance the request for rate cap relief in order to afford the Parties an opportunity to resolve this issue in a Commission-facilitated collaborative, which will conclude no later that June 20, 2001. Whether the collaborative is successful or not, the Commission will vote on this matter no later than Public Meeting of July 13, 2001.

As such, we hereby grant and/or deny the Exceptions filed by the various Parties hereto, as discussed supra. Accordingly, the ALJ's Recommended Decision is adopted, as modified by this Opinion and Order.

VIII. ORDER(15)

THEREFORE; IT IS ORDERED:

1. That the Exceptions filed by Kenneth Springirth on May 3, 2001, to the Recommended Decision of Administrative Law Judge Larry Gesoff herein, are held in abeyance pending resolution of the Provider of Last Resort issues herein.

2. That the Exceptions filed by Citizen Power, Inc. on May 5, 2001, to the Recommended Decision of Administrative Law Judge Larry Gesoff herein, are denied.

3. That the Exceptions filed by Citizens for Pennsylvania's Future on May 7, 2001, to the Recommended Decision of Administrative Law Judge Larry Gesoff herein, are denied.

4. That the Exceptions filed by the Honorable Camille "Bud" George on May 7, 2001, to the Recommended Decision of Administrative Law Judge Larry Gesoff herein, are denied.

5. That the Exceptions filed by Met-Ed Industrial Users Group and Penelec Industrial Customer Alliance on May 7, 2001, to the Recommended Decision of Administrative Law Judge Larry Gesoff herein, are denied.

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(15) Disposition of the Exceptions of the Parties as they relate to the PLR issues herein is held in abeyance. The Exceptions of the Parties are explicitly granted or denied in this Section only as they relate to the merger issues.

6. That the Exceptions filed by the New Power Company on May 7, 2001, to the Recommended Decision of Administrative Law Judge Larry Gesoff herein, are denied.

7. That the Exceptions filed by the Clean Air Council on May 7, 2001, to the Recommended Decision of Administrative Law Judge Larry Gesoff herein, are denied.

8. That the Exceptions filed by Bruce Mangione on May 7, 2001, to the Recommended Decision of Administrative Law Judge Larry Gesoff herein, are denied.

9. That the Exceptions filed by PPL Electric Utilities Corporation and PPL EnergyPlus on May 7, 2001, to the Recommended Decision of Administrative Law Judge Larry Gesoff herein, are denied.

10. That the Exceptions filed by ARIPPA on May 7, 2001, to the Recommended Decision of Administrative Law Judge Larry Gesoff herein, are denied.

11. That the Exceptions filed by Mid-Atlantic Power Supply Association on May 7, 2001, to the Recommended Decision of Administrative Law Judge Larry Gesoff herein, are denied.

12. That the Exceptions filed by the Office of Consumer Advocate on May 7, 2001, to the Recommended Decision of Administrative Law Judge Larry Gesoff herein, are denied.

13. That the Exceptions filed by FirstEnergy Corporation, GPU, Inc., and its Pennsylvania public utility subsidiaries Metropolitan Edison Company and Pennsylvania Electric Company on May 7, 2001, to the Recommended Decision of Administrative Law Judge Larry Gesoff herein, are granted in part and denied in part, consistent with this Opinion and Order.

14. That the Exceptions filed by the Office of Trial Staff on May 7, 2001, to the Recommended Decision of Administrative Law Judge Larry Gesoff herein, are held in abeyance, pending resolution of the PLR issues herein.

15. That the Recommended Decision of Administrative Law Judge Larry Gesoff issued herein on April 25, 2001, is adopted, as modified by this Opinion and Order.

16. That the merger of the GPU Companies and FirstEnergy Corporation is granted subject to the following conditions:

a. That the GPU Codes of Conduct apply to this merger and to the activities of FirstEnergy in Pennsylvania after the merger, and provided further that, within thirty days of the effective date of the merger, the merged company issue training and education material about the GPU Codes of Conduct to its employees

b. That the merged company shall not withdraw the transmission facilities of Metropolitan Edison Company or Pennsylvania Electric Company from the operational control of PJM Interconnection, L.L.C. unless the merged company, or such subsidiary or affiliate thereof, has first applied for and obtained authorization by order of this Commission, and such application shall be granted only upon an affirmative showing that withdrawal would not adversely

affect the continued provision of adequate, safe and reliable electric service to the citizens and businesses of the Commonwealth nor adversely affect system reliability or the competitive market in the Commonwealth; and provided further that this condition is binding on the successors and assigns of the merged company and upon any buyer of any of the transmission facilities of Metropolitan Edison Company or Pennsylvania Electric Company;

c. That the merged company implement the Service Quality Index ("SQI") set forth in this proceeding in Office of Consumer Advocate Statement No. 2, Exhibit BA-1; Surrebuttal; provided further that, on or before April 1 of each year, the merged company submit to the Commission, the Office of Trial Staff, the Office of Consumer Advocate and the Office of Small Business Advocate, a report of its service quality results; and provided further that the penalties and customer restitution included in the SQI are not self-executing and are to be considered only as guides for the Commission's consideration in any complaint brought before it as a result of the annual SQI report;

d. That for ratemaking purposes, the costs to achieve the merger shall be expensed or amortized over the existing transmission and distribution rate cap periods, for Metropolitan Edison Company, Pennsylvania Electric Company, and Pennsylvania Power Company;

e. That the acquisition premium associated with the merger shall not be recovered from the ratepayers of Metropolitan Edison Company, Pennsylvania Electric Company, or Pennsylvania Power Company;

f. That the nuclear costs or obligations of FirstEnergy shall not be charged to the ratepayers of Metropolitan Edison Company

and Pennsylvania Electric Company. GPU shall not be precluded from recovery of purchased power costs that include costs related to nuclear generation so long as the costs incurred by GPU are consistent with rate caps or the statutory PLR price;

g. That the merged company agrees that it will not assert a defense that an SEC determination preempts this Commission's jurisdiction;

h. That the merged company adhere to Chapters 11 and 21 of the Public Utility Code in the same manner as the existing obligations of Metropolitan Edison Company and Pennsylvania Electric Company;

i. That consistent with federal law and regulations, the merged company shall not: (1) transfer the regulated pension fund assets of Metropolitan Edison Company or Pennsylvania Electric Company to FirstEnergy Corp.;
(2) commingle the regulated pension fund assets of Metropolitan Edison Company or Pennsylvania Electric Company with those of FirstEnergy Corp.; or (3) withdraw the excess pension funding of Metropolitan Edison Company or Pennsylvania Electric Company; provided further that the merged company shall establish separate pension trust funds for its regulated companies, and shall place in each fund the respective company's pension assets and obligations as they exist at the time of the merger, subject to review of the parties to the merger proceeding; and provided further that the merged company shall not allow additional pension fund obligations or costs incurred in conjunction with the merger to diminish the value of the excess pension funding as it exists at the time of the merger;

j. That Metropolitan Edison Company and Pennsylvania Electric Company explore

modifications to its WARM weatherization program so that customers enrolled in their customer assistance programs obtain timely service from the energy management program; provided further that, within ninety days of the entry of this Opinion and Order, Metropolitan Edison Company and Pennsylvania Electric Company report to the Commission on this matter;

k. That the merged company maintain at least the current Metropolitan Edison Company and Pennsylvania Electric Company level of community support programs for the three years following the merger;

l. That the merged company maintain at least the current Metropolitan Edison Company and Pennsylvania Electric Company level of economic development initiatives for the three years following the merger;

m. That, within sixty days of the effective date of the merger, the merged company shall file a detailed plan to achieve projected labor cost savings; provided further that the plan shall include a detailed list of job cuts by company, by function, and by job title to allow the Commission to determine whether Pennsylvania would bear a disproportionate share of job cuts; and provided further that the plan shall specify how the job cuts will be achieved, through layoffs, early retirement programs, or attrition; provided further that the plan shall include detailed information concerning any programs that the merged company will use to minimize the impact of any work force reductions on their employees, including but not limited to the provision of outplacement services, educational or retraining reimbursement, early retirement, and severance benefits.

17. That FirstEnergy Corporation, GPU, Inc., and its Pennsylvania public utility subsidiaries Metropolitan Edison Company and Pennsylvania Electric Company, the Applicants, have thirty (30) days from the date of entry of this Opinion and Order to notify the Secretary of the Commission of their acceptance of the above-outlined conditions.

18. That the Provider of Last Resort cost proceeding and the disposition of merger benefits be held in abeyance to afford the Parties an opportunity to attempt to resolve this matter in a Commission-facilitated collaborative. The collaborative will conclude no later than June 20, 2001. Whether the collaborative is successful or not, the Commission will decide this matter no later than Public Meeting of July 13, 2001.

19. That this Commission-facilitated collaborative shall be held in the Commission's Executive Chambers, 3rd Floor, Commonwealth Keystone Building, commencing on Tuesday, May 29, 2001, at 10:30 a.m., and continuing through Thursday, May 31, 2001. Additional days may be scheduled.

BY THE COMMISSION,

James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: May 24, 2001

ORDER ENTERED: June 20, 2001

xc

PENNSYLVANIA

PUBLIC UTILITY COMMISSION

HARRISBURG, PA 17105-3265

Public Meeting held June 14, 2001

Commissioners Present:

John M. Quain, Chairman, Abstaining - Statement attached Robert K. Bloom, Vice Chairman
Aaron Wilson, Jr.
Terrance J. Fitzpatrick

Joint Application for Approval of the Merger of GPU, Inc. with FirstEnergy Corp.	A-110300F0095 A-110400F0040
Petition of Metropolitan Edison Company and Pennsylvania Electric Company, as Supplemented, For Relief Under Their Approved Restructuring Plan and the Electricity Customer Choice and Competition Act	P-00001860 P-00001861

OPINION AND ORDER

BY THE COMMISSION:

INTRODUCTION

Now before the Commission for disposition is a Settlement Stipulation (Settlement) of Metropolitan Edison Company (Met-Ed), Pennsylvania Electric Company (Penelec) (together doing business as GPU Energy) (1) and FirstEnergy Corp. (FirstEnergy)(2) submitted in the above-captioned proceedings on June 11, 2001. The Settlement was executed by the Office of Consumer Advocate (OCA),

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(1) GPU Energy is referred to in this document as GPU.

(2) References in this document to Companies includes Met-Ed, Penelec and FirstEnergy.

the Office of Small Business Advocate (OSBA), the Met-Ed Industrial Users Group (MEIUG), the Penelec Industrial Customer Alliance (PICA), and Citizens for Pennsylvania's Future (Penn Future) Intervenors. Additionally, letters of support for the Settlement were submitted by the International Brotherhood of Electrical Workers, Local Union Nos. 459 and 777 and the Utility Workers Union of America, Local Union No. 180. By the Settlement, the signatory parties recommend that the Commission adopt the Administrative Law Judge's (ALJ) Recommended Decision dated April 23, 2001, except as specifically modified by the Settlement, and to further adopt other matters set forth in the Settlement. In addition to requesting approval of the merger, subject to several conditions adopted by Commission Motion on May 24, 2001, the Settlement addresses and resolves various issues relating to GPU's Petition filed on November 29, 2000, and supplemented on February 9, 2001, requesting authorization to implement an interim deferral tracking mechanism for their provider of last resort (POLR) generation service (Deferral Petition).(3)

In adopting an Order in these proceedings on May 24, 2001, the Commission declined to address the issues raised by GPU's Deferral Petition or to resolve the issues regarding the disposition of merger savings. Although the Commission acknowledged the filing of a Settlement Stipulation by the Companies, MEIUG and PICA on May 7, 2001, the Commission also recognized

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(3) A more extensive history and background of these proceedings are set forth in a companion order adopted on May 24, 2001 and will not be repeated here.

that the Deferral Petition raises matters regarding issues of rate cap relief, which are of critical importance to other parties in the proceedings. Noting that the record reflected a large degree of uncertainty and disagreement over the fundamental principles that should apply in this type of case, the Commission determined to hold these matters in abeyance to afford the parties an attempt to resolve them in a Commission-facilitated collaborative. The Commission indicated that if the collaborative was unsuccessful in achieving a consensus resolution of these matters, the Commission would decide the issues no later than the Public Meeting of July 13, 2001.

Although the collaborative was not successful in arriving at a consensus resolution of these matters, several parties to the proceeding continued to negotiate, which resulted in the filing of the Settlement representing a comprehensive resolution that is now before the Commission for adjudication. This Settlement is extremely similar to the Settlement Stipulation filed on May 7, 2001, except with one important distinction. Whereas the May 7 filing would have resulted in an immediate rate increase to consumers, the Settlement pending before the Commission contains no such relief for the Companies. Additionally, this Settlement is supported by a much broader group of parties to these proceedings.

On June 11, 2001, the Commission issued a Secretarial Letter to the parties in these proceedings and to all parties in the restructuring proceedings of Met-Ed and Penelec, advising them of the filing of the Settlement. In that letter, the

Commission noted the request of the signatory parties for approval of their proposed resolution of various issues pending before the Commission for adjudication at today's Public Meeting. In inviting interested parties to respond to this Settlement by June 13, 2001, the Commission recognized that the signatories are seeking a resolution that differs from the positions previously taken in pleadings submitted to the Commission in these proceedings. The Commission also indicated that, as with the prior Settlement Stipulation, some provisions might affect or alter certain aspects of the Joint Petition for Full Settlement of the Restructuring Plans of Metropolitan Edison Company and Pennsylvania Electric Company (Restructuring Settlement) approved by Commission Order entered on October 16, 1998 at Docket Nos. R-00974008 and R-00974009.

Comments opposing provisions of the Settlement were timely submitted by ARRIPA, Bruce Mangione, Citizen Power Inc. (Citizen Power), Clean Air Counsel (Clean Air), Dominion Retail, Inc. (Dominion Retail), Mid-Atlantic Power Supply Association (MAPSA), PPL Electric Utilities Corporation and PPL EnergyPlus, LLC (PPL), The New Power Company (New Power), and York County Solid Waste and Refuse Authority (York Authority). Additionally, two signatories to the Settlement, the Companies and OSBA, submitted letters expressing support for the Settlement and urging its adoption by the Commission.

SUMMARY OF SETTLEMENT STIPULATION

By the Settlement, the signatory parties recommend that the Commission adopt the ALJ's Recommended Decision dated April 23, 2001, except as specifically modified by the Settlement, and to further adopt other matters set forth in the Settlement. In addition to requesting approval of the merger, subject to several conditions adopted by Commission Motion on May 24, 2001, the Settlement addresses and resolves various issues relating to GPU's provision of provider of last resort (POLR) service and the deferral of certain costs incurred by GPU to serve POLR customers. While the Settlement is largely predicated upon consummation of the merger between FirstEnergy and GPU, some provisions are included to address the situation in which the merger fails to be consummated and is abandoned.

Initially, the Settlement establishes a mechanism by which GPU may defer for ratemaking and accounting purposes the difference between their charges to retail customers for POLR service and their actual cost of supply, beginning January 1, 2001. Assuming the merger is consummated, this net POLR deferral mechanism would continue through December 31, 2005. During the deferral period, POLR supply costs that fall below POLR charges would be used to offset, and thereby reduce, the amount of the accumulated net POLR deferrals. The net deferred POLR balance, along with carrying costs, would be carried on the Companies' books as a regulatory asset until such amounts are either recovered, or written off on December 31, 2010.

Entries in the deferral accounts would be documented in quarterly reports, subject to full review by the Commission's Bureau of Audits. Additionally, the Settlement imposes an obligation on FirstEnergy to implement a POLR supply procurement strategy that seeks to minimize the POLR supply costs, and also permits GPU to assign all or part of its POLR responsibility to an affiliate, provided that such service is provided to customers at GPU's shopping credits. Also, to facilitate the sale of generation by FirstEnergy to GPU, the Settlement provides for the elimination of the GPU Energy Genco Code of Conduct developed in the Restructuring Settlement.

Further, the Settlement sets customers' total generation rates, including shopping credits and competitive transition charges, through 2010 at the same levels established by the Restructuring Settlement, approved by Commission Order entered on October 16, 1998 at Docket Nos. R-00974008 and R-00974009. The Settlement also extends the distribution rate caps for three years beyond the dates in the Restructuring Settlement, so that these rate caps would now expire on December 31, 2007.

In addition, the Settlement increases the shopping credits for the years 2002 through 2005 above the levels contained in the Restructuring Settlement, and provides for commensurate decreases in the CTCs for those years, resulting in total generation rates remaining at the current levels. Any stranded cost balance on the books in 2010 would be recovered through a continuation of the CTC at the

2006-2010 levels, ending no later than December 31, 2015, at which time any remaining stranded costs would be written off by the Companies.

The Settlement also provides that FirstEnergy may withdraw from the NUG Trust Funds established by the Restructuring Settlement to pay for the full cost of capacity and energy payable under the NUG agreements. The provisions further emphasize that the Settlement should not be construed to affect the rights or obligations of any party under existing NUG agreements. Moreover, the Companies expressly acknowledge their obligations under the NUG contracts until their expiration.

With respect to GPU's Competitive Default Service (CDS) program established by the Restructuring Settlement, this Settlement provides FirstEnergy with the option of whether to implement GPU Energy's CDS program, in a manner and by terms set by FirstEnergy. It also allows affiliated companies, consistent with codes of conduct, to participate and maintains the requirement that successful bids be at or below the shopping credit.

Additionally, under the Settlement, FirstEnergy will deposit $2.5 million each into Met-Ed's and Penelec's sustainable energy funds and agrees to spend $10 million on renewable energy projects in the GPU Energy and Penn Power service territories over the next five (5) years. A wind generation-related project may receive up to $3 million of these dollars. FirstEnergy will consult with environmental parties on how to spend these funds and will report annually to the parties to the stipulation the status of all projects.

The Settlement further provides for the development and implementation of a Demand Side Response (DSR) program by GPU Energy. The program will include the use of interval and time of use metering, and appliance control technologies. GPU Energy will submit a proposal to the parties and to the Commission and engage in a working group to revise and improve the DSR program prior to filing the proposal with the Commission for approval.

In an effort to address reliability concerns, the Settlement provides for the formation of a reliability committee comprised of GPU, the OCA, the Industrial Consumers and Commission Staff. This committee would monitor the companies reliability improvements, discuss reliability and service issues and attempt to resolve service disputes prior to seeking a resolution from the Commission.

The Settlement also removes merger conditions contained in the Motion adopted by the Commission on May 24, 2001 relating to pension fund restrictions and the filing of a plan relating to labor issues. The Settlement would retain all remaining conditions imposed by the ALJ's Recommended Decision that were adopted by the Commission's Motion.

The Settlement additionally seeks Commission approval for FirstEnergy to seek a waiver from the Securities Exchange Commission that would permit it to increase its acquisition limitation to 500% of retained earnings. Further, the Companies would have accounting flexibility to, at their option, apply other funds to the cumulative balance of stranded or deferred costs so as to lower the then

existing balance. Such accounting flexibility, however, would not be controlling in future base rate cases for the Companies.

Finally, the Settlement explains the events that would occur if the merger fails to be consummated and is abandoned. In particular, deferred POLR costs accrued from January 1, 2001 through May 31, 2001 would be written off. Also, within ten days after abandonment of the merger, the Commission would reopen the POLR proceeding to permit the submission of evidence on overall retail levels and POLR deferrals and enter a final order within ninety days of abandonment of merger. Although the Commission's determination in that proceeding would not prevent the recovery of deferrals accrued between June 1, 2001 and the date of the Commission's order, the method and timing of such recovery would be determined as part of the reopened proceeding. Moreover, any POLR costs incurred after December 31, 2001 would be subject to normal prudency determinations, as well as just and reasonable rate requirements.

SUMMARY OF COMMISSION ACTION

For the reasons more thoroughly explained below in the Commission's discussion and resolution of the comments submitted by the parties opposing the Settlement, the Commission concludes that the Settlement is in the public interest and approves it without modification. Adoption of the Settlement is in the public interest for several reasons. First and foremost, it preserves the existing generation rate caps through 2010. Additionally, the Settlement raises existing shopping

credits, thereby enabling customers to have a greater opportunity of finding alternative suppliers of generation. Customers will also benefit from the extension of the distribution rate caps until December 31, 2007, three years beyond the dates in the Restructuring Settlement. Another important feature of the Settlement is the increased support by the Companies of renewable and sustainable energy projects, as well as the commitment to develop and implement additional demand side response programs that will hopefully ease GPU's POLR obligations. Finally, through the establishment of a deferral mechanism that allows GPU to carry excess POLR costs, together with interest, on its balance sheet as a regulatory asset, the Settlement adequately addresses GPU's current financial concerns and enables it to continue meeting its obligations to purchase wholesale power for its POLR customers.

DISCUSSION AND RESOLUTION OF ISSUES RAISED BY COMMENTING PARTIES

Due Process

A number of parties, including ARIPPA, Dominion Retail, PPL and York Authority, have complained that they did not have enough time to review the Settlement and offer comments to the Commission and that this constitutes a violation of their right to due process of law. Although we recognize that the time period for commenting on the particular provisions of the June 11, 2001 Settlement was brief, we do not believe that this expedited time period to file comments has resulted in any party not having an adequate opportunity to voice its

opinion on the contents of the Settlement, given the many prior opportunities to be heard in regard to the POLR issues during the course of this proceeding.

Administrative agencies are required to provide due process to the parties which appear before them. Schneider v. Pennsylvania Public Utility Commission, 83 Pa. Commonwealth Court 306, 479 A.2d 10 (1984). Generally, the due process requirement is satisfied when the parties are given notice and the opportunity to appear and be heard. Id.

These consolidated proceedings began early in November 2000 when the Companies filed a joint application for a merger. The POLR proceeding commenced shortly thereafter. Earlier this year these proceedings were consolidated. Numerous pre-hearing conferences were held and rulings on interlocutory matters were issued throughout this period. Testimony was filed regarding the merger on November 9, 2000 as well as February 9, February 23 and March 9, 2001. With regard to the POLR proceeding, testimony was filed on February 9, 14 and on March 2 and March 9, 2001. Hearings on the issues pending in both proceedings were held on March 12-16, 2001. Numerous parties submitted briefs following these hearings and ALJ Gesoff issued a Recommended Decision on April 23, 2001, to which parties filed Exceptions and Reply Exceptions.

One particular matter raised in Exceptions to the Recommended Decision filed on May 7, 2001 was the first Settlement Stipulation executed in these proceedings. As we noted previously, that pleading was in many important

respects very similar to the Settlement that is now pending before the Commission. By Secretarial Letter issued on May 9, 2001, the Commission directed parties to the proceedings to indicate in their Reply Exceptions, due on May 14, 2001, whether they accept or reject the first Settlement Stipulation. Several parties submitted comments opposing various aspects of the first Settlement Stipulation.

When we adopted a Motion on May 24, 2001 approving the merger with certain conditions, we deferred a ruling on most provisions of the first Settlement Stipulation until the parties had an opportunity to attempt to resolve these issues within the context of a Commission-facilitated collaborative. All parties to these proceedings, as well as the restructuring proceedings, were notified of the collaborative and were invited to participate. In fact, most of the parties now opposing the Settlement actively participated in those discussions. Although the collaborative convened on May 29, 2001 and met throughout that week, it was not successful in resolving these issues. Nevertheless, several parties continued to negotiate and submitted the pending Settlement on June 11, 2001. Clearly, all interested parties have been aware since the filing of the Deferral Petition on November 29, 2000 of many of the issues that were eventually resolved by the Settlement. Also, the ALJ's recommended decision addressed several of these issues. To the extent that some of the particular resolutions were not proposed until the filing of the Settlement Stipulations on May 7, 2001 and June 11, 2001,

the issues they seek to address have been pending and discussed throughout this proceeding.

The record is replete with opportunities for parties to be heard. While the comment period on the June 11, 2001 Settlement was brief, we emphasize that it was largely a modification of the earlier Settlement Stipulation, a document that had been circulated to the parties over a month before. We also note that there is no requirement that all parties must agree to a settlement before it can be filed.

After eight months the active parties were very familiar with the issues pending in these proceedings. Most of the comments demonstrate this familiarity with the subject matter. Although the review period of the particular provisions contained in the June 11, 2001 Settlement was expedited, we do not believe that any party has shown that it was prejudiced. Therefore, we are satisfied that parties' have been afforded the requisite due process of law.

Deferral Mechanism

Some parties, including MAPSA, New Power and Dominion Retail, representing the views of the marketing community, oppose the use of a deferral mechanism to permit GPU to book excess POLR costs for accounting and ratemaking purposes. Contending that the deferral mechanism established by the Settlement is flawed, they urge its rejection, in favor of an immediate increase to GPU's generation rates by the amount of approximately $316 million, as recommended by the ALJ. These parties claim that the Commission lacks

statutory authority to permit the implementation of the proposed deferral mechanism. Also, they suggest that the creation of a deferral mechanism is unfair to shopping customers who are not causing GPU to incur excess POLR costs, and that a significant increase in the overall generation rates paid by GPU's POLR customers would be more consistent with promoting the development of a competitive market. See MAPSA Comments at 2-5; Dominion Retail Comments at 2-3; New Power Comments at 2-5. PPL claims that GPU has demonstrated no basis for a rate increase or a deferral mechanism. PPL Comments at 3.

Based upon our review of the relevant statutory provisions and the record in this proceeding, we conclude that the deferral mechanism proposed by the Settlement is appropriate and should be approved. As provided in the Settlement, the POLR amounts that are deferred, together with interest, shall be accumulated and carried on the company's balance sheet as a regulatory asset. This approval is intended to satisfy the financial accounting standards under which the Companies are permitted to maintain a deferred balance as a regulatory asset rather than being required to record it as a current expense.

Before addressing the opposing parties' substantive concerns, we note that despite their attempts to characterize the proposed deferral mechanism contained in the Settlement as an "eleventh hour" submission, the concept of such a mechanism dates back to November 29, 2000 when GPU originally filed its Petition seeking authorization to implement such a tracking device for POLR service. Several parties objected to the introduction of such a mechanism at that

time, but the Commission declined to dismiss the Petition as a matter of law. Rather, in an Order adopted on January 24, 2001, the Commission recognized the validity of a concept that allows the Companies to obtain relief from the rate cap limitations through the use of a deferral mechanism. However, the Commission emphasized that in order to obtain relief of any kind, it was necessary for GPU to meet the requirements of Section 2804(4)(iii)(D).

Section 2804(ii) provides that the generation component of a utility's charges to customers who purchase generation from the utility, including the CTC, shall not exceed the generation component charged to the customers that was in effect at the time of the passage of the Competition Act for a period of nine years, unless the utility's stranded cost recovery terminates earlier. Under that provision, GPU's generation rates are capped at January 1, 1997 levels until December 31, 2005. Further, pursuant to GPU's Restructuring Settlement, its generation rates are capped at slightly higher levels through 2009 and 2010 for Penelec and Met-Ed, respectively. By this Settlement, all generation rates are frozen through 2010.

Section 2804(iii) permits an electric distribution utility to seek relief from these rate cap provisions. While various circumstances are specified in the statute as justifying exceptions to the rate caps, the relevant factor in this proceeding relates to the price of purchased power. In particular, Section 2804(iii)(D) provides that an electric distribution utility may seek relief from these limitations if it is subject to significant increases in the price of purchased power that are

outside the control of the utility and would not allow the utility to earn a fair rate of return.

In the record developed in this proceeding before the ALJ, evidence was submitted to demonstrate that GPU is incurring and will continue to incur significant losses in the provision of POLR service. Specifically, GPU is facing financial losses in the range of $85 million to in excess of $300 million for 2001 and 2002. R.D. at 130; Met-Ed/Penelec St. No. 1-PLR at 33-34. Indeed, based upon the evidence submitted by GPU, losses associated with providing POLR service can reasonably be expected to be at least $253 million, depending upon weather, the magnitude of customer shopping and other key variables relating to the operation of the wholesale market. Id.

These losses, as explained by the ALJ, are the result of a combination of events. Initially, the ALJ noted that GPU owns almost no generation, due to the divestiture of its generation assets, which appeared to be a reasonable and prudent business decision at the time it was made. Also, he pointed to benefits of the generation divestiture, in that it provided a fair and simple process for quantifying stranded costs, and the net proceeds in excess of the book value of the generating assets were used to reduce GPU's overall stranded costs. R.D. at 119-122. Yet, without owning generation, GPU has had to provide POLR service to a greater number of customers than was anticipated, largely due to the failure of its competitive default service program, the return of many customers to POLR

service and the departure of several suppliers from the GPU territory. R.D. at 114-116, 121, 124-126; Met-Ed/Penelec St. No. 1-PLR at 4; Tr. 945.

As the ALJ emphasized, underlying each of these events, which together have led to GPU incurring significant losses, are volatile wholesale market prices that have been much higher than the projections of the parties to the 1998 restructuring proceeding. Specifically, the ALJ referred to evidence submitted by GPU regarding the recent magnitude and direction of energy and capacity prices in PJM, which are matters outside the control of GPU. That evidence, which shows prices between $450/mwh and $1,000/mwh, demonstrates increased volatility in on-peak prices in 1999 and 2000. Also, the energy forwards prices show that since September of 2000, there has been a continuing upward price trend, coupled with high volatility in the wholesale market. R.D. at 129-130; Met-Ed/Penelec St. No. 1-PLR at 8-9, 12-13, 17. While some parties have criticized GPU's supply procurement practices during that time, we agree with the ALJ that the evidence proffered by GPU regarding volatility and an upward trend of the wholesale prices since 1999 demonstrates that those forces have been the major factors contributing to the losses that GPU is incurring to serve POLR customers. R.D. at 113-118, 124-128; Met-Ed/Penelec St. No. 1-PLR at 5, 12-13, 15, 17, 20, 25, 33-34; Tr. 878-879, 902-904.

Coupled with showing that it has incurred significant costs outside its control to purchase power to supply generation to its POLR customers, GPU was also required to show that without some form of relief from the rate cap

exceptions, it would be denied the opportunity to earn a fair rate of return. Excluding transmission and distribution revenues from its calculations of returns, GPU presented evidence showing that for the twelve months ending December 31, 2001, the potential supply losses would cause Met-Ed's rate of return to fall to 4.34%, while Penelec's rate of return would fall to 1.99%. Met-Ed/Penelec Statement No. 3-PLR at 12; ME/PN Exh. RAD-1. Since we believe that an appropriate analysis of the rate of return issue should include a consideration of transmission and distribution revenues, we are not satisfied to rely solely on these rate of return projections to support a grant of relief under Section 2804(iii)(D). Nevertheless, we believe that the evidence submitted by GPU of significant potential supply losses, combined with its showing of extremely low rates of return on its generation supply services, demonstrates the need for some form of relief from the statutory rate cap provisions. Further, we recognize the importance of preserving GPU's financial health and access to cash to the extent necessary to enable it to continue purchasing wholesale power to meet its POLR obligations. See ME/PN St. No. 5-PLR at 49.

The Settlement presents the deferral mechanism as a solution to GPU's financial dilemma. Specifically, in lieu of a generation rate increase, GPU would be permitted to use a deferral mechanism to track losses for accounting and ratemaking purposes for a limited time period, with a narrow opportunity to recover those costs within the existing rate caps, before they are written off by the Companies.

In opposing this deferral mechanism, some parties claim that the Commission lacks the requisite statutory authority to afford this type of relief. We note, however, that the statute does not prescribe the use of a certain approach in addressing a situation such as GPU has presented. Specifically, the statute does not mandate that generation rates be increased if a utility demonstrates the need for relief from escalating purchased power costs. Rather, in authorizing the Commission to grant relief from the rate cap provisions without dictating the use of a certain mechanism, the statute affords the Commission sufficient latitude to determine the appropriate method that may be employed to address the effects of wholesale power purchases on a utility's financial condition. See 66 Pa.C.S. Section 2804(4)(iii).

Although one way of permitting recovery would be through a generation rate increase, an equally lawful solution is to allow deferral with possible recovery of some costs at a later time, within the confines of previously-established generation rate caps. The creation of a regulatory asset through the deferral of specific costs is a traditional ratemaking tool that is available to the Commission under our general powers and ratemaking authority under Section 501 and Chapter 13 of the Public Utility Code. Moreover, it is completely consistent with the provisions of Chapter 28 of the Public Utility Code that seek to protect utilities from being financially devastated by electric restructuring or their attendant POLR obligations. See 66 Pa.C.S. Sections 2803 and 2804(4).

Some parties contesting the use of a deferral mechanism claim that it would improperly allow the CTC revenues, which are designed to recover transition or stranded costs, to recover excess POLR costs. While we recognize that GPU would apply CTC revenues to the payment of deferred POLR costs during the years from 2006 through 2010, we are satisfied that this constitutes a proper application of these revenues, particularly under the financial circumstances faced by GPU.

The CTCs were developed during the restructuring proceedings as a means of providing electric distribution utilities with an opportunity to recover "transition or stranded costs," which are defined to include known and measurable costs that would be recoverable under a regulated environment but which may not be recoverable in a competitive electric generation market. Stranded costs are specifically defined by the statute to include regulatory assets and other deferred charges typically recoverable under current regulatory practice. 66 Pa.C.S. Section 2803 (definitions). As such, deferred POLR costs are clearly within the category of items that are recoverable under the CTC.

Moreover, while the amount of deferred POLR costs that might be recovered through the CTC has not been precisely quantified by GPU, that amount is known and measurable to a similar degree of certainty as stranded costs levels that were approved during the restructuring proceedings. GPU has provided a range of potential supply losses, based upon market forecasts, and has limited its recovery of any losses to the extent that it may not exceed the existing rate caps.

Also, under the express terms of the Settlement, any profits resulting from supply purchases would be used to offset such losses, thereby minimizing or possibly eliminating the need for the use of CTC revenues to pay for excess POLR costs.

Commentors representing the marketing community also contend that an immediate increase to generation rates would be more consistent with promoting the development of a competitive market. In particular, they note that significant increases to the shopping credit, and to the consumers' overall generation rates, would enable more marketers to enter the competitive market and make meaningful offers to consumers. We certainly recognize the value of higher shopping credits to marketers, and we emphasize that our commitment to the development of a competitive market in Pennsylvania remains unchanged. However, we are unwilling to order an immediate rate increase for GPU's consumers when a less drastic and potentially less costly method for addressing GPU's financial issues has been presented through a Settlement of several major parties representing diverse interests.

In reaching this determination, we note the countless letters received from ratepayers urging the Commission to refrain from approving a rate increase, as well as the OCA's vigorous advocacy in this proceeding opposing any relief that would result in an increase in POLR customers' rates. We are convinced that the benefits of preserving the existing generation rates and maintaining a measured transition to full competition outweigh any concerns about the use of a deferral mechanism on the ability of marketers to participate in the near-term in the

competitive market. Further, the immediate increase in shopping credits provided by the Settlement should enable some customers to receive competitive offers. Additionally, the expiration of rate caps in 2010 under the Settlement will provide the opportunity for the competitive market to flourish. In the meantime, while the wholesale market is maturing, retail customers receiving POLR service are shielded from the volatility and upward price trends.

With respect to the assertions of some marketers regarding the unfair impact of the deferral mechanism on shopping customers, the Commission recognizes the possibility that some deferred POLR costs incurred by GPU might eventually be recovered from customers who are currently purchasing supply from the competitive market. Again, since recovery of the deferred amounts is not automatic, this possibility is merely speculative. Further, the Settlement provides an immediate benefit to shopping customers through reductions in the CTCs without the corresponding increase in the shopping credit that is reflected in the total generation charges paid by non-shopping customers. Moreover, traditional ratemaking methods have not typically resulted in customers paying only for the costs they cause, but rather have involved the use of allocation methods that seek to generally track costs by category and customer class. The allocation of stranded cost recovery was no exception, and it is not reasonable to expect that one discrete type of costs, namely excess POLR costs, will be directly allocated to one group of customers that do not even fall into particular customer class or classes.

As to the concern expressed by some marketers about the long-term effect on ratepayers of the proposed deferral mechanism, we note that approval of the mechanism does not necessarily result in the recovery of any additional costs from consumers. While the Settlement provides GPU with the opportunity to recover deferred POLR costs during the period from 2006 through 2010, no recovery will be necessary if future POLR supply costs incurred by GPU fall below the POLR charges and adequately offset the amount of the accumulated net POLR deferrals. Additionally, the recovery of any deferred amounts during the period from 2006 through 2010 will occur wholly within the parameters of the previously-established generation rate caps for that period. Any amounts that are not recovered within those generation rate caps will be written off in 2010.

Moreover, it is noteworthy that the Settlement would fix the CTCs for the period from 2010 through 2015, while the Restructuring Settlement provided for the continuation of an unknown amount of stranded cost recovery after 2010. Additionally, the Settlement terminates stranded cost recovery in 2015, whereas the Restructuring Settlement allowed such collection to continue through 2020. As a result, the amount and duration of any stranded cost recovery after 2010 are now limited, with the ceiling amount of CTC known for the entire period and the duration of that recovery shortened.

Additionally, in approving the use of the deferred mechanism described in the Settlement, we are hopeful that other aspects of the Settlement will serve to minimize GPU's excess POLR supply costs and thereby limit the extent of the

deferral. In particular, we are encouraged by FirstEnergy's commitment under the Settlement to implement a POLR supply procurement strategy that has the objective of minimizing PLR supply costs, through various means including the use of demand side management and distributed generation projects. Also, although some commentors object to the provision in the Settlement that would allow GPU to assign all or any part of its POLR responsibility to an affiliate, we view this aspect of the Settlement as furthering the objective of minimizing excess POLR supply costs, while also ensuring that customers continue receiving service at the established shopping credits.

Genco Code of Conduct

Some parties challenge the provision of this Settlement that eliminates the Generation Company (Genco) Code of Conduct that was established by the Restructuring Agreement. These parties claim that the provisions of this Genco Code of Conduct continue to be of importance to marketers. See MAPSA Comments at 9; Dominion Retail Comments at 2-3.

The Genco Code of Conduct, which is Appendix J of the Restructuring Settlement, governs transactions between the provider of last resort and affiliated entities owning generation assets. For instance, it restricts the ability of GPU to purchase generation supply on favorable terms from an affiliate. We are satisfied that the elimination of this Code of Conduct is consistent with the overall objectives of minimizing the amount of excess POLR costs incurred by GPU.

Moreover, we believe that its removal is necessary to ensure maximum flexibility to GPU in procuring reasonably priced generation supply to serve its POLR customers.

Competitive Default Service

Some parties have objected to the provision in the Settlement which provides that upon consummation of the merger, GPU's Competitive Default Service (CDS) program would not be implemented, except at FirstEnergy's option, in a manner and under terms offered by FirstEnergy so as to provide it with the flexibility and certainty needed to effectively and efficiently plan for POLR service. These parties complain that elimination of the CDS program is inconsistent with the Restructuring Settlement and is anti-competitive. They explain that with certain changes to the CDS program outlined in the Restructuring Settlement, its continuation would be of potential value to marketers. They also are concerned about the ability of affiliated companies to bid on any CDS request for proposal. See MAPSA Comments at 7; New Power Comments at 5-6; Dominion Retail Comments at 2-3.

The Restructuring Settlement established a competitive bid process by which GPU's retail POLR customers could be assigned to an alternative provider for default generation supply service, and outlined the manner and terms by which GPU was to implement the CDS program. To date, the CDS program created by the Restructuring Settlement has not produced positive results, in that no

qualifying bids have been submitted. As a result, by Order entered on March 16, 2000 at Docket Nos. P-00991770 and P-00991772, the Commission permitted GPU to terminate its initial CDS program for lack of participation. Although the Commission subsequently convened a collaborative beginning in June 2000 to address specific issues and problems with GPU's CDS program, no consensus was reached by the parties for structural changes that would alleviate the impacts of prevailing market prices in excess of GPU's generation shopping credits.

No parties are advocating for a simple continuation of GPU's CDS program, as outlined in the Restructuring Settlement. Even parties who oppose the changes in the present Settlement that would afford FirstEnergy the discretion to continue the CDS program at its option, wish to preserve only the concept of the CDS program described in the Restructuring Settlement. Clearly, for a CDS program in GPU's territory to be successful, certain modifications are necessary, and we obviously would have preferred the collaborative on this matter to have produced a consensus under which the program could be implemented. We recognize that the Settlement now before us certainly jeopardizes the continuation of the CDS program in its present form, but given its failure to date, we are satisfied that a fresh approach is appropriate.

While the marketers portray the Settlement as eliminating the CDS program, we believe that is a premature characterization. To the contrary, we view the Settlement as simply affording FirstEnergy greater flexibility with the manner in which a CDS program is structured and implemented. For instance, we

are hopeful that multi-year bids will be permitted, along with other provisions designed to attract successful bidders. As to the parties' concerns with allowing an affiliate to bid on a CDS request for proposal, we note the acknowledgement by the Companies of the applicability of our competitive safeguard regulations at 52 Pa. Code Sections 54.121-54.122 to these transactions, so as to prevent affiliates from receiving preferential treatment in the processing of these bids.

Nothing in the Chapter 28 of the Public Utility Code obligates an electric distribution company to competitively bid its POLR service. Although GPU committed to the implementation of such a program in its Restructuring Settlement, it has attempted without success to find alternative suppliers to provide default service to a portion of its POLR customers. Within the Restructuring Settlement is a provision requiring an annual review by the Commission, commencing on January 1, 2001, to consider whether it is in the public interest to continue the program as outlined in the Restructuring Settlement. That inquiry entails a review of the economic and practical impacts of the retail competitive bid process and seems to envision modifications, where necessary to make the program more effective. Therefore, what is contemplated by the present Settlement is not a departure from the Restructuring Settlement, but rather represents an opportunity for the implementation of a successful CDS program. To the extent that FirstEnergy fails to proceed with a CDS program that is designed to attract competitive bidders, nothing in the pending Settlement or in the statute would preclude any interested party from petitioning the Commission for

approval of a program that results in having an alternative supplier provide POLR service to GPU customers.

Extension of Rate Caps

The Settlement results in an extension of GPU's distribution rate caps for three years beyond the dates set forth in the 1998 Restructuring Settlement and caps Penn Power's distribution rates at current levels for the same period. The Companies' distribution rate caps will now expire on December 31, 2007. Additionally, the Settlement retains the transmission rate caps of GPU and Penn Power consistent with GPU's Restructuring Settlement and FirstEnergy's ATSI settlement. However, in 2005, any flex down in distribution rates that occurs prior to that time due to the transmission and distribution rate caps under the Restructuring Settlement would be removed so as to restore the distribution rates to their prior levels, until such time as new distribution rates are approved by the Commission.

MAPSA does not object to the extension of the rate caps but disagrees with the elimination of the "flex down" provision of GPU's Restructuring Settlement. Citizen Power contends that the rate caps are of little value to consumers, when parties to this proceeding have asserted that GPU is currently earning an excessive return on its T&D assets.

We believe that consumers will benefit from the extension of the companies' transmission and distribution rate caps. The additional three years of

rate stability will allow the companies to perform long term system planning and enable the companies to implement coordinated system improvements, resulting in a safe and more reliable transmission and distribution system. Furthermore, the Commission agrees with the ALJ's determination that an extension of the Companies' transmission and distribution rate caps is a reasonable mechanism for addressing the issue of merger savings. R.D. at 63.

While the Restructuring Settlement tied the flex down provision to the length of the transmission and distribution rate caps, we do not believe it is appropriate to do so here. GPU's Restructuring Settlement provided that during the rate cap period, if GPU's transmission charges or rates were increased then there would be a corresponding decrease in GPU's distribution rates. In accordance with the Restructuring Settlement, this condition is set to expire in 2004. We find that, despite the three year rate cap extension contained in this Settlement, the flex down provision should terminate in accordance with the Restructuring Settlement in 2004. Electric competition in Pennsylvania does not and can not operate in a vacuum. The continuation of the flex down provision would unduly restrict the companies' ability to properly respond and react to the changes in the wholesale markets, overseen by the Federal Energy Regulatory Commission. Therefore, we find that the elimination of the flex down provision in 2004 is consistent with the GPU's Restructuring Settlement and is necessary and appropriate to allow the companies' to respond to requirements beyond the scope of this proceeding.

NUG Trust Funds

This Settlement amends the manner in which the NUG Trust Funds established in the Restructuring Settlement can be used. GPU's 1998 Restructuring Settlement required that both Met-Ed and Penelec create and maintain separate NUG Trust Funds. These funds were established as the depository for the placement of net proceeds from GPU's divestiture after payment of non-NUG stranded costs plus any over-recoveries from GPU's CTC for NUGs in excess of above-market NUG costs.

Specifically, the Settlement permits FirstEnergy to withdraw from the NUG Trust Funds to pay for the full cost of capacity and energy payable under the NUG agreements. Previously, under the terms of the Restructuring Settlement, Met-Ed and Penelec were limited to withdrawals from the NUG Trust Fund to pay for only actual above-market NUG costs, i.e. stranded costs. Further, the Settlement provides that through 2010 FirstEnergy will apply CTC revenues to costs in the following order of priority: Met-Ed and Penelec POLR costs that exceed generation cost to customers, non-NUG stranded costs, and NUG costs.

Then, from 2010 through 2015, FirstEnergy may apply CTC revenues to NUG and/or non-NUG stranded costs. Per the Settlement, beginning in January 1, 2001, NUG stranded costs will be reconciled against the higher of actual market prices or the applicable generation shopping credit, provided that Met-Ed's and Penelec's respective POLR load is at least equal to their respective NUG capacity.

Lastly, the Settlement contains FirstEnergy's express acknowledgement of Met-Ed's and Penelec's obligations under the NUG contracts until their expiration. Moreover, FirstEnergy agrees to adhere to the Restructuring Settlement provision requiring that each company's NUG Trust funds shall only be applied to that company's costs.

ARRIPA strongly opposes amending the Restructuring Settlement provision to allow Met-Ed and Penelec to use their NUG Trust Funds to pay for the full cost of NUG power beyond the companies' "stranded costs". ARRIPA at 23. Initially, ARRIPA argues that the record in this proceeding does not support allowing GPU to use the NUG Trust Funds as a cash source. Further, ARRIPA contends that by allowing the Companies' to use the NUG Trust Funds to now pay for both stranded costs and market costs will result in the earlier depletion of the Trust Funds.

In support of it argument, ARRIPA states that the NUG Trust Funds are currently under collecting NUG stranded costs under the CTCs, and to allow the use of the NUG Trust Funds for any other purpose would already expose the NUG contracts "to unwarranted financial risk." ARRIPA at 24. GPU's current under collection, coupled with the elevated appropriation of CTC revenues to POLR and non-NUG costs ahead of NUG costs violates the terms of the Restructuring Settlement and results in no CTC revenues being applied to NUG stranded costs until at least 2010. ARRIPA at 25.

In accord with ARRIPA, the York Authority asserts that if the Commission approves the requested amendment, the result is the abrogation of the benefit the York Authority bargained for in the 1998 Restructuring Settlement. York Authority at 6. Further, the York Authority asserts that making the Trust Funds available to Met-Ed and Penelec for non-NUG-related costs, dissipates the Trust Funds and lessens the financial assurance of the NUGs to receive payments under the NUG contracts over the remaining life of those contracts. Id.

The Commission recognizes the sensitivity surrounding the NUG Trusts and the underlying contracts that gave rise to this tracking mechanism in the Restructuring Settlement. Further, the Commission continues to support the NUGs' desire to ensure that they receive the compensation owed to them by Met-Ed and Penelec under their existing contracts. With that said, the Commission accepts the Settlement provisions which allows Met-Ed and Penelec to access the NUG Trust Funds to pay for the full cost of capacity and energy payable under the NUG agreements.

In accepting the provision, the Commission finds that the amendment provides for the portion of a NUG payment that exceeds the higher of the capped generation rate or the market price is recoverable out of stranded costs. While this provision amends the 1998 Restructuring Settlement as to use of the NUG Trust Funds, it does not alter or revoke Met-Ed's and Penelec's responsibilities and obligations under the existing NUG contracts. Moreover, the primary purpose of the NUG Trust Funds is to ensure that Met-Ed and Penelec have a cash source

from which to pay their respective NUG stranded costs. While the Settlement provides FirstEnergy with flexibility in withdrawing from the NUG Trusts, the flexibility is not unbridled, and in fact, this provision facilitates the payments owed to NUGs under the existing contracts.

Moreover, despite some parties' arguments to the contrary, the amendment does not place the NUGs in a less secure position than they were under the Restructuring Agreement. The existing NUG contracts remain unchanged - Met-Ed and Penelec are not relieved from any of their obligations to perform under these agreements. Further, while some parties rely heavily on the current under collection of the NUG Trust Funds, this reliance is clearly overstated. The NUG Trust Funds and the corresponding tracking mechanisms were put into place in 1998. At that juncture, the NUG contracts were priced above market. However, the recent surge in wholesale generation costs has resulted in the NUG contracts being an asset to the companies' in meeting their POLR obligations. In addition, these parties fail to recognize the substantial economic benefits to be gained by the successful merger of GPU and FirstEnergy - a larger and more financially secure payor.

Environmental and Efficiency Initiatives

The Settlement requires that FirstEnergy deposit $2.5 million into both Met-Ed's and Penelec's Sustainable Energy Funds. The Sustainable Energy Funds were established in GPU's Restructuring Settlement and were to be funded

until 2005 by a one-time payment of $12 million. Then, in 2005, consistent with the removal of the original transmission and distribution rate caps, these funds were to be funded via the companies' transmission and distribution rates. The Settlement postpones this funding mechanism until 2008 to correspond to the newly established rate cap periods.

Additionally, FirstEnergy will spend $10 million on cost-effective renewable energy projects in the GPU Pennsylvania and Penn Power service territories over the next five (5) years. FirstEnergy has committed to consult with some environmental parties to obtain suggestions on where to commit these funds, but has stated its intent to investigate a wind generation-related project which may receive up to $3 million. Further, FirstEnergy will consult with environmental parties on how to spend these funds and will report annually to the parties to the stipulation the status of all projects.

Also, FirstEnergy commits to preserve the existing universal service programs operated by Met-Ed, Penelec and Penn Power. Additionally, FirstEnergy agrees to maintain the universal funding levels for Met-Ed and Penelec consistent with the Restructuring Settlement. Moreover, should FirstEnergy want to eliminate or alter any of the universal service programs, it must notify the parties to this proceeding and is contingent upon Commission approval.

In addition to new sustainable and renewable energy funding commitments, the Settlement provides for Met-Ed and Penelec and assisted by the parties, to

develop and implement Demand Side Response (DSR) programs beyond those which are already in place in their service territories. The DSR program will be designed to maximize the cost-effective reduction of peak load, thereby reducing GPU's exposure to high POLR energy costs. Additionally, the DSR program shall include the use of interval and time of use metering, and appliance control technologies and, if feasible, will be open to all customer classes.

GPU will submit a proposal to the parties and to the Commission within 120 days after consummation of the merger. Then, GPU will engage in a working group with interested parties to revise and improve the DSR program prior to filing the proposal with the Commission for approval. The Settlement establishes Summer 2002 as the target operational date for the DSR program.

In its comments on the environmental provisions, MAPSA states its concern that FirstEnergy's commitment to $10 million on renewable projects or activities requires that the Commission exert additional control over the use of these funds. Specifically, MAPSA requests that a collaborative be established among the parties to this proceeding to reach an agreement as to the proper development and implementation of these programs. The Clean Air Council contends that postponing the use the transmission and distribution adder to fund the Sustainable Energy Funds, despite the additional $5 million in up front funding, results in a net reduction in funding. Further, the Clean Air Council finds the new funding commitments contained in the Settlement for renewable projects

to be too vague and provide FirstEnergy too much discretion in applying these funds.

While we understand the concerns raised by MAPSA and the Clean Air Council, we decline to modify the terms of the Settlement. This provision of the Settlement clearly provides consumers with immediate benefits as they resurrect and provide substantial additional funding to the Sustainable Energy Funds. Further, FirstEnergy's commitment to spend $10 million on renewable projects not only expands the renewable energy initiatives in GPU's service territory, but introduces renewable energy funding to the Penn Power service territory.

Further, the development and implementation of a DSR program by GPU represents a new commitment by the companies which should assist in their POLR obligations. Moreover, the DSR program is consistent with the goals of the recently established Commission DSR working group.

In approving the Settlement, it is the Commission's expectation that the funds will be directed to the areas and in the manner intended by the Settlement and GPU's Restructuring Settlement. Should any party feel aggrieved at any point or maintain that these funds are being misdirected in some way, they are free to return to us for appropriate consideration and, if need be, corrective action.

SEC Waiver Approval

The Settlement requests Commission approval for FirstEnergy to seek a waiver from the Securities Exchange Commission, permitting First Energy to

increase its acquisition limitation to 500% of retained earnings. In its comments, Dominion Retail states that the Commission lacks the authority to approve an increase in FirstEnergy's debt ceiling without holding hearings to examine whether it is in the public interest. Dominion Retail at 4. We disagree. The Commission has determined that the merger of FirstEnergy and GPU is in the public interest with the parties' acceptance of the merger conditions. Since the waiver that FirstEnergy intends to request of the SEC necessarily flows from our conditional approval of the merger, we approve of FirstEnergy's seeking the requisite SEC waiver. Of course, whether the waiver is ultimately granted will be for the SEC to determine.

GPU Energy Stand-Alone Relief Absent Merger

If GPU and FirstEnergy do not consummate the merger, the Settlement provides for the POLR proceeding to be reopened before Administrative Law Judge Gesoff. Further, absent the merger, Met-Ed and Penelec have agreed that the deferred POLR costs accrued from January 1, 2000 through May 31, 2001 will be written off. Then, within 10 days after abandoning the merger, the Commission will reopen the POLR proceeding and permit evidence on overall retail levels and POLR deferrals prospectively. The Commission will enter final order in this proceeding within 90 days of abandonment of merger. The subsequent Commission determination, however, will not prevent recovery of deferrals accrued between June 1, 2001 and the date of the Commission's Order, except that

POLR costs incurred after December 31, 2001 will be subject to normal prudency and just and reasonable rate requirements. Also, the method and timing of recovery will be determined as part of reopened proceedings.

Citizen Power objects to the process outlined above because, in the case of a failed merger, GPU would receive guaranteed cost recovery of POLR costs from June 1, 2001 until the Commission issues a final determination. It is Citizen Power's contention that this recovery mechanism will result in customers paying for GPU's errors and provides no incentive for GPU to mitigate it POLR costs. MAPSA asserts that GPU should not be permitted to recover POLR costs from shopping customers consistent with its arguments opposing the deferral mechanism. ARRIPA also opposes the process set forth in the Settlement to address the POLR issue in the event of a failed merger. In its comments, ARRIPA states that the parties, including GPU, have fully litigated this matter and the Commission should not approve a plan that provides for the potential for further litigation but that the Commission should decide these issues on the record developed in this proceeding.

Again, the Commission declines to modify the Settlement. The process established in this provision is in the public interest as it provides a road map to all the parties in the event that the merger between GPU and FirstEnergy is not consummated. Despite the contentions of some of the parties, we find that the process outlined above is necessary and lawful. The majority of the provisions contained in the Settlement are contingent upon the successful acquisition of GPU

by FirstEnergy. The signatories to the Settlement are correct for establishing a process going forward in case the merger fails, as time will likely be of the essence. And, should this occur the parties and the Commission requires a definitive process for resolving the POLR proceeding.

The Commission is cognizant of Citizen Power's concerns regarding the potential impact on consumers' should the merger fail. However, we are convinced that it is necessary to allow GPU to recover any deferred POLR costs from June 1, 2001 until we enter a final order in the reopened POLR proceeding. Our decision to allow this limited recovery is based upon GPU's financial problems which were identified during this proceeding. Additionally, we are aware of the current volatility of the wholesale market and must ensure that GPU is able technically and financially, to meet its statutorily mandated obligation to provide electric service to its then customers. The Settlement mitigates consumer exposure by requiring GPU to write off POLR costs from January 1, 2001 to May 31, 2001. Moreover, all POLR costs incurred by GPU after December 31, 2001 are subject to a prudency review and the just and reasonable rate requirements will be applied to all utility expenditures.

As to some parties' opposition to the reopening of the POLR proceeding should the merger not be consummated, we disagree and find that should the merger fail, the proceeding must be reopened. We are unable to foretell the future and therefore can not predict if or when the merger may or may not occur as we are but one of the numerous regulatory bodies that must review this merger

proposal. While it is likely that if the merger process were to be unsuccessful shortly after our disposition in this proceeding, that the current record would likely be suitable but we need not and indeed we can not determine that at this juncture. Should the merger continue its way toward approval and not fail until some time out, a new review, although properly truncated to 90 days, is justified and reasonable.

Conclusion

For the foregoing reasons, we believe that adoption of the Settlement is in the public interest and we approve it without modification. In addition to containing numerous provisions benefiting consumers, it also addresses GPU's current financial situation in a fair and appropriate manner; THEREFORE, IT IS ORDERED:

1. That the Settlement Stipulation filed on June 11, 2001 is in the public interest and is approved without modification.

2. That the deferral accounting and subsequent recovery mechanism for the accumulated difference between the charges to retail customers for provider of last resort service and the actual supply costs incurred by Metropolitan Edison Company and Pennsylvania Electric Company, together with carrying costs, beginning on January 1, 2001, as proposed by the Settlement Stipulation, is hereby approved.

3. That the Recommended Decision of Administrative Law Judge Larry Gesoff is adopted, as modified by the Settlement Stipulation.

4. That the Exceptions and Reply Exceptions of the parties are granted in part and denied in part consistent with this Order.

5. That the Order adopted by the Commission on May 24, 2001, in these proceedings is amended as necessary to adopt and implement the provisions of the Settlement Stipulation.

BY THE COMMISSION,

James J. McNulty
Secretary

(SEAL)

Order Adopted: June 14, 2001

Order Entered: June 20, 2001

Exhibit D8

7590-01-P

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of	)	
	)	
GPU NUCLEAR, INC. AND	)	
SAXTON NUCLEAR	)	Docket No. 50-146
EXPERIMENTAL CORPORATION	)	
	)	
(Saxton Nuclear Experimental Facility)	)	

ORDER APPROVING APPLICATION REGARDING MERGER OF GPU, INC. AND FIRSTENERGY CORP.

I .

Saxton Nuclear Experimental Corporation (SNEC) is the owner of the Saxton Nuclear Experimental Facility (SNEF). Metropolitan Edison Company (Met Ed), Jersey Central Power & Light Company (JCP&L), and Pennsylvania Electric Company (Penelec), electric utilities that are engaged principally in the sale and distribution of electric energy in Pennsylvania and New Jersey in accordance with rates authorized by the respective public utilities commissions, are the sole shareholders of SNEC. SNEC is a non-profit corporation that is not engaged in the sale and distribution of electric energy. GPU Nuclear, Inc. (GPUN), which maintains SNEF, and SNEC hold Amended Facility License No. DPR-4 for SNEF issued by the U.S. Nuclear Regulatory Commission (NRC or the Commission) pursuant to 10 CFR Part 50 on November 15,1961.

II.

Pursuant to Section 184 of the Atomic Energy Act of 1954, as amended, and 10 CFR 50.80, GPUN and FirstEnergy Corp. (FE) jointly filed an application dated September 26, 2000, which was supplemented by submittals dated September 27, November 9, November 14,

December 4, 2000, February 7, February 19, and February 20, 2001 (collectively herein referred to as the application), requesting the Commission's approval of the indirect transfer of the license for SNEF in connection with the proposed corporate merger of GPU, Inc. and FE. The applicants informed the Commission that GPU, Inc. the parent holding company of GPUN, Met Ed, JCP&L, and Penelec, is planning to be merged with and into FE. FE will remain as the surviving corporation in this transaction.

Upon consummating the merger, FE will become a registered holding company under the Public Utility Holding Company Act of 1935, and GPUN, Met Ed, JCP&L, and Penelec, currently subsidiaries of GPU, Inc., will become direct or indirect wholly-owned subsidiaries of FE. No physical changes to SNEF or operational changes are being proposed in the application. GPUN, the licensee authorized to maintain the facility, and SNEC, the licensee that owns SNEF, will continue to be so following the merger with Met Ed, JCP&L, and Penelec, remaining as the shareholders of SNEC. No direct transfer of the license will result from the planned merger. Notice of this request for approval was published in the Federal Register on December 4, 2000 (65 FR 75735). No hearing requests or written comments were received.

Under 10 CFR 50.80, no license shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission gives its consent in writing. Upon review of the information submitted in the application and other information before the Commission, the NRC staff has determined that the proposed merger of GPU, Inc. with and into FE will not affect the qualifications of GPUN and SNEC as holders of the SNEF license, and that the indirect transfer of the license, to the extent effected by the merger, is otherwise consistent with applicable provisions of laws, regulations, and orders issued by the Commission subject to the conditions set forth herein. These findings are supported by a Safety Evaluation dated March 7, 2001.

III.

Accordingly, pursuant to Sections 161b, 161i, and 184 of the Atomic Energy Act of 1954, as amended; 42 USC Sections 2201(b), 2201(i), and 2234; and 10 CFR 50.80, IT IS HEREBY ORDERED that the application regarding the indirect license transfer referenced above is approved subject to the following condition:

Should the merger of GPU, Inc. and FE not be completed by March 1, 2002, this Order shall become null and void, provided, however, upon application and for good cause shown, such date may be extended.

IV.

For further details with respect to this Order, see the initial application dated September 26, 2000, the supplemental submittals dated September 27, November 9, November 14, December 7, 2000, February 7, February 19, and February 20, 2001, and the Safety Evaluation dated March 7, 2001 , which are available for public inspection at the Commission's Public Document Room, U.S. Nuclear Regulatory Commission, One White Flint North, Room 0-1 F21, 11555 Rockville Pike, Rockville , MD 20852-2738, and accessible electronically through the ADAMS Public Electronic Reading Room link at the NRC Web site (http://www.NRC.gov).

FOR THE NUCLEAR REGULATORY COMMISSION

/s/ Samuel J. Collins

Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

Dated at Rockville, Maryland
this 7th day of March 2001

[U.S. NUCLEAR REGULATORY COMMISSIONS SEAL]

UNITED STATES

NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION

PROPOSED INDIRECT TRANSFER OF LICENSE CONCERNING THE MERGER

BETWEEN FIRSTENERGY CORP. AND GPU, INC.

GPU NUCLEAR, INC.

SAXTON NUCLEAR EXPERIMENTAL CORPORATION

SAXTON NUCLEAR EXPERIMENTAL FACILITY

DOCKET N0. 50-146

AMENDED FACILITY LICENSE NO. DPR-4

1.0 INTRODUCTION

By application dated September 26, 2000, as supplemented by submittals dated September 27, November 9, November 14, December 4, 2000, February 7, February 19, and February 20, 2001, GPU Nuclear, Inc. (GPUN) and FirstEnergy Corp. (FE) requested, pursuant to Section 184 of the Atomic Energy Act of 1954, as amended, and Section 50.80 of Title 10 of the Code of Federal Regulations (10 CFR 50.80), that the U.S. Nuclear Regulatory Commission (NRC or the Commission) consent to the indirect transfer of the Amended Facility License No. DPR-4 for the Saxton Nuclear Experimental Facility (SNEF), located in Bedford County, Pennsylvania. The license is currently held by GPUN, which maintains the facility, and the Saxton Nuclear Experimental Corporation (SNEC), the owner of SNEF. The indirect transfer will result from a merger of FE and GPU, Inc. (GPU), the indirect parent holding company of SNEC and direct parent of GPUN. The supplemental submittals contained clarifying information and did not expand the scope of the application as originally noticed in the Federal Register on December 4, 2000 (65 FR 233). No hearing requests or written comments were received.

2.0 BACKGROUND

GPU, a Pennsylvania corporation, is the parent of Metropolitan Edison Company (Met Ed), Jersey Central Power & Light Company (JCP&L), and Pennsylvania Electric Company (Penelec), which are the sole shareholders of SNEC. Met Ed, JCP&L, and Penelec are electric utilities that are engaged principally in the sale and distribution of electric energy in Pennsylvania and New Jersey in accordance with rates authorized by the respective public utilities commissions. SNEC, however, is a nonprofit corporation that is not engaged in the generation, distribution, or sale of energy.

SNEF has permanently ceased operations and is in decommissioning. GPUN and SNEC hold Amended Facility License No. DPR-4 for SNEF, which is being decommissioned by GPUN.

Decommissioning activities for SNEF have been substantially completed with the final activities scheduled to be competed in 2002.

Under the Agreement and Plan of Merger between FE and GPU (Merger Agreement), GPU shall be merged with and into FE, an Ohio corporation. FE shall be the surviving corporation and will continue its existence under the laws of the State of Ohio, and will become a registered holding company under the Public Utility Holding Company Act of 1935. Outstanding shares of GPU common stock, par value $2.50 per share, will be purchased by FE, exchanged for FE common stock, or exchanged for a mixture of cash and shares of FE common stock, as specified in the Merger Agreement. Upon closing of the merger, GPUN, Met Ed, JCP&L, and Penelec will become direct or indirect wholly owned subsidiaries of FE. SNEC, owned by Met Ed, JCP&L, and Penelec will continue to be the owner of SNEF, and GPUN will continue to be authorized to decommission SNEF. Thus, this merger will result in the indirect transfer of control to FE of the interests held by GPUN and SNEC in the SNEF license.

3.0 FINANCIAL QUALIFICATION ANALYSIS

SNEC does not meet the definition of an electric utility as set forth in 10 CFR 50.2. In connection with applications for operating licenses, under 10 CFR 50.33(f) a non-electric utility nominally is required to demonstrate that it possesses or has reasonable assurance of obtaining funds necessary to cover estimated operation costs for the period of the license. Here, in view of the fact that SNEF is not operating and is nearing completion of decommissioning activities, any demonstration of financial qualifications to the extent required merely amounts to demonstration of sufficient resources to complete decommissioning activities. Decommissioning funding assurance is discussed in Section 4.1 of this Safety Evaluation.

4.0 DECOMMISSIONING FUNDING ASSURANCE

The NRC has determined that the requirements to provide assurance of decommissioning funding and provision of an adequate amount of decommissioning funding are necessary to ensure the adequate protection of public health and safety. NRC regulations require information showing "reasonable assurance ... that funds will be available to decommission the facility" as stated in 10 CFR 50.33(k).

4.1. SNEF Decommissioning Fundina Assurance

By letter dated March 14, 2000, GPUN, acting on behalf of SNEC, filed a decommissioning funding status report that showed an estimated funding requirement of $8.7 million to complete decommissioning of SNEF. SNEC has maintained an external sinking fund to cover these decommissioning costs. The March 14 status report indicated that this fund will cover approximately $3.66 million of these costs, and the SNEC shareholders will fund the remaining approximately $5.05 million from their general corporate funds. The September 26, 2000, license transfer application reiterated that the Met Ed, JCP&L, and Penelec commitments to fund any shortfall in the SNEF decommissioning trust fund from their respective general corporate funds will continue, following the proposed merger.

By letter dated November 8, 2000, the NRC staff transmitted a request for additional information (RAI) to GPUN regarding the decommissioning of SNEF. This RAI included a

request for clarification and update of the decommissioning cost estimate, and clarification of the funding assurance mechanism. GPUN responded to the decommissioning cost estimate and funding assurance mechanism portion of the RAI by letter dated December 4, 2000. In its response, GPUN stated that the SNEF decommissioning cost estimate for the remaining activities has increased as a result of expansion in the scope of activities required to complete site remediation. GPUN estimates that the remaining work will cost $14.8 million, without contingency. GPUN stated further that the estimated shortfall of the decommissioning trust has been revised to $14.8 million, and that any rate recovery for the additional decommissioning costs is not likely to occur prior to completion of the decommissioning of the facility.

By letter dated February 19, 2001, GPU submitted copies of parent guarantees from Met Ed, JCP&L, and Penelec to provide funding assurance of their respective shares of the remaining decommissioning costs of SNEF, as permitted by 10 CFR 50.75(e)(1)(iii). For the purposes of the guarantees, and to account for any possible added costs, the amount of $20 million was used to conservatively bound the remaining decommissioning costs. Each SNEC shareholder's parent guarantee covers its proportionate share of the $20 million. The February 19, 2001, letter provided worksheets that demonstrate each SNEC parent company's compliance with the NRC's financial tests for parent guarantees in accordance with 10 CFR 50.75(e)(1)(iii)(B) and 10 CFR Part 30, Appendix A. Each of the shareholders has chosen to demonstrate compliance using the test in Section II.A.2 of the Appendix.

The NRC staff reviewed the SNEC shareholder parent company guarantees for compliance with the requirements of 10 CFR 50.75(e)(1)(iii), and 10 CFR 30, Appendix A. The NRC staff finds that the SNEC shareholders satisfy the financial criteria of 10 CFR Part 30, Appendix A and the parent company guarantees provide reasonable assurance of adequate decommissioning funding in accordance with 10 CFR 50.75(e)(1)(iii). The form or provisions of the parent company guarantees while the guarantees are in effect should be consistent with NRC regulatory guidance applicable during such times.

The February 20, 2001 supplement to the initial application, noting that following the merger of FE and GPU each of the parents of SNEC will continue to be electric utilities, states that the decommissioning funding assurance provided by the above parent guarantees will not be affected by the merger. Accordingly, the NRC staff finds that the underlying transaction resulting in the indirect transfer of the license will not affect SNEC's decommissioning funding arrangements, which the NRC staff earlier concluded provide reasonable assurance of adequate decommissioning funding.

5.0 ANTITRUST REVIEW

The Act does not require or authorize antitrust reviews of post-operating license transfer applications, Kansas Gas and Electric Co., et al. (Wolf Creek Generating Station, Unit 1), CLI99-19, 49 NRC 441, 468 (1999). Therefore, since the transfer application postdates the issuance of the SNEF operating license, no antitrust review is required or authorized.

6.0 TECHNICAL QUALIFICATIONS

As indicated earlier, GPUN will continue to be licensee responsible for decommissioning SNEF. The application, as supplemented, states that the qualifications of the plant management and technical organization will be unchanged by the merger since the current nuclear organization

and personnel will continue to be responsible for decommissioning SNEF after the merger. Therefore, the staff concludes that the proposed merger will not affect the technical qualifications of GPUN as the SNEF licensee authorized to decommission SNEF.

7.0 FOREIGN OWNERSHIP, CONTROL, OR DOMINATION

As discussed previously, after the proposed merger between FE and GPU is completed, FE will be the surviving corporation, and the outstanding shares of GPU common stock will be purchased by FE, exchanged for FE common stock, or exchanged for a mixture of cash and shares of FE common stock, as specified in the Merger Agreement. FE is, and will remain after the proposed merger, a corporation organized and existing under the laws of the State of Ohio. The application states:

"Subsequent to the merger, the board of directors of FE, the surviving corporation, will be comprised of 16 members, including ten members to be designated by FE'S current board of directors and six members to be designated by GPU, Inc.'s current board of directors. All current directors and principal officers of FE are U.S. citizens. After the merger, all principal officers of FE, and all of the [ten] directors to be appointed by FE's board will be U.S. citizens. With the possible exception of one of GPU, Inc.'s existing directors, who is a citizen of the United Kingdom, it is also anticipated that the six directors to be designated by GPU, Inc. for the merged company will also be U.S. citizens. FE is not now, nor will it be after the merger, owned, controlled, or dominated by an alien, foreign corporation, or foreign government."

The February 7, 2001, supplemental letter confirmed that all current principal officers and directors of FE, GPU, Inc. (except for one director who is a citizen of the United Kingdom), Met Ed, JCP&L, Penelec and, SNEC, are U.S. citizens. As discussed in the application, decisions regarding maintenance and decommissioning of SNEF will continue to be made by GPUN. The application also states:

GPUN and SNEC are not now, nor will they be after the merger, owned, controlled, or dominated by an alien, foreign corporation or foreign government, nor are such companies acting as representatives of any other person in this application ....

Notwithstanding the possible existence of one non-U.S. citizen on the FE board of directors comprising sixteen members, the NRC staff does not know or have reason to believe that GPUN or SNEC will be owned, controlled, or dominated by foreign interests following the proposed merger.

8.0 ENVIRONMENTAL CONSIDERATION

The subject application is for approval of the indirect transfer of a license issued by the NRC. Accordingly, the action involved meets the eligibility criteria for categorical exclusion set forth in 10 CFR 51.22(c)(21). Pursuant to 10 CFR 51.22(b), no environmental impact statement or environmental assessment need be prepared in connection with approval of the application.

9.0 CONCLUSION

In view of the foregoing, the NRC staff concludes that the proposed merger of FE and GPU will not affect the qualifications of SNEC and GPUN as holders of the SNEF license, and that the indirect transfer of the license, to the extent effected by the proposed merger, is otherwise consistent with applicable provisions of the law, regulations, and orders issued by the Commission pursuant thereto.

Principal Contributor: D. Collins
R. Eckenrode
J. Minns

Date: March 7, 2001

Exhibit D9

UNITED STATES OF AMERICA

NUCLEAR REGULATORY COMMISSION

IN THE MATTER OF	)	
GPU NUCLEAR, INC.,	)	
METROPOLITAN EDISON COMPANY,	)	
JERSEY CENTRAL POWER & LIGHT	)	DOCKET NO. 50-320
COMPANY, AND PENNSYLVANIA	)	
ELECTRIC COMPANY	)	
	)	
(THREE MILE ISLAND	)	
NUCLEAR STATION, UNIT NO. 2)	)	

ORDER APPROVING APPLICATION REGARDING MERGER

OF GPU, INC. AND FIRSTENERGY CORP.

I.

Metropolitan Edison Company (Met Ed) owns 50 percent, Jersey Central Power & Light Company (JCP&L) owns 25 percent, and Pennsylvania Electric Company (Penelec) owns 25 percent of the Three Mile Island Nuclear Station, Unit No. 2 (TMI-2), located in Dauphin County, Pennsylvania. GPU Nuclear, Inc. (GPUN) maintains the facility on behalf of the owners.

Met Ed, JCP&L, and Penelec are electric utilities that are engaged principally in the sale and distribution of electric energy in Pennsylvania and New Jersey in accordance with rates authorized by the respective public utilities commissions. GPUN, Met Ed, JCP&L, and Penelec, which are all subsidiaries of GPU, Inc., together hold Facility Possession-Only License No. DPR-73 for the TMI-2, issued by the U.S. Nuclear Regulatory Commission (NRC or the Commission) pursuant to 10 CFR Part 50 on September 14, 1993.

II.

Pursuant to Section 184 of the Atomic Energy Act of 1954, as amended, and 10 CFR 50.80, GPUN and FirstEnergy Corp. (FE) jointly filed an application dated September 26, 2000, which was supplemented by submittals dated September 27, November 9, November 14, 2000 and February 7, 2001 (collectively herein referred to as the application), requesting the Commission's approval to the indirect transfer of the TMI-2 license in connection with the proposed corporate merger involving GPU, Inc. and FE. The applicants informed the Commission that GPU, Inc. the parent holding company of GPUN, Met Ed, JCP&L, and Penelec, is planning to be merged with and into FE. FE will remain as the surviving corporation in this transaction.

Upon consummating the merger, FE will become a registered holding company under the Public Utility Holding Company Act of 1935, and GPUN, Met Ed, JCP&L, and Penelec, currently subsidiaries of GPU, Inc., will become direct or indirect wholly-owned subsidiaries of FE. No physical changes to the TMI-2 facility or operational changes are being proposed in the application. GPUN, the TMI-2 licensee authorized to maintain the facility, and Met Ed, JCP&L, and Penelec, the licensed owners of TMI-2, will continue to be so following the merger. No direct transfer of the license will result from the planned merger. Notice of this request for approval was published in the Federal Register on November 30, 2000 (65 FR 71336). No hearing requests or written comments were received.

Under 10 CFR 50.80, no license shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission gives its consent in writing. Upon review of the information submitted in the application and other information before the

Commission, the NRC staff has determined that the proposed merger of GPU, Inc. with and into FE will not affect the qualifications of GPUN, Met Ed, JCP&L, and Penelec as holders of the TMI-2 license, and that the indirect transfer of the license, to the extent effected by the merger, is otherwise consistent with applicable provision of laws, regulations, and orders issued by the Commission subject to the conditions set forth herein. These findings are supported by a Safety Evaluation dated March 7, 2001.

III.

Accordingly, pursuant to Sections 161b, 161i, 161o, and 184 of the Atomic Energy Act of 1954, as amended, 42 USC Sections 2201(b), 2201 (i), 2201(o), and 2234; and 10 CFR 50.80, IT IS HEREBY ORDERED that the application regarding the indirect license transfer referenced above is approved subject to the following conditions:

(1) Met Ed, JCP&L, and Penelec, as applicable, shall provide the Director of the Office of Nuclear Reactor Regulation a copy of any application, at the time it is filed, to transfer (excluding grants of security interests or liens) from Met Ed, JCP&L, or Penelec, respectively, to its proposed direct or indirect parent or to any affiliated company, facilities for the production, transmission, or distribution of electric energy having a depreciated book value exceeding ten percent (10%) of the subject licensee's consolidated net utility plant, as recorded on the respective licensee's books of account; and

(2) should the merger of GPU, Inc. and FE not be completed by March 1, 2002, this Order shall become null and void, provided, however, upon application and for good cause shown, such date may be extended.

IV

For further details with respect to this Order, see the initial application dated September 26, 2000, and supplemental submittals dated September 27, November 9, November 14, 2000, and February 7, 2001 and the Safety Evaluation dated March 7, 2001. which are available for inspection at the Commission's Public Document Room, U.S. Nuclear

Regulatory Commission, One White Flint North, Room 0-1 F21,11555 Rockville Pike, Rockville, MD 20852-2738, and accessible electronically through the ADAMS Public Electronic Reading Room link at the NRC Web site (http://www.NRC.gov).

FOR THE NUCLEAR REGULATORY COMMISSION

/s/ Samuel J. Collins
Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

Dated at Rockville, Maryland
this 7th day of March 2001

[U.S. NUCLEAR REGULATORY COMMISSIONS SEAL]

UNITED STATES.
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION

PROPOSED INDIRECT TRANSFER OF LICENSE CONCERNING THE MERGER

BETWEEN FIRSTENERGY CORP. AND GPU, INC.

METROPOLITAN EDISON COMPANY, JERSEY CENTRAL POWER AND LIGHT

COMPANY, PENNSYLVANIA ELECTRIC COMPANY AND GPU NUCLEAR. INC.

THREE MILE ISLAND NUCLEAR STATION. UNIT N0. 2

FACILITY POSSESSION-ONLY LICENSE N0. DPR-73

DOCKET No. 50-320

1.0 INTRODUCTION

By application dated September 26, 2000, as supplemented by submittals dated September 27, November 9, November 14, 2000 and February 7, 2001, GPU Nuclear, Inc. (GPUN) and FirstEnergy Corp. (FE) requested, pursuant to Section 184 of the Atomic Energy Act of 1954, as amended, and Section 50.80 of Title 10 of the Code of Federal Regulations (10 CFR 50.80), that the U.S. Nuclear Regulatory Commission (NRC or the Commission) consent to the indirect transfer of Facility Possession-only License No. DPR-73, for the Three Mile Island Nuclear Station, Unit No. 2 (TMI-2), located in Dauphin County, Pennsylvania. The license is currently held by GPUN, which maintains the facility and is responsible for decommissioning activities, and Metropolitan Edison Company (Met Ed), Jersey Central Power & Light Company (JCP&L), and Pennsylvania Electric Company (Penelec), the owners of the facility. The indirect transfer, more fully described below, will result from a merger of FE and GPU, Inc. (GPU), the parent holding company of GPUN, Met Ed, JCP&L, and Penelec. The supplemental submittals contained clarifying information and did not expand the scope of the application as originally noticed in the Federal Register (65 FR 71336, published November 30, 2000). No hearing requests or written comments were received.

2.0 BACKGROUND

Met Ed owns 50 percent of TMI-2, JCP&L owns 25 percent, and Penelec owns 25 percent. Met Ed, JCP&L, and Penelec are electric utilities that are engaged principally in the sale and distribution of electric energy in Pennsylvania and New Jersey in accordance with rates authorized by the respective public utilities commissions. TMI-2 has permanently ceased operations and is in decommissioning under GPUN authority.

Under the Agreement and Plan of Merger between FE and GPU (Merger Agreement), GPU shall be merged with and into FE, an Ohio corporation. FE shall be the surviving corporation and will continue its existence under the laws of the State of Ohio, and will become a registered holding company under the Public Utility Holding Company Act of 1935. Outstanding shares of GPU common stock, par value $2.50 per share, will be purchased by FE, exchanged for FE common stock, or exchanged for a mixture of cash and shares of FE common stock, as specified in the Merger Agreement. Upon closing of the merger, GPUN, Met Ed, JCP&L, and Penelec will become direct or indirect wholly-owned subsidiaries of FE. Met Ed, JCP&L and Penelec will continue to be the owners of TMI-2, and GPUN will continue to maintain and decommission the facility. Thus, the merger will result in the indirect transfer of control to FE of the interests held by GPUN, Met Ed, JCP&L, and Penelec in the TMI-2 license.

3.0 FINANCIAL QUALIFICATION ANALYSIS

Met Ed, JCP&L, and Penelec are responsible for the costs associated with maintaining and decommissioning TMI-2, according to the application. Pursuant to 10 CFR 50.33(f), an electric utility is not required to demonstrate its financial qualifications. Section 50.2 of 10 CFA states that an electric utility is "any entity that generates or distributes electricity and which recovers the cost of this electricity, either directly or indirectly, through rates established by the entity itself or by a separate regulatory authority."

The applicants state that after the proposed merger, Met Ed, JCP&L, and Penelec will continue to be electric utilities providing the same utility services as they did immediately prior to the merger and will remain under the jurisdictions of the Pennsylvania Pubic Utility Commission, New Jersey Public Utility Commission, and the Federal Energy Regulatory Commission. Accordingly, as electric utilities, their financial qualifications are presumed to be adequate by 10 CFR 50.33(f) and no other specific demonstration of financial qualifications is required. However, in view of the NRC's concern that corporate restructurings or mergers involving new parents or affiliates can lead to a diminution of assets necessary for the safe operation and decommissioning of a licensee's nuclear power plant, the NRC's practice has been to condition related license transfer approvals upon a requirement that the licensee not transfer significant assets from the licensee to an affiliate without first notifying the NRC. This requirement assists the NRC in assuring that a licensee will continue to maintain adequate resources to contribute to the safe operation and decommissioning of its facility, as applicable. Thus, the following is to be made a condition of the order approving the proposed indirect transfer:

Met Ed, JCP&L, and Penelec, as applicable, shall provide to the Director of the Office of Nuclear Reactor Regulation a copy of any application, at the time it is filed, to transfer (excluding grants of security interests or liens) from Met Ed, JCP&L, or Penelec, respectively, to its proposed direct or indirect parent or to any other affiliated company, facilities for the production, transmission, or distribution of electric energy having a depreciated book value exceeding ten percent (10%) of the subject licensee's consolidated net utility plant, as recorded on the respective licensee's books of account.

In consideration of the foregoing, the staff concludes that the proposed merger will not affect the financial qualifications of Met Ed, JCP&L and Penelec. Further, no changes to the financial qualifications of GPUN, to the extent relevant, are indicated as a result of the merger.

4.0 DECOMMISSIONING FUNDING ASSURANCE

The NRC has determined that the requirements to provide assurance of decommissioning funding and provision of an adequate amount of decommissioning funding are necessary to ensure the adequate protection of public health and safety. NRC regulations require information showing "reasonable assurance... that funds will be available to decommission the facility" as stated in 10 CFR 50.33(k).

4.1 TMI-2 Decommissioning Funding Assurance

Met Ed, JCP&L, and Penelec are providing financial assurance for decommissioning in proportion to their ownership interests in TMI-2 through external sinking funds in which deposits are made at least annually. Met Ed, JCP&L, and Penelec continue to be eligible to use this method of decommissioning funding assurance by virtue of their continuing ability to recover costs under cost-of-service rate regulation after the proposed merger. After the proposed merger, Met Ed, JCP&L, and Penelec will remain responsible for the decommissioning liabilities associated with their ownership interests in TMI-2 and will continue to fund their decommissioning trusts for TMI-2 in accordance with NRC regulations and the requirements of the Pennsylvania Public Utilities Commission and the New Jersey Public Utilities Commission. Thus, the staff concludes the proposed merger will not affect the decommissioning funding arrangements of Met Ed, JCP&L and Penelec for TMI-2.

5.0 TECHNICAL QUALIFICATIONS

As indicated earlier, GPUN will continue to be the licensee responsible for maintaining and decommissioning TMI-2. The application states that the qualifications of the plant management and technical organization will be unchanged by the merger since the current GPUN nuclear organizations and personnel will continue to be responsible for maintaining and decommissioning TMI-2 after the merger. Therefore, the staff concludes that the merger will not affect the technical qualifications of GPUN as holder of the authority under the TMI-2 license to maintain and decommission the facility.

6.0 ANTITRUST REVIEW

The Atomic Energy Act does not require or authorize antitrust reviews of post-operating license transfer applications. Kansas Gas and Electric Co., et al, (Wolf Creek Generating Station, Unit 1), CLI-99-19,49 NRC 441,468 (1999). Therefore, since the transfer application postdates the issuance of the operating license for TMI2, no antitrust review is required or authorized.

7.0 FOREIGN OWNERSHIP, CONTROL, 0R DOMINATION

As discussed previously, after the proposed merger between FE and GPU is completed, FE will become the surviving corporation, and the outstanding shares of GPU common stock will be purchased by FE, exchanged for FE common stock, or exchanged for a mixture of cash and shares of FE common stock, as specified in the Merger Agreement. FE is, and will remain after the proposed merger, a corporation organized and existing under the laws of the State of Ohio. The application states:

Subsequent to the merger, the board of directors of FE, the surviving corporation, will be comprised of 16 members, including ten members to be designated by FE's current board of directors and six members to be designated by GPU, Inc.'s current board of directors. All current directors and principal officers of FE are U.S. citizens. After the merger, all principal officers of FE, and all of the ten directors to be appointed by FE's board will be U.S. citizens. With the possible exception of one of GPU, Inc.'s existing directors, who is a citizen of the United Kingdom, it is also anticipated that the six directors to be designated by GPU, Inc. for the merged company will also be U.S. citizens. FE is not now, nor will it be after the merger, owned, controlled, or dominated by an alien, foreign corporation, or foreign government.

The February 7, 2001, supplemental submittal confirmed that all current principal officers and directors of FE, GPU, Inc. (with the exception of one GPU, Inc. director who is a citizen of the United Kingdom), Met Ed, JCP&L and Penelec, are U.S. citizens. As discussed in the application, decisions regarding maintenance and decommissioning of TMI-2 will continue to be made by GPUN. The application also states:

GPUN, Met Ed, JCP&L, and Penelec, are not now, nor will they be after the merger, owned, controlled, or dominated by an alien, foreign corporation or foreign government, nor are such companies acting as representatives of any other person in this application ....

Notwithstanding the possible existence of one non-U.S. citizen on the FE board of directors comprising sixteen members, the NRC staff does not know or have reason to believe that GPUN, Met Ed, JCP&L, or Penelec will be owned, controlled, or dominated by foreign interests following the proposed merger,

8.0 ENVIRONMENTAL CONSIDERATION

The subject application is for approval of the indirect transfer of a license issued by the NRC. Accordingly, the action involved meets the eligibility criteria for categorical exclusion set forth in 10 CFR 51.22(c)(21). Pursuant to 10 CFR 51.22(b), no environmental impact statement or environmental assessment need be prepared in connection with approval of the application.

9.0 CONCLUSION

In view of the foregoing, the NRC staff concludes that the proposed merger of FE and GPU will not affect the qualifications of GPUN, Met Ed, JCP&L, and Penelec as holders of the TMI-2 license, and that the indirect transfer of the license, to the extent effected by the proposed merger, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission pursuant thereto, subject to the condition discussed earlier in this safety evaluation regarding the notification of significant asset transfers.

Principal Contributors: D. Collins
R. Eckenrode
J. Minns

Dated: March 7, 2001

Exhibit D10

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of the Joint Petition of Waverly Electric Light and Power Company, Pennsylvania Electric Company, GPU, Inc. and FirstEnergy Corp. for a declaratory ruling concerning section 70 of the Public Service Law or, in the alternative, for consent pursuant to such section of the transfer of beneficial ownership and control of the stock and New York electric plant of Penelec and Waverly as an incident of a plan of merger

Case No.
JOINT PETITION

Michael Whiteman Terresa M. Bakner Whiteman Osterman & Hanna Attorneys for Joint Petitioners One Commerce Plaza Albany, New York 12260 (518) 487-7738

Dated: January 12, 2001

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of the Joint Petition of Waverly Electric Light and Power Company, Pennsylvania Electric Company, GPU, Inc. and FirstEnergy Corp. for a declaratory ruling concerning section 70 of the Public Service Law or, in the alternative, for consent pursuant to such section of the transfer of beneficial ownership and control of the stock and New York electric plant of Penelec and Waverly as an incident of a plan of merger:

Case No.

JOINT PETITION

Pennsylvania Electric Company ("Panelec"), along with Waverly Electric Light and Power Company ("Waverly"), GPU, Inc. ("GPU") and FirstEnergy Corp. ("FirstEnergy"), respectfully request the Public Service Commission (the "Commission") to issue a declaratory ruling disclaiming jurisdiction to review and consent to the merger of GPU and FirstEnergy. Petitioners respectfully request the Commission, in the alternative, to refrain from exercising jurisdiction on the grounds that there is no potential harm to the interests of New York customers from this transaction or, in the event the Commission decides to exercise jurisdiction, to consent to the transfer of beneficial ownership and control of the stock and New York electric plant of Penelec and Waverly to FirstEnergy as an indicent of the merger of GPU into FirstEnergy.

Petitioners submit that the merger, which is governed by the terms of that certain Agreement and Plan of Merger dated as of August 8, 2000 (the "Merger Agreement"), is outside the jurisdiction of the Commission to review because: Neither GPU nor FirstEnergy, the merging entities, is an electric corporation; Penelec, which will become a subsidiary of FirstEnergy under the merger, if consummated, is not a corporation organized or existing under or by virtue of the laws of New York; and the direct ownership and control of no electric plant in New York will change as a consequence of the merger. In the event that the Commission determines that the proposed merger is within its jurisdiction, Petitioners respectfully submit that the Commission may and should refrain from exercising that jurisdiction to engage in a detailed review of the merger because it can have no adverse impact on the interests of any New York ratepayer. Finally and in the alternative in the event that the Commission determines that it has and will exercise jurisdiction, the Commission should consent to the transfer of beneficial ownership and control because, as will be shown below, such transfer is in the public interest.

In support of this Petition, Penelec, Waverly, GPU and FirstEnergy (hereinafter, together, the "Petitioners") state as follows:

A. THE PETITIONERS

1. Penelec is an electric public utility, incorporated under the laws of Pennsylvania, with headquarters at 2800 Pottsville Pike, Reading, Pennsylvania 19640-0001. Penelec conducts business in New York as "GPU Energy," serving approximately 3800 primarily residential customers in the

Village of Waverly and the western part of the Town of Barton in Tioga County New York (the "Waverly Customers" and the "Waverly District," respectively.) (Penelec also serves approximately one million customers in northern, central and eastern Pennsylvania.) Certified copies of Penelec's certificate of incorporation and application to do business in New York as a foreign corporation are attached hereto as Exhibit A.

2. Waverly is a wholly-owned subsidiary of Penelec. Waverly owns electric distribution facilities in the Waverly District and leases such facilities to Penelec for use in serving the Waverly Customers. A certified copy of Waverly's certificate of incorporation is attached hereto as Exhibit B.

3. GPU is a public utility holding company, registered under the Public Utility Holding Company Act of 1935, with headquarters at 300 Madison Avenue, Morristown, New Jersey 07962-1957. GPU owns all of the common stock of Penelec, as well as of Metropolitan Edison Company ("Met-Ed") and Jersey Central Power & Light Company ("Jersey Central"), electric public utilities that conduct business as "GPU Energy" in Pennsylvania and New Jersey, respectively. The GPU Energy utilities together serve about 2.1 million customers in Pennsylvania and New Jersey. A certified copy of GPU's certificate of incorporation is attached hereto as Exhibit C.

4. FirstEnergy is a diversified energy services holding company, headquartered at 76 South Main Street, Akron, Ohio 44308. FirstEnergy was formed in 1997 as a result of the merger

of Ohio Edison Company and Centerior Energy Corporation. FirstEnergy directly owns three electric utility operating companies in Ohio, namely, Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company; Ohio Edison Company in turn owns a fourth electric utility company, Pennsylvania Power Company ("Penn Power"), operating in portions of western Pennsylvania. Together these utilities serve about 2.2 million customers in northern and central Ohio and western Pennsylvania. A certified copy of FirstEnergy's certificate of incorporation is attached hereto as Exhibit D.

5. Waverly's distribution plant is the only electric plant in New York owned by any of the Petitioners, directly or indirectly, and the Waverly Customers, who constitute less than one half of one percent of all Penelec's customers, are the only customers in New York served directly by any of the Petitioners. (Affiliates of Penelec and FirstEnergy own generating facilities located outside New York some of the output of which may reach New York in open market transactions through PJM Interconnection LLC and the NY ISO.)

6. The names and addresses of the Petitioners' attorneys are:

Michael Whiteman Terresa M. Bakner Whiteman Osterman & Hanna One Commerce Plaza Albany, New York 12260 (518) 487-7738 (518) 487-7777 - Fax mw@woh.com tmb@woh.com

Copies of all communications pertaining to this Joint Application should also be served upon the

following individuals:

Stephen L. Feld, Esq.

FirstEnergy Corp.
76 South Main Street
Akron, Ohio 44308

Michael J. Connolly, Esq.
GPU Service, Inc.
300 Madison Avenue
Morristown, New Jersey 07962

B. DESCRIPTION OF THE PROPOSED MERGER

7. Under the planned merger, FirstEnergy will acquire all of GPU's outstanding shares of common stock and assume GPU's outstanding indebtedness, and GPU will be merged with and into FirstEnergy. FirstEnergy will become a registered holding company under the Public Utility Holding Company Act of 1935 and subject to SEC rules on cost-allocations. Thus, following completion of the merger, FirstEnergy will be subject to all of the same requirements of that Act to which GPU has been subject under that Act, and with which the Commission is well acquainted.

8. Following completion of the merger, Penelec (and Met Ed and Jersey Central) will be wholly-owned public utility company subsidiaries of FirstEnergy. Waverly will continue to be a wholly-owned subsidiary of Penelec.

9. Attached hereto and made part hereof as Exhibit E is a true and correct copy of the Agreement and Plan of Merger, which provides further details of the specific arrangements between

GPU and FirstEnergy. The Merger Agreement affects only the parent holding companies, not Penelec or Waverly or the other GPU or FirstEnergy subsidiaries. As a result of the merger, the new parent holding company (FirstEnergy) will replace the former parent holding company (GPU).

10. Upon consummation of the merger, Penelec will continue to operate as an electric distribution company, and its distribution operations in New York will continue to be subject, as they have been, to the jurisdiction of the Commission. Thus, the merger will not adversely affect any of the day-to-day operations of Penelec in New York (or elsewhere.) Indeed, as set forth in more detail below, the merger will enhance the capabilities of Petitioners to fulfill obligations to provide safe, adequate and reliable service to retail customers in New York and elsewhere.

C. BENEFITS OF THE MERGER

11. As of the date of this Joint Petition, the combination of FirstEnergy and GPU will create the nation's sixth largest investor-owned electric system based on the number of customers, with management, employee experience, and technical expertise, retail customer base, energy and related services platform and financial resources to grow and succeed in the rapidly changing energy marketplace.

12. An inevitable consequence of the evolving competitive electric energy market is that successful industry participants must be able to seek and create economies of scale, reduce

duplicative activities and practices, and further enhance operating efficiencies. By combining their resources, years of utility experience and considerable expertise, GPU and FirstEnergy will significantly enhance GPU Energy's capabilities. The merger will create a larger, stronger parent company that is better positioned to compete and to attract capital on reasonable terms for its public utility subsidiaries. The combined customer base of FirstEnergy and GPU, comprised of over four million individuals, businesses and industries, will greatly enhance the capability of the merged parent company to invest in new facilities and emerging technologies that could be cost prohibitive for a smaller company. The Petitioners expect the new merged company to be able to provide customers with a wider range of energy services and products than either company could alone achieve.

13. The proposed merger is a natural alliance of companies with adjoining service territories and interconnected transmission systems. Even more important than their geographic proximity, FirstEnergy and GPU share similar core values that emphasize attracting and retaining employees with superior skills, knowledge, experience, motivation and dedication; a commitment to customer service-oriented goals; and, the vision to be a premier service provider.

14. FirstEnergy and GPU have very similar views concerning the appropriate organizational structure and customer focus needed to succeed in today's energy delivery business. FirstEnergy's operating utilities are organized in such a manner as to delegate significant responsibility and authority to regional management. Similarly, the GPU Energy companies are

completing efforts they began several months ago to reorganize themselves in a functional way that will put authority and accountability as close as possible to the customers and communities they serve. This shared organizational and operating philosophy, and the related customer-focused culture that the companies share, is important to their successful completion of post-merger integration activities. In addition, FirstEnergy and GPU have a solid track record of attracting, recruiting and retaining a thoroughly qualified, skilled, motivated and dedicated workforce. Sharing such strong commitments to customers, to employees and to local communities are key attributes to developing and maintaining premier energy delivery services.

15. FirstEnergy anticipates that the merger also will result in overall aggregate cost saving opportunities. FirstEnergy has estimated total annual savings of $150 million for the combined company. This amount is based upon an assumed five percent reduction in operating and maintenance costs that has been typical of other mergers, and not on a detailed evaluation of savings. These savings would be attributed to each particular FirstEnergy entity, as appropriate.

16. It is important to emphasize, however, that such potential for some measure of cost savings is not the primary factor justifying the merger. The Petitioners' primary motivation is their belief that this merger offers significant strategic advantages that will be of substantial value to the future economic growth of the states they serve. Although the integration process following the merger will be complex and time-consuming, the Petitioners believe that their shared values, goals

and commitment to success will help to minimize the challenges that are an inevitable part of any merger process.

1. CUSTOMER SERVICE

17. The proposed merger will have no adverse impact on Penelec's continued ability to provide safe and adequate utility service to its Waverly customers in New York, nor will it in any way affect the Commission's jurisdiction over the adequacy and reliability of customer service. Indeed, the pooling of "best practices" knowledge by the Petitioners will benefit utility operations and customer service at all levels. As part of the merger integration process, the GPU Energy companies, including Penelec, will review their existing procedures and determine how to combine their own "best practices" with those utilized by the FirstEnergy utilities. The management structure of GPU Energy, particularly as it is being reorganized to enhance its local regional focus on customer service, will ensure a high level of management attention on distribution system reliability. In addition, FirstEnergy has demonstrated a commitment to customer service and reliability. Combining FirstEnergy and GPU "best practices" in the area of customer service will further enhance the separate efforts undertaken to date to achieve a greater degree of reliability and service to individual customer needs.

18. The present rules, regulations, terms and conditions of service that are in effect for the Waverly Customers will not change as a result of Commission approval of this Joint Petition and the completion of the merger. Penelec will continue to be fully subject to and

accountable for the safeguards and standards promulgated by the Commission to foster safe, adequate and reliable service.

19. Penelec's Waverly Customers' service rates likewise will continue to be subject to full Commission jurisdiction, and will not be adversely affected by the merger. On December 21, 2000, the Commission issued its approval of a new retail electric service tariff filed by Penelec for the Waverly District. See Case 00-E-1672, Order Approving Tariff Filing, Subject to Conditions, Issued and Effective December 21, 2000. The new tariff implements a retail access program for Penelec's Waverly Customers. The rates and other terms and conditions of service set forth in Penelec's new Waverly District tariff may not be changed by Penelec without further authorization from the Commission. The proposed merger will have no adverse impact on Penelec's rates charged to its Waverly Customers. No merger-related costs in excess of merger related savings (that is, transaction costs, severance payments, etc.) will become part of Penelec's cost of service for ratemaking purposes.

20. Access to FirstEnergy's additional resources and expertise in providing cost effective supply options in competitive markets will further complement efforts to accommodate customers who rely upon Penelec for their supply of electricity.

21. As stated previously, FirstEnergy and GPU share a strong commitment to enhancing customer service. The merger will facilitate and build upon these areas of expertise and

common experience, and make additional, experienced resources available when needed to meet emergencies, storm outages or other similar circumstances.

2. ENHANCED EFFICIENCIES

22. The Petitioners are confident that the planned merger will create new opportunities for enhanced business and utility operations efficiencies. The merger will permit the Petitioners to eliminate certain duplicative activities and allow for more efficient use of their combined staffing, particularly at the corporate and administrative levels. It is also expected that reduced expenses will result from the merger in areas such as insurance, facilities and professional services.

23. Implementation of the merger will build upon the efforts already undertaken and achieved in recent years at GPU Energy to restructure and streamline its workforce, and to ensure a strong local presence in each of its operating regions. As previously stated, both FirstEnergy and GPU share several fundamental principles in operating their utility businesses in a cost- effective and efficient manner. They each have a management philosophy that places authority and accountability at the local level, within each region of the utility's customer base. Authority and responsibility for insuring system performance within each region rests with its local handson leadership team and their compensation is tied closely to meeting key performance goals within the regions. Among these responsibilities are active participation in numerous worthwhile local community activities and in city, township and other key municipal and community meetings, to insure that these key stakeholders are properly supported.

D. EFFECT ON COMPETITION

24. The merger will have no adverse effect on competition in the supply and distribution of electricity in New York and no adverse impact on Penelece's Waverly customers. There will be no concentration of generation ownership in New York as a result of the merger as neither GPU nor FirstEnergy owns any generating facilities in New York and Penelec owns no generating facilities. In the past, FirstEnergy has sold small amounts of wholesale power to New York utilities in open market transactions. Future wholesale sales, if any, would be made on a similar basis.

25. Thus, prevailing market conditions will be unaffected by the merger and Penelec will remain fully subject to the Commission's jurisdiction. Moreover, as further assurance in support of this Joint Petition, FirstEnergy also intends to have GPU Energy's transmission system continue to be a part of the PJM Interconnection LLC.

26. FirstEnergy's future participation as a retail competitive electric generation supplier in New York following approval and implementation of the merger will be subject to all applicable requirements and regulations, including code of conduct provisions, imposed by the Commission with respect to such activities.

E. ADDITIONAL SUPPORTING DATA

27. Attached to this Joint Petition, and made part hereof, are several appendices that provide additional data supporting the Applicants' request for approval of the proposed merger,

28. Attached hereto as Exhibit F is a true and correct copy of the required filing on Form S-4 with respect to the planned merger, as amended and filed with the Securities and Exchange Commission on October 13, 2000.

29. Attached hereto as Exhibits G and H, respectively, are true and correct copies of GPU's 1999 Annual Report and Form 10-K as filed with the Securities and Exchange Commission.

30. Attached hereto as Exhibits I and J, respectively, are true and correct copies of FirstEnergy's 1999 Annual Report and Form 10-K as filed with the Securities and Exchange Commission.

31. Pertinent financial information concerning the Petitioners is included or incorporated by reference in Exhibits F through J , inclusive, and incorporated further herein by reference.

32. Attached hereto as Exhibit K are certified copies of the meeting minutes of the Boards of Directors of the Petitioners, authorizing the merger to proceed.

33. Pursuant to the Commission's Rules of Practice, all annual reports, other routine periodic reports to the Commission, certificates of public convenience, securities certificates and similar documents on file with the Commission with respect to the public utility Petitioners are incorporated herein by reference and made part hereof.

F. OTHER REQUIRED APPROVALS

34. In addition to approval from the Commission, several other regulatory approvals will be required before the merger can be concluded. These include approvals from the Securities and Exchange Commission, the Federal Energy Regulatory Commission, which will review, among other matters, any potential market power issues, the Nuclear Regulatory Commission, the Federal Communications Commission, a provincial regulatory authority in Argentina, the Pennsylvania Public Utility Commission and the New Jersey Board of Public Utilities.

35. The proposed merger was approved by the affirmative vote of GPU's and FirstEnergy's shareholders on November 21, 2000.

G. CONCLUSION

36. The planned merger is at a parent company level and does not directly involve any New York public utility or electric plant. Thus, the Commission's jurisdiction over mergers and acquisitions under section 70 of the Public Service Law is not implicated and the Commission's ongoing jurisdictional authority over the New York operations of Penelec and Waverly remains totally undisturbed by the planned merger. Given such circumstances, combined with the ample support accompanying this Joint Petition and the detailed review that will be accorded the proposed merger by other federal and state regulatory agencies, the Petitioners hope to expedite the Commission's review process.

37. The Petitioners request that all reasonable steps be taken to complete any proceeding resulting from this filing within three months, so that the merger may be concluded in the Spring of 2001. Such a completion date is reasonable and achievable because the merger will have no direct effect on any jurisdictional operating utilities.

38. The merger will create a combined company that is bigger, stronger and more able to compete than either FirstEnergy or GPU would be alone. The last two years have demonstrated that uncertainty in the electric industry and the competitive generation market will increase rapidly during this critical transition from a regulated to a competitive structure. The proposed FirstEnergy/GPU merger will create improved opportunities for GPU Energy's customers, its employees and the shareholders of both parent companies. The opportunities created by this merger should be expedited, not delayed.

39. For all of the reasons set forth in and supported by this Joint Petition, the proposed transfer of beneficial ownership and control to effectuate the proposed merger (and the proposed merger itself) will promote the public interest and, thus, satisfies the legal requirements for consent by this Commission.

WHEREFORE, the Petitioners respectfully urge the Commission to issue a declaratory ruling disclaiming jurisdiction or, in the alternative, to review the proposed transfer expeditiously and to grant the Commission's consent thereto.

Respectfully submitted,

/s/ Michael Whiteman

Michael Whiteman
Whiteman Osterman & Hanna
Attorneys for Petitioners
One Commerce Plaza
Albany, New York 12260
(518) 487-7738

Dated: January 12, 2001

VERIFICATION

I, Anthony J. Alexander, hereby declare under penalty of perjury, that I am President of FirstEnergy Corp., that I am authorized to make this verification on its behalf; that I have read the foregoing joint petition; and that the facts stated therein are true and correct to the best of my knowledge, information and belief.

/s/ Anthony J. Alexander
_____

Subscribed and sworn to before me
this 11th day of January, 2001

/s/ Dorothy A. Bratanov
_____
Notary Public

Dorothy A. Bratanov
Notary Public, State of Ohio
My Comm. Exp. Feb. 24, 2003

VERIFICATION

I,_____ , hereby declare under penalty of perjury, that I am_____ of GPU, Inc. that I am authorized to make this verification on its behalf; that I have read the foregoing joint petition; and that the facts stated therein are true and correct to the best of my knowledge, information and belief.

Subscribed and sworn to before me
this _____ day of January, 2001

Notary Public

EXHIBIT A

PENNSYLVANIA ELECTRIC COMPANY

CATHY CRAY
RYAN RUSSELL OGDEN SELTZER
COUNTER PICK UP

Microfilm Number *Filed with the Department of State on* *MAR 29 1999*

Entity Number *212862* */s/ Kim [Illegible]*

ACTING Secretary of the Commonwealth

ARTICLES OF AMENDMENT - DOMESTIC BUSINESS CORPORATION
DSCP. 15-1915 (Rev. 90)

In compliance with the requirements of 15 Pa.C.S. Section 1915 (relating to articles of amendment), the undersigned business corporation, desiring to amend its Articles, hereby states that:

1. The name of the corporation is: PENNSYLVANIA ELECTRIC COMPANY

2. The (a) address of this corporation's current registered office in this Commonwealth or (b) name or its commercial re-registered office provider and the county of venue is (the Department is hereby authorized to correct the following information to conform to the records of the Department):

(a) 2800 Pottsville Pike Muhlenberg Township Pa 19605 Berks
Number and Street City State Zip County

(b)

Name of Commercial Registered Office Provider

For a corporation represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the corporation is located for venue and official publication purposes.

3. The statute by or under which it was incorporated is: The Act of the General Assembly of the Commonwealth of Pennsylvania entitled "An Act authorizing the
merger and consolidation of certain corporations", approved May 3, 1909, P.L.
408.

4. The date of its incorporation is June 11, 1919 .

5. (CHECK, AND IF APPROPRIATE COMPLETE, ONE OF THE FOLLOWING):

[X] The amendment shall be effective upon filing these Articles of Amendment in the Department of State.

[ ] The amendment shall be effective on: at .

Date Hour

6. (Check one of the following):

[X] The amendment was adopted by the shareholders (or members) pursuant to 15 Pa.C.S. Section 1914(a) and (b).

[ ] The amendment was adopted by the board of directors pursuant to 15 Pa.C.S. Section 1914(c).

7. (Check, and if appropriate complete, one of the following):

[ ] The amendment adopted by the corporation, set forth in full, as follows:

[X] The amendment adopted by the corporation is set forth in full in Exhibit A attached hereto and made a part hereof.

8. (Check if the amendment restates the Articles):

[X] The restated Articles of Incorporation supersede the original Articles and all amendments thereto.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a duly authorized officer thereof this 8th day of March 1999.

PENNSYLVANIA ELECTRIC COMPANY
(Name of Corporation)

BY: /s/ [Illegible]

TITLE: Vice President and Treasurer

Exhibit A

PENNSYLVANIA ELECTRIC COMPANY

RESTATED ARTICLES OF INCORPORATION

I. The name of the Company is PENNSYLVANIA ELECTRIC COMPANY.

II. The location and post office address of the registered office of the Company in the Commonwealth of Pennsylvania is:

2800 Pottsville Pike Muhlenberg Township Berks County, Pennsylvania 19605

III. The purposes for which the Company is incorporated are as follows:

A. The production, generation, manufacture, transmission, transportation, distribution, furnishing and supply of electricity to or for the public.

B. The engaging in all other lawful business for which corporations may be incorporated under the Business Corporation Law of 1988.

IV. The term of existence of the Company shall be perpetual.

V. The aggregate number of shares which the Company shall have authority to issue shall be:

A. 5,400,000 shares of Common Stock of the par value of $20 per share having an aggregate par value of $108,000,000; and

B. 11,435,000 shares of Preferred Stock, without par value, and having a maximum aggregate stated value of $250,000,000.

VI. The board of directors shall have the authority to determine the designations, preferences, voting powers, qualifications, limitations, restrictions, and special or relative rights in respect of any class or series of the Preferred Stock.

VII. If authorized by the board of directors of the Company, any or all classes or series of shares, or any part thereof, may be uncertificated shares, except that with respect to any outstanding shares of the Company represented by a certificate, such shares shall not be uncertificated shares until the certificate is surrendered to the Company.

COMMONWEALTH OF PENNSYLVANIA

DEPARTMENT OF STATE

JANUARY 05, 2001

TO ALL WHOM THESE PRESENTS SHALL COME, GREETING:

PENNSYLVANIA ELECTRIC COMPANY

In Kim Pizzingrilli, Secretary of the Commonwealth of Pennsylvania do hereby certify that the foregoing and annexed is a true and correct photocopy of Articles of Amendment restating the Articles of Incorporation in their entirety

which appear of record in this department

[SECRETARY OF THE COMMONWEALTH OF PENNSYLVANIA SEAL]

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Seal of the Secretary's Office to be affixed, the day and year above written.

/s/ Kim Pizzingrilli

Secretary of the Commonwealth

DPOS

WHITEMAN OSTERMAN & HANNA
ONE COMMERCE PLAZA
ALBANY, NY 12260

Enclosed is the information you requested. Your payment of $35.00 is hereby acknowledged.

200101050215 39

STATE OF NEW YORK)
) ss:
DEPARTMENT OF STATE)

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.

WITNESS MY HAND AND SEAL OF THE DEPARTMENT OF STATE ON

JAN 05 2001

[SEAL] */s/ J. Clark*

SPECIAL DEPUTY SECRETARY OF STATE

DOS-1266 (5/96)

APPLICATION FOR AUTHORITY

OF

PENNSYLVANIA ELECTRIC COMPANY

UNDER SECTION 1304 OF THE BUSINESS CORPORATION LAW

FIRST: The name of the corporation is Pennsylvania Electric Company. The corporation shall be known by the name "Pennsylvania Electric Company, Inc." in the State of New York.

SECOND: The jurisdiction of incorporation of the corporation is Pennsylvania. The date of incorporation of the corporation is June 11, 1919.

THIRD: The business which the corporation proposes to do in the State of New York is as follows:

To engage in any act or activity permitted by the laws of Pennsylvania for which corporations may be organized under the Business Corporation Law of New York, provided that the corporation is not to engage in any act or activity requiring the consent or approval of any state official, department, board, agency or other body without such consent or approval being first obtained.

FOURTH: The office of the corporation in the State of New York is to be located in the County of Albany.

FIFTH: The Secretary of State of the State of New York is designated as the agent of the corporation upon whom process against the corporation may be served. The post office address within the State of New York to which the Secretary of State of the State of New York shall mail a copy of any process against the corporation served upon said Secretary of State is c/o Corporation Service Company, 80 State Street, Albany, New York 12207-2543.

SIXTH: The corporation has not since its incorporation, engaged in any activity in the State of New York except as set forth in paragraph (b) of Section 1301 of the Business Corporation Law.

SEVENTH: The registered agent of the corporation is to be the agent of the corporation upon which process against the corporation may be served. The name and address within the State of New York of said registered agent is as follows: Corporation Service Company, 80 State Street, Albany, New York 12207-2543.

Pennsylvania Electric Company

By /s/ T.G. Howson

T.G. Howson
Vice President

Signed: May 24, 2000

COMMONWEALTH OF PENNSYLVANIA

DEPARTMENT OF STATE

APRIL 13, 2000

TO ALL WHOM THESE PRESENTS SHALL COME, GREETING:

I DO HEREBY CERTIFY THAT,

PENNSYLVANIA ELECTRIC COMPANY

is duly incorporated under the laws of the Commonwealth of Pennsylvania and remains a subsisting corporation so far as the records of this office show, as of the date herein.

[SEAL]

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Seal of the Secretary's Office to be affixed, the day and year above written.

Illegible
Secretary of the Commonwealth
DPOS

APPLICATION FOR AUTHORITY
OF
PENNSYLVANIA ELECTRIC COMPANY

Section 1304 of the Business Corporation Law

Received Jun 7 3 55 PM '00

Filer: Jersey Central Power & Light Company 300 Madison Avenue
Morristown, NJ 07962

Cust. Ref#716548MPJ

DRAWDOWN

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED JUN 09 2000
TAX $

By: Illegible

Exhibit B

STATE OF NEW YORK }
DEPARTMENT OF STATE }ss:

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.

Witness my hand and seal of the Department of State on Jan 05 2001

[State of New York Department of State Seal]

[Illegible Signature]
Special Deputy Secretary of State

DOS-1266 (5/96)

CERTIFICATE OF INCORPORATION

of

THE WAVERLY ELECTRIC LIGHT AND POWER COMPANY.

State of New York, ss:
County of Tioga

We, Fred E. Lyford, Percy L. Lang, WH. Loomis, J. George Kaelber, George Koch, Charles A. Brown, Charles P. Henn, desiring to form a corporation pursuant to the provisions of an Act, passed by the Legislature of the State of New York, February 17th, 1848, and the several acts of said Legislature amendatory thereof and extending the same, and entitled, "An Act to authorize the formation of corporations for manufacturing, mining, mechanical or chemical purposes, do hereby certify:

FIRST That the name of the said company is and is to be "The Waverly Electric Light and Power Company".

SECOND That the objects for which said company is to be and is formed are, manufacturing and using electricity for producing light, heat or power, and to generate and supply electricity for such purposes, and conduct the same by the necessary wires, pipe, poles or other fixtures in, on, under or over the streets, avenues, public parks and places of the village of Waverly, Tioga county, New York, and adjoining towns as hereinafter specified.

THIRD That the amount of capital stock of the said company is to be thirty seven thousand five hundred dollars ($37500).

FOURTH That the term of the existence of said company is to be fifty years.

FIFTH That the number of shares of which the said capital stock is to consist is to be three hundred seventy five, of $100.00 par value each.

SIXTH That the number of the trustees who shall manage the concerns of said company shall be seven.

SEVEN That the names of such trustees, who shall manage the concerns of said company for the first year are, Fred E. Lyford, Percy L. Lang, William H. Loomis, J. George Kaelber, George R. Koch, Charles A. Brown, Charles P. Henn.

EIGHT That a majority of said trustees are citizens and residents of the State of New York.

NINETH That said company is formed for the purpose of carrying on some part of its business out of the State of New York, namely, at South Waverly, Athens and Sayre, and adjoining towns or boroughs in the County of Bradford, State of Pennsylvania, and that the names of the town and county in which the principle part of business of said company is to be transacted in this state is the Village of Waverly, in the County of Tioga, in New York State.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this 10th day of December, 1890.

/s/ Fred E. Lyford

/s/ Percy L. Lang

/s/ W.H. Loomis

/s/ J. George Kaelber

/s/ George R. Koch

/s/ Charles A. Brown

/s/ C. P. Henn

State of New York ss:-
County of Tioga

On this 23 day of Jan., 1891, before me, the subscriber, personally appeared Fred E. Lyford and Percy L. Lang to me known to be the individuals described in and who executed the foregoing certificate, and they severally, before me signed the said certificate, and acknowledged that they executed the same.

Illegible Signature Notary Public

State of New York ss:-
County of Monroe

On this 4th day of February, 1891, before me the subscriber, personally appeared George R. Koch to me known to be one of the individuals described in and who executed the foregoing certificate, and he, before me signed the said certificate, and acknowledged that he executed the same.

Illegible Signature Notary Public

State of New York ss:-
County of Erie

On this 26 day of January 1891, before me, the subscriber, personally appeared J. George Kaelber & Charles P. Henn to me known to be the individuals described in and who executed the foregoing certificate, and they severally acknowledged that they executed the same.

Illegible Signature Notary Public

STATE OF NEW YORK,

MONROE COUNTY CLERK'S OFFICE,
ROCHESTER, N.Y.

[MONROE COUNTY SEAL]

I, WILLIAM OLIVER, Clerk of the County of Monroe, of the County Court of said County, and of the Supreme Court, both being Courts of Record having a common seal, DO CERTIFY that

F. P. Allen Esq., was at the date of Certificate of Proof or acknowledgment of the annexed instrument in writing, a NOTARY PUBLIC, in and for said County, duly authorized to take the same; that I am well acquainted with his hand-writing, and verily believe that the signature to said Certificate is genuine, and that the annexed instrument is executed and acknowledged according to the laws of this State.

In Testimony Whereof, I have hereunto set my hand and affixed the seal of said County and Courts, this 18 day of July A.D., 1891

Wm. Oliver, Clerk

ACKNOWLEDGMENT OF NOTARY.

STATE OF NEW YORK, }
ERIE COUNTY CLERK'S OFFICE,}ss.

I, Charles A. ORR, Clerk of said County and of the Courts thereof, the same being Courts of Record, do hereby certify that [Illegible Signature] whose name is subscribed to the proof or Acknowledgment of the annexed instrument in writing, was at the time of taking such proof or acknowledgment, a NOTARY PUBLIC, in and for the said County, duly commissioned, sworn and authorized to take the same; and further, that I am well acquainted with his hand-writing, and verily believe that the signature in the said proof or acknowledgment is genuine; and further, that the annexed instrument is executed and acknowledged according to the laws of the State of New York.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seal of said County, at Buffalo, this 16th day of July A.D. 1891

[Illegible Signature] Clerk

157 129-34-5

State of Illinois
Cook County ss:

On this 28 day of January 1891,, before me,

the subscriber, personally appeared [illegible signature]

to me known to be the individual described in and who executed

the foregoing certificate, and they severally acknowledged that

they executed the same.

William S. Granger Notary Public

State of New York
ss:
County of Kings

On this 6 day of February 1891, before

me the subscriber personally appeared William H. [illegible]

to me known to be the person described in and who executed the

foregoing certificate and who acknowledged that he executed

William J. Tate

Notary Public

STATE OF ILLINOIS
COOK COUNTY SS.

[SEAL]

I, HENRY WULFF, Clerk of the County Court of Cook

County, the same being a Court of Record DO HEREBY CERTIFY that William S. Granger Esq., whose name is subscribed to the proof or acknowledgement of the annexed instrument in writing, was at the time of taking such proof or acknowledgment, a Notary Public in and for Cook County, duly commissioned, sworn and acting as such and authorized to take the same; that I am well acquainted with his handwriting and verily believe that the signature to the said proof or acknowledgment is genuine; and further that the annexed instrument is executed and acknowledged according to the laws of the State of Illinois.

IN TESTIMONY, WHEREOF, I have hereunto set my hand and affixed the seal of said Court at the City of Chicago, in the said County, this 2nd day of March 1891.

/s/ Illegible
---------- *CLERK.*

I, WILLIAM J. KAISER, CLERK OF THE COUNTY OF

State of New York) ss COUNTY of KINGS) KINGS AND CLERK OF THE SUPREME COURT OF THE STATE OF NEW YORK, in and for said County, (said Court being a Court of Record), DO HEREBY CERTIFY, that

William J. Tate

whose name is subscribed to the Certificate of Proof, or acknowledgement of the annexed instrument, and thereon written, was, at the time of taking such proof or acknowledgement, a NOTARY PUBLIC of the State of New York, in and for the said County of Kings, dwelling in said County, commissioned and sworn, and duty authorized to take the same. And further, that I am well acquainted with the handwriting of such notary and verily believe the signature to the said Certificate is genuine, and, that said instrument is executed and acknowledged according to the Laws of the State of New York.

[COUNTY SEAL]

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seal of said County and Court, this 6 day of February 1891

W. J. Kaiser

----------CLERK.:

CERTIFICATE

OF

INCORPORATION.

The Waverly Electric
Light and Power Company.

Tax for privilege of organization of this Corporation, $46.88, under Chapter 143, Laws of 1886, paid to State Treasurer before filing.

STATE OF NEW YORK,
OFFICE OF SECRETARY OF STATE.

Filed and Recorded, March 12, 1891.

/s/ Illegible

Deputy Secretary of State.

STATE OF NEW YORK }

} ss:

DEPARTMENT OF STATE }

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.

Witness my hand and seal of the Department of State on January 5 2001

[STATE OF NEW YORK

DEPARTMENT OF STATE SEAL]

/s/ Illegible
---------- Special Deputy Secretary of State

DOS-1266 (5/96)

KNOW ALL MEN BY THESE PRESENTS, that it having been determined at a meeting of the Board of Trustees of the Waverly Electric Light & Power Company, a corporation organized pursuant to an act of the legislature of the State of New York, passed February 17th. 1848, entitled "An Act to authorize the formation of corporation for manufacturing, mining, mechanical or chemical purposes", and the acts amendatory thereof, and supplementary thereto, which meeting was held at the Village of Waverly, N.Y., on the 7th. day of November 1892, that it was expedient and necessary to increase the capital stock of said corporation to the sum of Sixty Thousand Dollars; a notice was on the 12th. day of November 1892, inserted in the Waverly Free Press, published at Waverly in the County of Tioga, in which County the principal office is located, signed by a majority of the trustees of which the following is a copy, to wit:

STOCKHOLDERS MEETING.

Notice is hereby given, pursuant to statute, that a meeting of the stock- holders of the Waverly Electric Light & Power Company, a corporation incorporated under chapter 40 of the laws of the State of New York, passed February 17th. 1848, and the acts amendatory thereof and supplementary thereto, will be held at the office of the company in the Village of Waverly, N.Y., on the 5th. day of December 1892, at three o'clock in the afternoon, for the purpose of taking action to increase the capital stock of said corporation, the sum of Sixty Thousand Dollars ($60,000.00), pursuant to a resolution of the Board of Trustees of said corporation.

Dated: Waverly, N.Y., November 7th. 1892.

J. GRO. KAELBER,
GEORGE KOCH,
F.E. LYFORD,
PERCY L. LANG,

A majority of trustees of said corporation and said notice was published in said newspaper for three successive weeks next following said 12th. day of November 1892, and printed copies of said notice were deposited in the Post Office at Waverly, N.Y., addressed, one of said copies to each of the stockholders of said corporation at his usual place of residence at least three weeks previous to the time specified in said notice for holding said meeting, and the postage paid thereon.

That on the 5th. day of December 1892, at the time and place specified in said notice, stockholders of said corporation appeared in person or by proxy in number representing more than two-thirds of all the shares of stock of said corporation, to wit: J.M. Lyford, F.E. Lyford, H.J. Baldwin, Percy L. Lang, N.S. Johnson, J. George Kaelber, Albert ?. Willby, George Koch, and C.P. Henn, they representing 375 shares of said stock, and organized by choosing said Hugh J. Baldwin of Waverly, N.Y., one of the trustees of said corporation, chairman of the meeting any by choosing said F.E. Lyford of Waverly, N.Y., secretary thereof, and proceeded to a vote of those present in person or by proxy, upon the question of said increase of the capital stock of said corporation.

That on canvassing the votes cast as aforesaid, it appeared that a sufficient number of votes, to wit: of

than two-thirds of all the shares of stock of said corporation had been given in favor of increasing the amount of the capital stock of said corporation to the sum of Sixty Thousand Dollars, to which amount the capital stock was accordingly increased.

And it is hereby further certified that the whole amount of the debts and liabilities of said corporation is the sum of $993.61 and that the amount of the capital stock of said corporation, actually paid in is the sum of $37,500.

In Witness Whereof, the said chairman and secretary have hereunto set their hands, at Waverly, N.Y., this 12th. day of December 1892.

H. J. Baldwin

Chairmen.

F. E. Lyford

Secretary.

STATE OF NEW YORK)
)ss:
County of Tioga)

H.J. Baldwin and F.E. Lyford
being duly sworn deposes and says, each for himself, that he is a trustee of the Waverly Electric Light & Power Company and acted as an officer as specified above at a meeting of the stockholders of said corporation, mentioned in the foregoing certificate, that the facts stated in said certificate are true to the best of his knowledge and belief.

/s/ H. J. Baldwin

Sworn to before me this

12th. day of Dec. 1892.

/s/ F.E. Lyford

/s/ [illegible]

Notary Public

On this 12th day of December 1892, before me the subscriber, personally appeared [Illegible] and [Illegible] to me known to be the same persons described in and who executed the foregoing certificate and they severally acknowledged that they executed the same.

/s/ [Illegible]
Notary Public

[Notary Public Seal]

BOOK 1 PAGE 804

Certificate to increase the Capital Stock of the Waverly Electric Light & Power Company

????

Duplicate

STATE OF NEW YORK
Office of Secretary of State
FILED AND
RECORDED Dec 2? 1892
[Illegible]
DEPUTY SECRETARY OF STATE

STATE OF NEW YORK)

ss:

DEPARTMENT OF STATE)

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.

Witness my hand and seal of the Department of State on Jan 05 2001

[STATE OF NEW YORK DEPARTMENT OF STATE SEAL] [ILLEGIBLE SIGNATURE]

Special Deputy Secretary of State

?OS-1266 (5/96)

Certificate to Reduce the Number of Directors of the Waverly Electric Light and Power Company.

We, the undersigned, do hereby certify that the following is a correct transcript of the minutes of proceedings of a meeting of stockholders of the Waverly Electric Light and Power Company, held pursuant to the "Stock Corporation Law", article 2, section 21, to wit:

Waverly, N.Y., January 26, 1897.

A special meeting of the stockholders of the Waverly Electric Light and Power Company, a stock corporation, was held this day at 2 o'clock P.M., to determine whether the number of directors shall be reduced.

Such meeting was held at the office of the company, the usual place of meeting of its directors, on two weeks notice in writing to each stockholder of record; such notice having been served personally, or by mail, postage prepaid, directed to each stockholder at his last known post-office address.

Pursuant to such notice the meeting was held at the time and place mentioned, stockholders owning more than a majority of the stock of the corporation being present in person or by proxy.

Such meeting was duly organized by choosing J George Knelber as president and Albert Will as secretary thereof.

The notice of the meeting and proof of the due service and publication thereof were read and filed in the office of the corporation at the time of such meeting.

On motion made and duly seconded, the following resolution was offered for adoption:

"Resolved, That Article 2, section 1 of the by-laws he changed to read; five directors of the corporation shall be elected for the term of one year at the annual meeting of the stockholders".

Upon a canvass of the votes cast upon said resolution, it was found that stockholders owing 504 shares of the stock of the corporation, being more than a majority of the stock thereof, voted in favor of said resolution, and stockholders owing ??? shares of stock of the corporation; voted against its adoption.

Such resolution was thereupon declared duly adopted.

IN WITNESS WHEREOF, we have made, signed and verified this certificate in duplicate, this 15th day of March, 1897.

J. George Kaelber, PRESIDENT

Albert Will, SECRETARY

STATE OF NEW YORK)
COUNTY OF MONROE, ss

CITY OF ROCHESTER,)

J. George Kaelber and Albert Will, being severally duly sworn, depose and say, and each for himself deposes and says, that he, the said J. George Kaelber, was the president, and that he, the said Albert Will, was the secretary, of the meeting of the stockholders of the Waverly Electric Light and Power Company, held to determine whether the number of directors thereof shall be reduced; and that the foregoing is a substantially correct transcript of the proceedings relating to the reduction of the number of directors of such meeting entered in the minutes of the corporation.

Sworn to before me this 15th
day in March, 1897

/s/ ?????????? */s/ J. George Kaelber*

/s/ ?????????? */s/ Albert Will*

???

Certificate
of
Reduction of Number of
Directors
of
Waverly Electric Light
and Power Company

STATE OF NEW YORK
Office of SECRETARY of STATE
FILED AND
RECORDED MAR 29 1897

Andrew Davidson
Deputy Secretary of State.

STATE OF NEW YORK }
DEPARTMENT OF STATE } SS:

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.

Witness my hand and seal of the Department of State on Jan 05 2001

[STATE OF NEW YORK

DEPARTMENT OF STATE SEAL]

/s/ [ILLEGIBLE]
Special Deputy Secretary of State

DOS-1266 (5/96)

CERTIFICATE OF REDUCTION OF THE

NUMBER OF DIRECTORS OF THE WAVERLY ELECTRIC LIGHT & POWER

COMPANY

ON

UNANIMOUS CONSENT OF STOCKHOLDERS

WE the undersigned, being all the stockholders, and the holders of record of the entire capital stock issued and outstanding of the Waverly Electric Light & Power Company, a corporation duly organized and existing under the laws of the State of New York, do hereby, pursuant to the provisions of the stock corporation law, agree and consent that the number of directors of said corporation as set forth in the Certificate of Incorporation of said corporation, shall be reduced from seven directors to five directors.

IN WITNESS WHEREOF, we the above mentioned stockholders and holders of record of the entire issued and outstanding capital stock of said Company, have made, signed and executed this instrument in duplicate.

Dated the twenty-fourth day of January 1916.

SAYRE ELECTRIC COMPANY,

By */s/ [ILLEGIBLE]*
President

[SEAL OF SAYRE ELECTRIC COMPANY]

/s/ [ILLEGIBLE]
Secretary

/s/ [ILLEGIBLE]

/s/ [ILLEGIBLE]

/s/ [ILLEGIBLE]

/s/ [ILLEGIBLE]

STATE OF NEW YORK)
: SS:
COUNTY OF NEW YORK)

On the 26th day of January in the year 1916, before me personally came R. B. Claudle to me known who being by me duly sworn did depose and say that he resides at No. 601 West 112th Street, New York City, N.Y. That he is the Secretary of the Sayre Electric Company, the corporation described in and which executed the foregoing unanimous consent of stockholders; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by the order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

/s/ Helen M. Ainsworth
Notary Public, Queens County
Filed in N.Y. County No. 1,
?????

[SEAL OF HELEN M. AINSWORTH,
NOTARY PUBLIC]

STATE OF PENNSYLVANIA)

: SS:

COUNTY OF BRADFORD)

On this 24th day of January, 1916, before me the subscriber, personally came and appeared F. S. Nicholson, and Charles R. Butler, known to me and known to me to be the persons described in and who executed the foregoing unanimous consent of stockholders, and they severally acknowledged to me the execution thereof.

/s/ William Carey, J.P.
My Commission Expires
1st Monday January 1918

[SEAL OF WILLIAM T. CAREY, JUSTICE OF THE PEACE]

32E-115-2

STATE OF NEW YORK)
: SS:
COUNTY OF NEW YORK)

On the 26th day of January in the year 1916, before me personally came A.B. Cluadle to me known who being by me duly sworn did depose and say that he resides at No. 601 West 112th Street, New York City, N.Y. That he is the Secretary of the Sayre Electric Company, the corporation described in and which executed the foregoing unanimous consent of stockholders; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by the order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

/s/ Helen M. Ainsworth

Notary Public, Queens County,
Filed in N.Y. County No. 1,
????
[SEAL OF HELEN M. AINSWORTH,
NOTARY PUBLIC]

STATE OF PENNSYLVANIA)
: SS:
BRADFORD COUNTY)

I, PERRY F. ESTELL, Prothonotary of the Court of Common Pleas of said county, do hereby certify that said Court is a Court of Record; That William T. Carey, whose name is authorized to the certificate of proof of acknowledgement of the annexed instrument, was at the time of taking the same Justice of the Peace in and for said County, duly commissioned and sworn, and qualified to act as such, that as such Justice of the Peace he is duly authorized by the laws of the State of Pennsylvania to take the proof and acknowledgement of deeds and other instruments in writing; that the annexed instrument is executed and the proof of acknowledgement thereto taken in accordance with the laws of said State; that I am well acquainted with the handwriting of said William T. Carey, and verily believe his signature to the same is genuine,

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal, at Towanda, in said County of Bradford, this first day of February A.D. 1916.

/s/ Perry F. Estell, Prothonotary

[SEAL OF COURT
OF COMMON PLEAS,
BRADFORD COUNTY]

STATE OF NEW YORK)
: SS:
COUNTY OF NEW YORK)

On this 26th day of January, 1916 before me the subscriber, personally came and appeared [Illegible], Lucien H. Tyng and [Illegible] who are severally known to me and known to me to be the persons described in and who executed the foregoing unanimous consent of stockholders, and they severally acknowledged to me the execution thereof.

[Illegible]

NOTARY PUBLIC, QUEENS COUNTY

FILED IN N.Y. COUNTY No. 1
[Illegible] COUNTY REGISTERED NO. [Illegible]
COMMISSION EXPIRES MARCH 30, 1917

[NOTARY PUBLIC STAMP]

STATE OF NEW YORK)
: SS:
COUNTY OF NEW YORK)

[Illegible] being duly sworn, deposes and says that he is the Secretary of Waverly Electric Light & Power Company, the corporation mentioned in the foregoing unanimous consent of stockholders; that he is the custodian of the stock-book containing the names of the stockholders of said corporation; that the corporation and persons who have signed such unanimous consent either in person or by proxy, are the holders of record of the entire capital stock of said corporation, issued and outstanding.

Sworn and subscribed before me [Illegible] this 28th day of January 1916 Secretary

[Illegible]

NOTARY PUBLIC, QUEENS COUNTY
FILED IN N.Y. COUNTY NO. 1
[Illegible] COUNTY REGISTERED NO. [Illegible]
COMMISSION EXPIRES MARCH 30, 1917

[NOTARY PUBLIC STAMP]

32E-115-4

?? Book 18 Page 560.
MS.

CERTIFICATE OF REDUCTION
OF THE
NUMBER OF DIRECTORS OF THE
WAVERLY ELECTRIC LIGHT
& POWER COMPANY
ON
UNANIMOUS CONSENT OF STOCKHOLDERS

STATE OF NEW YORK.
Office of SECRETARY OF STATE
Filed and Recorded FEB 19 1916

/s/ Illegible
SECRETARY OF STATE

State of New York)
} SS:
Department of State)

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.

Witness my hand and seal of the Department of State on JAN 05 2001

[STATE OF NEW YORK
DEPARTMENT OF STATE

SEAL] */s/ Illegible*

Special Deputy Secretary of State

DOS-1266 (5/96)

CERTIFICATE OF EXTENSION OF POWERS

OF

THE WAVERLY ELECTRIC LIGHT AND POWER COMPANY

Pursuant to Section 35 of the Stock Corporation Law.

We, the undersigned, being the holders of record of all of the outstanding shares, entitled to vote thereon, of THE WAVERLY ELECTRIC LIGHT AND POWER COMPANY, a stock corporation organized under the Laws of the State of New York, DO HEREBY CERTIFY AS FOLLOWS:

1. That the name of the Corporation is THE WAVERLY ELECTRIC LIGHT AND POWER COMPANY

2. That the Certificate of Incorporation of said Company was filed in the Office of the Secretary of State on the 21st day of March, 1891.

3. That the proposed alteration and amendment of the Certificate of Incorporation consist of extending the powers of the corporation so as to give it additional powers with reference to the manufacture, use and sale of electricity, and to include the Town of Barton in the County of Tioga, State of New York, and other towns and villages in the counties of Tioga and Chemung, in the State of New York, within the territory where its corporate powers are to be exercised, by amending the Second and Ninth paragraphs of the said Certificate of Incorporation so that they shall hereafter read as follows:

"Second: That the objects of said corporation are to be: manufacturing, using, supplying, selling and dispensing of electricity for producing light, heat and power, or any of them; to lay cables and stretch wires, overhead, under

ground or otherwise, and to erect poles and wires for the transmitting and conducting of the same, and in lighting streets, highways, avenues, public parks and places and public and private buildings and places in the cities, villages and towns within the State of New York as follows, to wit:-

The Village of Waverly and the Town of Barton in the County of Tioga, State of New York, and other towns and villages in the Counties of Tioga and Chemung, in the State of New York, and at South Waverly, Athens and Sayre, and adjoining towns or boroughs in the County of Bradford, State of Pennsylvania, and to acquire, hold and own such real estate and other property of every name and nature, including rights of way, easements and franchises, as may be necessary, convenient or proper for manufacturing, supplying, transmitting, selling, furnishing and disposing of electricity for light, heat and power, or any of them; in the villages, boroughs and towns aforesaid."

"Ninth: That said company is formed for the purpose of carrying on some part of its business out of the State of New York, namely at South Waverly, Athens and Sayre, and adjoining towns or boroughs in the County of Bradford, State of Pennsylvania, and that the names of the villages, towns and counties in which the principal part of the business of said company is to be transacted in the State of New York.

are the Village of Waverly and the Town of Barton in the County of Tioga."

IN WITNESS WHEREOF, we have made and subscribed this certificate, in duplicate, this 31st day of March, 1927.

	NORTHERN PENNSYLVANIA POWER COMPANY	No. of Shares
[SEAL]	By /s/ [Illegible]	595
ATTEST:	Vice President.	
/s/ [Illegible]		
Secretary.		
	/s/ [Illegible]	1
	/s/ [Illegible]	1
	/s/ [Illegible]	1
	/s/ [Illegible]	1

STATE OF NEW YORK)
: SS.

COUNTY OF NEW YORK)

On this 31st day of March, 1927, before me personally came E. M. Gilbert, W. S. BARSTOW, L. H. TYNG and W. BUCHSBAUM, to me known and known to me to be the persons described in and who executed the foregoing certificate and they severally duly acknowledged to me that they had executed the same.

/s/ Florence L. Johnson
Notary Public.

[FLORENCE L. JOHNSON
NOTARY PUBLIC
KINGS COUNTY N.Y.
SEAL]

NOTARY PUBLIC KINGS COUNTY
KINGS CO CLK'S NO. 68, REG. NO. 8078
N.Y. CO. CLK'S NO. 192, REG. NO. 8126
TERM EXPIRES MARCH 30, 1928

54E57-3

STATE OF NEW YORK)
: SS.
COUNTY OF BROOME)

On this 1st day of April, 1927, before me personally came WILLIAM B. GOUDEY, to me known and known to me to be the person described in and who executed the foregoing certificate and he duly acknowledged to me that he had executed the same.

/s/ Anna E. Flynne

Notary Public.

STATE OF NEW YORK)
: SS.
COUNTY OF NEW YORK)

On this 31st day of March, 1927, before me personally came W. BUCHSBAUM, to me known, who being by me duly sworn, did depose and say that he resides in Montclair, New Jersey; that he is a Vice President of Northern Pennsylvania Power Company, the corporation described in and which executed the foregoing certificate; that he knows the corporate seal of said corporation; that the seal affixed to said instrument is such seal; that it was so affixed by order of the Board of Directors of said corporation and that he signed his name thereto by like order.

/s/ Florence L. Johnson

Notary Public.

NOTARY PUBLIC. KINGS COUNTY
KINGS CO CLK'S NO. 68 REG. NO. 8075
N Y CO CLK'S NO 192 REG NO 9126
TERM EXPIRES MARCH 30, 1928

STATE OF NEW YORK)
: SS.
COUNTY OF NEW YORK)

C.N. WILSON, being duly sworn according to law, deposes and says that he is Secretary of The Waverly Electric Light and Power Company and that the corporation and persons who have executed the foregoing certificate constitute the holders of record of all

I, ROBERT E. CODDINGTON, Clerk of the said County, and of the County, Court and Supreme Court of the State of New York, appointed to be held in and for said County, being Courts of Record, having a common seal, Do Hereby Certify, that Anna E. Flynn, Esq, whose name is State of New York) subscribed to the Certificate of the proof or ?????? County Clerk's) ss.: acknowledgment of the annexed instrument, and

Office) thereon written, was, at the time of taking the same, a NOTARY PUBLIC, in and for said County, residing therein, duly sworn and authorized to take the same; and further, that I am well

[SEAL] acquainted with the handwriting of said NOTARY PUBLIC, and verily believe that the signature to the said Certificate is genuine. And that said instrument is executed and acknowledged in conformity with the laws of this State.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Seal of the said County and Courts, at the City of Binghamton,

this 18 day of April, 1927
/s/ R. E. Coddington , CLERK.

By , DEPUTY CLERK.

Notary Public.

of the outstanding shares of the Waverly Electric Light and Power Company entitled to vote thereon.

/s/ [illegible] Wilson
Secretary

Subscribed and sworn to
before me this 31st day
of March, 1927.

/s/ Florence L. Johnson
Notary Public

[illegible Notary Stamp]
Form 2 State of New York, } No. 37960 Series B } ss:
County of New York, }

I, WILLIAM T. COLLINS, Clerk of the County of New York, and also Clerk of the Supreme Court in and for said county, DO HEREBY CERTIFY That said Court is a Court of Record, having by law a seal; that

/s/ Florence L. Johnson

??? to the ?? certificate or proof of acknowledgment of the annexed instrument ?????? the same a NOTARY PUBLIC acting in and for said county, duly ????? qualified to act as such; that he has filed in the Clerk's Office of the County of New York ???? copy of his appointment and qualification as Notary Public for the County of ????? /s/ [illegible] with his autograph signature, that as such Notary Public ???? by the laws of the State of New York to protract notes; to take and certify ???? oaths and affirmations; to take affidavits and certify the acknowledgment ???? deeds and other written instruments for lands, tenements and hereditaments, to be read ???? or recorded in this state; and further, that I am well acquainted with the handwriting of this Notary Public and verily believe that his signature to such proof or acknowledgment is ?????

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seal of said Court at the City of New York, in the County of New York, this 14 day of April 1937

/s/ William T. Collins
Clerk.

of the outstanding shares of The Waverly Electric Light and Power Company entitled to vote thereon.

/s/ [Illegible]
Secretary

Subscribed and sworn to
before me this 31st day
of March, 1927.

/s/ Florence L. Johnson
Notary Public

54E-57-6

State of New York)
} SS:
Department of State)

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.

Witness my hand and seal of the Department of State on JAN 05 2001

[STATE OF NEW YORK, DEPARTMENT OF STATE SEAL]

/s/ [Illegible]

Special Deputy Secretary of State

DOS-1266 (5/96)

**[DEPARTMENT
OF
TAXATION AND FINANCE LETTERHEAD]**

STATE OF NEW YORK)
) SS:
COUNTY OF ALBANY)

Pursuant to the provisions of Chapter 16 of the laws of 1930, the State Tax Commission does hereby certify to the Secretary of State that the following named corporation was erroneously included in the proclamation dissolving stock corporations pursuant to the provisions of Section 203-a of the tax law as enacted by Chapter 297 of the laws of 1929, which proclamation was dated November 15, 1932 and published on December 15, 1932:

Waverly Electric Light and Power Company

IN WITNESS WHEREOF, The State Tax Commission in pursuance to the authority vested in it by law, has caused this certificate to be signed by a majority of its members and the official seal of said Commission to be affixed hereto on this thirteenth day of September, One thousand nine hundred thirty-five.

STATE TAX COMMISSION

BY /s/ John J. Merrill

/s/ John P. Hennessey

Commissioners

THE WAVERLY ELECTRIC LIGHT AND POWER COMPANY

No Fee.

STATE OF NEW YORK
DEPARTMENT OF STATE

Filed September 16th, 1935.

Frank S. Sharp
Deputy Secretary of State.

STATE OF NEW YORK)
: SS:
DEPARTMENT OF STATE)

I hereby certify that the annexed copy has been compared with the original document in the custody of the Secretary of State and that the same is a true copy of said original.

Witness my hand and seal of the Department of State on Jan 08, 2001

[STATE OF NEW YORK, DEPARTMENT OF STATE SEAL]

/s/ [illegible]

Special Deputy Secretary of State

DOS-1266 (5/96)

CERTIFICATE OF EXTENSION OF EXISTENCE

of

THE WAVERLY ELECTRIC LIGHT AND POWER COMPANY

Pursuant to Section 45 of the General Corporation Law

We, the undersigned, being the holders of record of all of the outstanding shares of the common capital stock of The Waverly Electric Light and Power Company, a stock corporation organized and existing under the laws of the State of New York, do hereby certify as follows:

1. The name of the corporation is THE WAVERLY ELECTRIC LIGHT AND POWER COMPANY.

2. The certificate of incorporation of said Company was filed in the Office of the Secretary of State on the 12th day of March, 1891.

Certificate of increase of capital stock from $37,500 to $60,000 was filed in the Office of the Secretary of State on the 29th day of December, 1892.

Certificate of extension of powers, pursuant to Section 35 of the Stock Corporation Law, was filed in the Office of the Secretary of State on the 20th day of April, 1927.

3. The term of existence of said Company will expire on the 12th day of March, 1941.

4. The term of existence of said Company is to be perpetual.

IN WITNESS WHEREOF, we have executed this certificate, in duplicate, this 13th day of November, 1939.

No. of Shares
NORTHERN PENNSYLVANIA POWER COMPANY

By */s/ D. R. Smith* *595*
President

[SEAL OF PENNSYLVANIA POWER COMPANY]

/s/ [ILLEGIBLE]
Secretary

DAY AND CO.

By */s/ [ILLEGIBLE]* *5*
Co-partner

Witness:

/s/ [ILLEGIBLE]

5622-78-1

STATE OF PENNSYLVANIA)
: SS.
COUNTY OF BERKS)

On the 13th day of November, 1929, before me, the subscriber, a Notary Public, personally appeared H. PAUL ROMIG, Secretary of the said Northern Pennsylvania Power Company, who, being duly sworn according to law, says that he was personally present at the execution of the above Certificate and saw the common or corporate seal of the said Northern Pennsylvania Power Company duly affixed thereto; that the seal so affixed thereto is the common or corporate seal of the said corporation; that the said Certificate was duly signed, sealed and delivered by D. R. SMITH, President of the said corporation, as and for the act and deed of said corporation for the purposes mentioned; and that the name of this deponent as Secretary, and of D. R. SMITH as President of said corporation, signed thereto in attestation of its due execution and delivery, are their and each of their respective handwritings.

/s/ illegible signature

[SEAL]
Sworn to and subscribed before
me the day and year aforesaid.

/s/ illegible signature

Notary Public

My commission expires March 12, 1943

STATE OF NEW YORK)
: SS.
COUNTY OF NEW YORK)

On this 15th day of November, 1939, before me personally appeared J.H. Shinn, to me known, and known to me to be one of the co-partners in the firm of Day and Co., described in and who executed the foregoing instrument, and he thereupon acknowledged to me that he executed the same as and for the act and deed of said firm.

/s/ W. R. Porter

Notary Public

W. R. Porter
NOTARY PUBLIC, QUEENS COUNTY
Queens Co. Clerk's No. 1585, Reg. No. ??
Certificate Filed in
N.Y.Co. Clerk's No. 154, Reg. No. O-P-94
Commission expires March 30, 1940

5622-78-2

STATE OF PENNSYLVANIA)
: SS.
COUNTY OF BERKS)

On the 13th day of December, 1929, before me, the subscriber, a Notary Public, personally appeared H. PAUL ROMIG, Secretary of the said Northern Pennsylvania Power Company, who, being duly sworn according to law, says that he was personally present at the execution of the above Certificate and saw the common or corporate seal of the said Northern Pennsylvania Power Company duly affixed thereto; that the seal so affixed thereto is the common or corporate seal of the said corporation; that the said Certificate was duly signed, sealed and delivered by D. R. SMITH, President of the said corporation, as and for the act and deed of said corporation for the purposes mentioned; and that the name of this deponent as Secretary, and of D. R. SMITH as President of said corporation, signed thereto in attestation of its due execution and delivery, are their and each of their respective handwritings.

/s/ H. Paul Romig

[SEAL OF BESSIE DETWEILER, NOTARY PUBLIC]
Sworn to and subscribed before me the day and year aforesaid.

/s/ Bessie Detweiler
Notary Public

My commission expires March 13, 1943

State of Pennsylvania,)
)SS.
COUNTY OF BERKS)

I George S. Miller Prothonotary of the County of Berks, and Clerk of the Court of Common Pleas of said County, which is a Court of Record, having a seal, do hereby certify, that ????? Bessie Detweiler before whom the annexed affidavit or acknowledgement was made, was at the time of so doing a Notary Public, in and for the County and State aforesaid, duly commissioned, sworn and qualified, and authorized to take acknowledgements of deeds or conveyances for lands, tenements and hereditaments in said State of Pennsylvania, and to administer oaths, and affirmations. And further, that I am well acquainted with the handwriting of said Notary Public and verily believe that the signature thereto is genuine, and that said oath or affirmation purports to be taken in all respects as required by the laws of the State of Pennsylvania.

[????? SEAL]

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seal of said Court, at Reading this 24th day of ????? A.D. 19??

George S. Miller Prothonotary

Raymond S, ????? Deputy Prothonotary

5622-78-3

STATE OF NEW YORK

COUNTY OF NEW YORK	:	SS.

J. J. McCarthy, being duly sworn according to law, deposes and says that he is Secretary of The Waverly Electric Light and Power Company and that the corporation and partnership who have executed the foregoing certificate of extension of existence constitute the holders of record of all of the outstanding shares of common capital stock of The Waverly Electric Light and Power Company entitled to vote thereon.

/s/ J. J. McCarthy

Secretary

Sworn to and subscribed before
me this 15th day of November,
1939.

W. P. Porter
Notary Public

[SEAL]

W.P. PORTER
NOTARY PUBLIC, QUEENS COUNTY

Queens Co. Clerk's No. 1353,
Reg. No. 1578
Certificates filed in
N. Y. Co. Clerk's No. 154,
???? No. ????
Commission expires March 30, 1940

??
THE WAVERLY ELECTRIC LIGHT

AND POWER COMPANY
????
CERTIFICATE OF EXTENSION OF EXISTENCE

Newell Duvall

412 ???? St.

Reading, Pa.

State of New York ???? of State

Tax $ None

???? 25

Michael ????

???? of State

By ????

?? ????

Copy of Certificate of Incorporation of GPU, Inc.

Exhibit Intentionally Omitted.

Copy of Certificate of Incorporation of FirstEnergy Corp.

Exhibit Intentionally Omitted.

Copy of Agreement and Plan of Merger Between FirstEnergy Corp. and GPU, Inc. Dated as of August 8, 2000.

Exhibit Intentionally Omitted.

Amendment No. 1 to Registration Statement on Form S-4 Filed on October 13, 2000.

Exhibit Intentionally Omitted.

Annual Report of GPU, Inc. for the Year Ended December 31, 1999.

Exhibit Intentionally Omitted.

Exhibit Intentionally Omitted.

Annual Report of FirstEnergy Corp. for the Year Ended December 31, 1999.

Exhibit Intentionally Omitted.

Exhibit Intentionally Omitted.

Exhibit K

Extract From the Minutes of a Meeting of the Board of Directors of FirstEnergy Corp. held August 8, 2000

Mr. Burg described the discussions he had had with members of the Board of Directors during the night of August 7, 2000, wherein he had described his negotiation of a proposed merger of FirstEnergy Corp. with GPU, Inc. on the terms authorized by the Board of Directors at its meeting on August 4, 2000, and the successful negotiation and preparation of a definitive Merger Agreement incorporating those terms by the two companies and their respective counsel. Mr. Burg described the request of the chairman of GPU, Inc., on the evening of August 7, 2000, after a GPU, Inc. board meeting, to change the terms of the proposed merger so that, while the value of the transaction remained at $36.50, the shareholders of GPU, Inc. would be offered the opportunity to elect to receive such value in cash or common shares of FirstEnergy Corp., subject in each case to proration to ensure that the aggregate consideration to all shareholders would be 50 percent cash and 50 percent stock, with the value of FirstEnergy Corp. shares determined based on a 20-day average trading price ending shortly before the closing date for the merger, subject to a minimum price of $24.2438 and a maximum price of $29.6313 per share of FirstEnergy Corp. common stock.

Mr. Burg had told the Board of Directors that Morgan Stanley & Co. Incorporated had performed a revised analysis of the proposed merger using the proposed new terms and had furnished the results of such analysis, which included various hypothetical assumptions, to the management of FirstEnergy Corp. Mr. Burg discussed the implications of Morgan Stanley's analysis and advised that Morgan Stanley would render a fairness opinion with respect to the revised terms of the proposed merger. Mr. Burg then answered questions of the Board.

After the presentation and discussions were conducted to the Board's satisfaction, Mr. Burg stated that the officers of FirstEnergy Corp. continue to believe that it is advantageous for FirstEnergy Corp. to consider and enter into the merger with GPU on the revised terms presented at this meeting.

Upon motion duly made and seconded, the following resolutions were thereupon unanimously adopted:

RESOLVED: That this Board of Directors has determined that it is advisable for FirstEnergy Corp. to engage in a strategic business combination with GPU, Inc., whereby GPU, Inc. will merge with and into FirstEnergy Corp. (the "Merger"), with FirstEnergy Corp. continuing as the surviving corporation, and each issued and outstanding share of GPU, Inc.'s common stock will be converted into the right to receive $36.50 in cash and/or shares of common stock of FirstEnergy Corp. substantially upon the terms and conditions set forth in the draft Agreement and Plan of Merger (the "Agreement") previously presented to the Board of Directors but reflecting the terms approved by the Board of Directors at this meeting;

RESOLVED FURTHER: That the Agreement be, and it hereby is adopted, approved and authorized and the Chairman and Chief Executive Officer or the President of FirstEnergy Corp. is hereby authorized to execute and deliver, on behalf of FirstEnergy Corp., the Agreement with such changes therein as he may, in his sole discretion, approve (such approval to be conclusively evidenced by his execution hereof);

RESOLVED FURTHER: That in all other respects the resolutions of this Board of Directors adopted at its meeting on August 4, 2000, are confirmed, and

RESOLVED FURTHER: That all acts and deeds heretofore done by any director, officer or assistant officer of FirstEnergy Corp. for and on behalf of FirstEnergy Corp. in entering into, executing, acknowledging or attesting any arrangements, agreements, instruments or documents in connection with the Merger or in furtherance of the intentions of these resolutions are hereby ratified, approved and confirmed.

****

I, Edward J. Udovich, Assistant Corporate Secretary of FirstEnergy Corp., do hereby certify that the foregoing is a true and correct copy of resolutions duly adopted at meeting of the Board of Directors of FirstEnergy Corp. duly called and held on August 8, 2000, at which a quorum was in attendance and voting throughout, and that said resolutions have not since been rescinded but are still in full force and effect.

Executed this 26th day October 2000.

/s/ Edward J. Udovich

Assistant Corporate Secretary

Extract From the Minutes of the Meeting of the Board of Directors of FirstEnergy Corp. held August 4, 2000

* * * * *

Mr. Barg introduced representatives from Morgan Stanley Dean Witter ("Morgan Stanley") who serve as financial advisor to FirstEnergy Corp. and Winthrop, Stimson, Putnam & Roberts (WSP&R), who serve as legal counsel to FirstEnergy Corp.

Mr. Alexander discussed the terms of the merger agreement with GPU, Inc., a corporation incorporated under the laws of the Commonwealth of Pennsylvania, the related proposed amendments to the Articles of Incorporation for FirstEnergy Corp. and the communications plan. Morgan Stanley representatives provided a detailed financial analysis and summary of the proposed merger and discussed the fairness of the merger. Messrs. Marsh and Clark, Ms. Vespoli, and Mr. Cusick of WSP&R discussed various financial, business and legal aspects of the proposed merger and matters related to GPU, Inc. Each presenter answered questions of the Board regarding the transaction.

After all presentations and discussions were conducted to the Board's satisfaction, Mr. Barg stated that the officers of FirstEnergy Corp. have determined that it is advantageous for FirstEnergy Corp. to consider and enter into a strategic business combination with GPU, Inc.

Upon motion duly made and seconded, the following resolutions were thereupon unanimously adopted:

RESOLVED: That this Board of Directors has determined that it is advisable for FirstEnergy Corp. to engage in a strategic business combination with GPU, Inc., whereby GPU, Inc. will merge with and into FirstEnergy Corp. (the "Merger"), with FirstEnergy Corp. continuing as the surviving corporation, and each issued and outstanding share of GPU, Inc.'s common stock will be converted into the right to receive $18.25 and 0.69 shares of common stock of FirstEnergy Corp., substantially upon the terms and conditions set forth in the draft Agreement and Plan of Merger (the "Agreement") presented at this meeting, and the Chairman and Chief Executive Officer is authorized to propose such a transaction to GPU, Inc.;

RESOLVED FURTHER: That the Agreement be, and it hereby is adopted, approved and authorized and the Chairman and Chief Executive Officer or the President of FirstEnergy Corp. are hereby authorized to execute and deliver on behalf of FirstEnergy Corp., the Agreement, substantially in the form presented at this meeting, with such changes therein as he may, in his sole discretion, approve (such approval to be conclusively evidenced by his execution hereof);

RESOLVED FURTHER: The proposed amendment to Article IV-A of the Articles of Incorporation of FirstEnergy Corp., increasing the authorized shares of common stock of FirstEnergy Corp. from 300 million to 375 million, is hereby approved.

RESOLVED FURTHER: That this Board of Directors hereby directs that the Agreement and the contemplated merger and the amendment to FirstEnergy Corp.'s Articles of Incorporation be submitted to a vote at a special or annual meeting of the shareholders of FirstEnergy Corp.; that pursuant to Article IX of the Articles of Incorporation of FirstEnergy Corp., this Board of Directors hereby provides that the approval of the holders of shares entitling them to exercise a majority of the voting power of FirstEnergy Corp. shall be required for the approval of the Agreement, the Merger and the amendment to the Articles of Incorporation; that the record date for such meeting shall be designated by the Chairman and Chief Executive Office or the President of FirstEnergy Corp., and that the Board of Directors recommends that the shareholders of FirstEnergy Corp. approve the Agreement, the Merger and the amendment of FirstEnergy Corp.'s Articles of Incorporation contemplated thereby at such meeting;

RESOLVED FURTHER: That each officer and each assistant officer of FirstEnergy Corp., is authorized to prepare and file on behalf of FirstEnergy Corp. all regulatory and informational filings (including, without limitation, a Hart-Scott-Rodino Premerger Notification Form, and filings or applications with The Public Utilities Commission of Ohio, The Pennsylvania Public Utility Commission, The New Jersey Board of Public Utilities, the Federal Energy Regulatory Commission, the Federal Communications Commission, the Nuclear Regulatory Commission and the Securities and Exchange Commission) necessary or desirable in connection with the transactions contemplated by the Agreement;

RESOLVED FURTHER: That each director, each officer and each assistant officer of FirstEnergy Corp. is authorized to prepare a Registration Statement on Form S 4 covering the securities of FirstEnergy Corp. to be issued in connection with the Merger, which will contain the joint proxy statement/prospectus of FirstEnergy Corp. and GPU, Inc., and to file such Registration Statement and/or such joint proxy statement/prospectus with the Securities and Exchange Commission, and such directors and officers are hereby authorized to file any amendment thereto on behalf of FirstEnergy Corp.

RESOLVED FURTHER: That the engagement by FirstEnergy Corp. of Morgan Stanley to render its opinion to this Board of Directors as to the fairness to FirstEnergy Corp. (in light of the conversion ratio applicable to the holders of GPU, Inc., common stock with respect to the Merger) is hereby ratified and confirmed, and the execution, on behalf of FirstEnergy Corp., of an engagement letter or agreement between FirstEnergy Corp. and Morgan Stanley by any officer or any assistant officer is hereby authorized, ratified and confirmed;

RESOLVED FURTHER: That it is desirable and in the best interest of FirstEnergy Corp. that its securities to be issued in the Merger be qualified or registered for sale in various states; that each officer and each assistant officer is hereby authorized to determine the states in which appropriate action shall be taken to qualify or register for sale all or such part of FirstEnergy Corp.'s securities as said officers may deem advisable; that said officers are hereby authorized to perform on behalf of FirstEnergy Corp. any and all such acts as they may deem necessary or advisable in order to comply with the applicable laws of any such states, and in connection therewith to execute and file all requisite papers and documents, including, but not limited to applications, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process, and that the execution by such officers of any such paper or document or the doing by them of any act in connection with the foregoing matters which shall conclusively establish their authority therefor from FirstEnergy Corp. and the approval and ratification by FirstEnergy Corp. of the papers and documents so executed and the actions so taken;

RESOLVED FURTHER: That each officer and each assistant officer of FirstEnergy Corp. is hereby authorized to execute and deliver, on behalf of FirstEnergy Corp., any agreement or other document, and to do or cause to be done all acts, in either case as each of them, acting individually, may deem necessary or desirable or as counsel may advise, in connection with the transactions contemplated by the Agreement and the foregoing resolutions, and

RESOLVED FURTHER: That all acts and deeds heretofore done by any director, officer or assistant officer of FirstEnergy Corp. for and on behalf of FirstEnergy Corp. in entering into, executing, acknowledging or attesting any arrangements, agreements, instruments or documents in connection with the Merger and the amendment to the Articles of Incorporation or in furtherance of the intentions of these resolutions are hereby ratified, approved and confirmed.

I, Edward J. Udovich, Assistant Corporate Secretary of FirstEnergy Corp., do hereby certify that the foregoing is a true and correct copy of resolutions duly adopted at meeting of the Board of Directors of FirstEnergy Corp. duly called and held on August 4, 2000, at which a quorum was in attendance and voting throughout, and that said resolutions have not since been rescinded but are still in full force and effect.

Executed this 26th day of October 2000.

/s/ E. J. Udovich

Assistant Corporate Secretary

GPU, INC.
CERTIFIED COPY OF CERTAIN RESOLUTIONS OF THE BOARD OF DIRECTORS
ADOPTED ON AUGUST 8, 2000

WHEREAS, GPU, Inc. (the "Corporation") proposes to enter into an Agreement and Plan of Merger (the "Merger Agreement") with FirstEnergy Corp., an Ohio corporation ("First Energy"), pursuant to which the Corporation would be merged (the "Merger") with and into FirstEnergy and, among other things, each share of GPU's common stock, par value $2.50 per share ("GPU Common Stock"), issued and outstanding at the effective time of the Merger (other than shares of GPU Common Stock held in treasury by GPU) would be converted into the right to receive (i) $36.50 in cash, without interest (the "Cash Consideration"),
(ii) a number of validly issued, fully paid and nonassessable shares of FirstEnergy Common Stock equal to the Exchange Ratio (as defined in the Merger Agreement) or (iii) a combination of cash and shares as provided in Sections 2.01(e), (g) and (h) of the Merger Agreement ((i), (ii) or (iii) as applicable, the "Merger Consideration"). The "Exchange Ratio" shall be equal to the quotient (rounded to the nearest ten thousandth, or if there is no nearest ten thousandth, the next higher ten thousandth) of the Cash Consideration divided by the FirstEnergy Share Price (as defined below); provided, however, that if the FirstEnergy Share Price is less than $24.2438, the "Exchange Ratio" shall be 1.5055, and if the FirstEnergy Share Price is greater than $29.6313, the "Exchange Ratio" shall be 1.2318. The "FirstEnergy Share Price" shall be equal to the average of the closing prices of the shares of FirstEnergy Common Stock on the New York Stock Exchange ("NYSE") Composite Transactions Reporting System, as reported in The Wall Street Journal (but subject to correction for typographical or other manifest errors in such reporting), over the 20 trading days ending on the trading day immediately preceding the fifth Business Day (as defined in Rule 14d-1(g)(3) under the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (the "Exchange Act")) prior to the Election Deadline, as defined in the Merger Agreement. The amount of cash and the amount of stock to be received by shareholders of GPU will be subject to a Cash Election and a Stock Election as more fully set forth in the Merger Agreement.

NOW, THEREFORE, BE IT RESOLVED, that the Merger Agreement (a draft of which was presented to the Board of Directors at this meeting) and the transactions contemplated thereby, including the Merger, and all agreements and documents related thereto and contemplated thereby ("Related Documents"), are hereby authorized and approved, and each of the Chief Executive Officer, Chief Financial Officer and General Counsel (the "Authorized Officers"), or any person designated by the Authorized Officers,

is hereby authorized and empowered, for and on behalf of the Corporation to execute and deliver the Merger Agreement and the Related Documents with such changes in the terms thereof as the individual executing the same shall approve, such approval to be conclusively evidenced by the execution thereof;

RESOLVED, that the Board of Directors has determined that the Merger Agreement and the Related Documents and the transactions contemplated thereby are fair to and in the best interest of the Corporation and the shareholders of the Corporation;

RESOLVED, that the Board of Directors recommends that the shareholders of the Corporation vote in favor of the adoption of the Merger Agreement.

RESOLVED, that each of the Authorized Officers or their designees is hereby authorized and empowered, for and on behalf of the Corporation, to prepare, execute and file Articles of Merger pursuant to Section 1927 of the Pennsylvania Business Corporation Law (the "PBCL") with the Department of State of the Commonwealth of Pennsylvania and to do all acts and things necessary or proper to effect the Merger;

RESOLVED, that each of the Authorized Officers or their designees is hereby authorized and empowered, for and on behalf of the Corporation, to prepare, execute, and cause to be filed with the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), a proxy statement of the Corporation relating to the Special Meeting (which may be a joint proxy statement of the Corporation and FirstEnergy), and such other reports, statements and filings under the 1934 Act that any of said officers may determine to be necessary or advisable in connection with the Merger Agreement, the Related Documents and the transactions contemplated thereby, with power in any of said officers to cause to be filed any amendments (including, without limitation, post-effective amendments) or supplements thereto, in each case together with all documents required by and exhibits to such reports, statements and other filings, or any amendments or supplements thereto, as any of said officers, in his or her discretion, may deem necessary or advisable in connection with the Merger Agreement, the Related Documents and the transactions contemplated hereby, all in accordance with the requirements of the 1934 Act, as applicable;

RESOLVED, that cash of the Authorized Officers or their designees is hereby authorized and empowered, for and on behalf of the Corporation, to prepare, execute and file (i) with the Department of Justice and the Federal Trade Commission a Notification and Report Form pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and any other

reports, documents or information necessary or advisable to be filed thereunder, and (ii) any other reports, documents, applications or information as may be necessary or advisable to be filed with any governmental authority, in each case, with respect to or in connection with the consummation of the transactions contemplated by the Merger Agreement and the Related Documents (including, without limitation, filings under the Public Utility Holding Company Act of 1935; filings with the Federal Energy Regulatory Commission; filings with the Nuclear Regulatory Commission; filings with the Federal Communications Commission; and filings with the relevant New Jersey and Pennsylvania state regulatory authorities);

RESOLVED, that each of the Authorized Officers or their designees is hereby authorized and empowered, for and on behalf of the Corporation, to take all such other actions: (i) seeking all consents and approvals of governmental authorities necessary or advisable in connection with the Merger Agreement taking such actions, if any, as are necessary or advisable to comply with the requirements of federal, state, and foreign laws or regulations, (ii) retaining such advisors, consultants and agents (including, but not limited to, stock transfer agents) as any of said officers, may deem necessary or advisable, and (iii) executing and delivering all agreements, undertakings, obligations, financing arrangements, instruments and other documents and taking such action as such officers, or any of them, consider necessary or advisable, in each case in order to effectuate the foregoing resolutions and to carry out the intent and purposes thereof or otherwise to effectuate any of the transactions contemplated by the foregoing resolutions; and

RESOLVED, that any and all actions heretofore taken by any officer of the Corporation in connection with the Merger Agreements, Related Documents and the transactions contemplated thereby are hereby ratified and approved. _____

THIS IS TO CERTIFY that the undersigned is Secretary of GPU, Inc., a corporation of the Commonwealth of Pennsylvania; that the above and foregoing is a true and correct copy of certain resolutions duly and regularly adopted by the Board of Directors of said Corporation at a meeting thereof duly convened and held on the 8th day of August, 2000, at which meeting a quorum was present and voted; and that said resolutions are in full force and effect.

WITNESS the signature of the undersigned as such officer of the Corporation and its corporate seal hereunto affixed this 9th day of October, 2000.

(SEAL)

/s/ Scott L. Guibord

Scott L. Guibord, Secretary

Exhibit D11

Filed Session of March 28, 2001
Approved as Recommended
and so Ordered
By the Commission

JANET HAND DEIXLER
Secretary

Issued & Effective April 4, 2001

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

March 5, 2001

TO: THE COMMISSION

FROM: OFFICE OF ACCOUNTING AND FINANCE

SUBJECT: CASE 01-E-0043 - Joint Petition of Waverly Electric Light and Power Company, Pennsylvania Electric Company, GPU, Inc. and FirstEnergy Corporation for a Declaratory Ruling or an Order Concerning Section 70 of the Public Service Law.

RECOMMENDATION: Staff recommends that the Commission grant approval, under Section 70 of the Public Service Law, (a) for FirstEnergy Corporation to acquire beneficial control of the stock and New York electric plant of Pennsylvania Electric Company and Waverly Electric Light and Power Company, provided that (1) the transaction shall have no harmful effect on the rates charged by Pennsylvania Electric Company to its New York customers; (2) Pennsylvania Electric Company and Waverly Electric Light and Power Company shall neither record on their books nor recover in rates the premium over book value being paid by FirstEnergy Corporation to acquire its ownership interest; and (3) the PSC staff shall have access to the books and records of Pennsylvania Electric Company and, with appropriate confidentiality protections, access to the books and records of its affiliates.

Introduction

By petition filed January 12, 2001, Waverly Electric Light and Power Company (WELP), Pennsylvania Electric Company (Penelec), GPU, Inc. (GPU), and FirstEnergy Corporation (FirstEnergy) notified the Commission of a planned merger of GPU and FirstEnergy. Petitioners request that the Commission either

(1) issue a declaratory ruling disclaiming jurisdiction to review and consent to the merger; or (2) refrain from exercising jurisdiction on the grounds that there is no potential harm to the interests of New York customers from this transaction; or (3) approve, under Section 70 of the Public Service Law (PSL), the transfer of beneficial control of the stock and New York electric plant of Penelec and WELP to FirstEnergy as part of the merger.

Background

Penelec is an electric utility, incorporated under the laws of Pennsylvania, with headquarters at 2800 Pottsville Pike, Reading, Pennsylvania 19640-0001. Penelec conducts business in New York as GPU Energy, serving approximately 3800 primarily residential customers in the Village of Waverly and the western part of the Town of Barton in Tioga County, New York.

WELP is a wholly owned subsidiary of Penelec. WELP owns electric distribution facilities, which it leases to Penelec for use in serving the aforementioned customers in Waverly and Barton.

GPU is a public utility holding company, registered under the Public Utility Holding Company Act of 1935, with headquarters at 300 Madison Avenue, Morristown, New Jersey 07962-1957. GPU owns all of the common stock of Penelec, as well as of Metropolitan Edison Company and Jersey Central Power & Light Company, electric utilities that conduct business as GPU Energy in Pennsylvania and New Jersey, respectively. The GPU Energy utilities together serve about 2.1 million customers in Pennsylvania and New Jersey.

FirstEnergy is a diversified energy services holding company, headquartered at 76 South Main Street, Akron, Ohio 44308. FirstEnergy was formed in 1997 as a result of the merger of Ohio Edison Company and Centerior Energy Corporation. FirstEnergy directly owns three electric utility operating companies in Ohio: Ohio Edison Company, Cleveland Electric Illuminating Company, and Toledo Edison Company. Ohio Edison

Company in turn owns a fourth electric utility, Pennsylvania Power Company, operating in portions of western Pennsylvania. Together, these utilities serve about 2.2 million customers in northern and central Ohio and western Pennsylvania.

WELP's distribution plant is the only electric plant in New York owned by any of the petitioners, directly or indirectly, and the customers in Waverly and Barton, who constitute less than one half of one percent of all of Penelec's customers, are the only customers in New York served directly by any of the petitioners.

Current Petition

Under the planned merger, FirstEnergy would acquire all of GPU's outstanding shares of common stock and assume GPU's outstanding indebtedness. Upon completion of the merger, Penelec, Metropolitan Edison Company, and Jersey Central Power & Light Company would be wholly owned subsidiaries of FirstEnergy. WELP would continue to be a wholly owned subsidiary of Penelec.

Public Interest Considerations

The petitioners assert that the proposed transfer of beneficial ownership and control to effectuate the proposed merger will promote the public interest. Petitioners claim that the combined entity will have the management, employee experience, technical expertise, retail customer base, energy and related services platform, and financial resources to grow and succeed in the rapidly changing energy marketplace; the merger will create a larger, stronger parent company that is better positioned to compete and to attract capital on reasonable terms for its public utility subsidiaries; and the new merged company will be able to provide customers with a wider range of energy services and products.

Petitioners state that the proposed merger will have no adverse impact on Penelec's continued ability to provide safe and adequate utility service to its New York customers and that

Penelec's rates will not be adversely impacted by the merger. The Petitioners believe that the merger will not adversely affect the growth of electric markets in New York, because neither GPU nor FirstEnergy own any generation plant in New York, GPU has divested its generation plant, and Penelec and WELP will remain subject to the Commission's retail access rules and policies.

SEQRA Review Requirements

Under the State Environmental Quality Review Act (SEQRA)(Environmental Conservation Law Article VIII), and its implementing regulations (6 NYCRR Part 617 and 16 NYCRR Part 7), all state agencies must determine whether the actions they are requested to approve may have significant impact on the environment. Other than the Commission's approval of the actions proposed here, no additional state or local permits or approvals are required, and so a coordinated review under SEQRA is not needed. The Commission should assume lead agency status under SEQRA and conduct an environmental assessment.

SEQRA requires applicants to submit a completed Environmental Assessment Form (EAF) describing and disclosing the likely impacts of their proposed actions.(1) Penelec, on behalf of GPU, submitted a short-form EAF

Part I.

The proposed actions are the approvals for GPU to transfer its stock to FirstEnergy, and for FirstEnergy to acquire the stock of GPU. The proposed actions do not meet the definitions of either Type I or Type II actions that are contained in 6 NYCRR Sections 617.4, 617.5 and 16 NYCRR Section 7.2, so they are classified as "unlisted" actions requiring SEQRA review.

Staff reviewed the EAF and the petition and concludes, based on the criteria for determining significance listed in 6 NYCRR Section 617.7(c), that there will be no changes to the operations of Penelec or WELP that will result in significant adverse

(1) 6 NYCRR Section 617.6(a)(3).

environmental impacts. Staff has completed the short-form EAF

Part II.

Staff recommends that the Commission, as lead agency, determine that the actions proposed in the petition will not have a significant impact on the environment and adopt a negative declaration pursuant to SEQRA. Because no adverse environmental impacts were found, no public notice requesting comments is required or should be issued. A Notice of Determination of Non-Significance for this unlisted action should be issued pursuant to SEQRA and is attached. The completed EAF will be retained in agency files.

Discussion

No comments have been received from other parties during the public comment period. Based on the petitioners' representations, the proposed transaction is in the public interest.

The Commission's jurisdiction over Penelec will in no way be hampered as long as staff has access to the books and records of Penelec and its affiliates, and as long as the acquisition premium does not appear on the books of the regulated entity and the premium is not recovered in rates. Since staff has no other objection to the proposal, staff recommends that the Commission approve the companies' petition subject to the numbered clauses in the above recommendation.

Respectfully submitted,

STEVEN GLOR
Senior Auditor

Reviewed:

JOHN STEWART
Chief Utility Financial Analyst

LEONARD VAN RYN
Assistant Counsel

Approved:

RICHARD L. ANSALDO
Chief, Office of Accounting and Finance

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Case 01-E-0043 - Joint Petition of Waverly Electric Light & Power Company, Pennsylvania Electric Company, GPU, Inc. and FirstEnergy Corporation for a Declaratory Ruling or an Order Concerning Section 70 of the Public Service Law.

NOTICE OF DETERMINATION OF
NON-SIGNIFICANCE

NOTICE is hereby given that an Environmental Impact Statement will not be prepared in connection with the approval by the Public Service Commission of FirstEnergy Corporation's acquisition of the stock of GPU, Inc., based on our determination, in accordance with Article VIII of the Environmental Conservation Law, that such action will not have a significant adverse affect on the environment. The exercise of this approval is an unlisted action, as defined in 6 NYCRR Section 617.2(a)(i).

Based on a review of the record, we find that the proposed action, which will result in FirstEnergy Corporation replacing GPU, Inc. as the ultimate owner of the Pennsylvania Electric Company and its Waverly Electric Light & Power Company subsidiary, will not have a significant adverse environmental impact. The change in ultimate ownership will not result in any physical alteration or changes to the electric system operations of the Waverly Electric Light & Power Company in the Village of Waverly and the Town of Barton, Tioga County.

The address of the Public Service Commission, the lead agency for the purposes of the environmental quality review of this project, is Three Empire State Plaza, Albany, New York 12223-1350. Questions may be directed to Leonard Van Ryn at (518) 473-7136, or the address above.

JANET HAND DEIXLER
Secretary

??????? APPENDIX C

STATE ENVIRONMENTAL QUALITY REVIEW
SHORT ENVIRONMENTAL ASSESSMENT FORM
FOR UNLISTED ACTIONS ONLY

PART 1 - PROJECT INFORMATION (To be completed by Applicant or Project Sponsor)

1. APPLICANT/SPONSOR: Pennsylvania Electric Company, et al.

2. PROJECT NAME: N.A.

3. PROJECT LOCATION:

Municipality: N.A.

County: N.A.

4. PRECISE LOCATION: Street Address and Road Intersections, Prominent landmarks etc - or provide map

N.A.

5. IS PROPOSED ACTION: [ ] New [ ] Expansion [ ] Modification/alteration

N.A.

6. DESCRIBE PROJECT BRIEFLY: Applicants contemplate the transfer of beneficial ownership and control of the stock and New York electric plant of Waverly Electric Light and Power Company and Pennsylvania Electric Company to FirstEnergy Corp. as an incident of the merger of GPU, Inc. into FirstEnergy. The transaction is strictly financial and will not involve any changes in existing properties of Waverly or Penelec.

7. AMOUNT OF LAND AFFECTED:
Initially acres Ultimately acres N.A.

8. WILL PROPOSED ACTION COMPLY WITH EXISTING OR OTHER RESTRICTIONS? N.A.

[ ] Yes [ ] No If no, describe briefly:

9. WHAT IS PRESENT LAND USE IN VICINITY OF PROJECT (Choose as many as apply.) N.A.

[ ] Residential [ ] Industrial [ ] Commercial [ ]Agriculture
[ ] Park/Forest/Open Space [ ] Other (describe)

10. DOES ACTION INVOLVE A PERMIT APPROVAL, OR FUNDING, NOW OR ULTIMATELY FROM ANY OTHER GOVERNMENTAL AGENCY (Federal, State or Local)

[X] Yes [ ] No If yes, list agency name and permit / approval:

The United States Securities and Exchange Commission, the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, the Federal Communications Commission, a provincial regulatory commission in Argentina, the Pennsylvania Utility Commission and the*

11. DOES ANY ASPECT OF THE ACTION HAVE A CURRENTLY VALID PERMIT OR APPROVAL?

[X] Yes [ ] No If yes, list agency name and permit / approval:

Pennsylvania Electric serves retail electric customers in the Town of Barton and the Village of Waverly with the permission and approval of the New York Public Service Commission. Pennsylvania Electric may hold other State and**

12. AS A RESULT OF PROPOSED ACTION WILL EXISTING PERMIT / APPROVAL REQUIRE MODIFICATION?

[ ] Yes [X] No

I CERTIFY THAT THE INFORMATION PROVIDED ABOVE IS TRUE TO THE BEST OF MY KNOWLEDGE

Applicant / Sponsor Name Pennsylvania Electric Company, et al.

Date:

Signature /s/ ?????????? *?/12/01*

IF THE ACTION IS A COSTAL AREA, AND YOUR ARE A STATE AGENCY,
COMPLETE THE COASTAL ASSESSMENT FORM BEFORE PROCEEDING WITH THIS ASSESSMENT.

*New Jersey Board of Public Utilities must approve the merger or various aspects of it.
**local permits incidental thereto.

PART II -- ENVIRONMENTAL ASSESSMENT (To be completed by Agency)

A. DOES ACTION EXCEED ANY TYPE I THRESHOLD IN 6 NYCRR, PART 517.4? If yes,
coordinate the review process and use the FULL EAF.

/ / Yes /X/ No

B. WILL ACTION RECEIVE COORDINATED REVIEW AS PROVIDED FOR UNLISTED ACTION IN 6

NYCRR, PART 517.5? If No, a negative declaration may be superseded by another involved agency.

/ / Yes /X/ No

C. COULD ACTION RESULT IN ANY ADVERSE EFFECTS ASSOCIATED WITH THE FOLLOWING:

(Answers may be handwritten, if legible)

C1. Existing air quality, surface or groundwater quality or quantity, noise levels, existing traffic patterns, solid waste production or disposal, potential for erosion, drainage of flooding problems? Explain briefly:
The action is approval of the transfer of stock and ownership of an electric corporation; no changes in operation or uses of the electric corporation will**

C2. Aesthetic, agricultural, archaeological, historic, or other natural or cultural resources; or community or neighborhood character? Explain briefly:

C3. Vegetation or fauna, fish, shellfish or wildlife species, significant habitats, or threatened or endangered species? Explain briefly:

C4. A community's existing plans or goals as officially adopted, or a change in use or intensity of use of land or other natural resources? Explain briefly.

C5. Growth, subsequent development, or related activities likely to be induced by the proposed action? Explain briefly.

C6. Long term, short term, cumulative, or other effects not identified in C1-C5? Explain briefly.

C7. Other impacts (including changes in use of either quantity or type of energy)? Explain briefly.
** result. There will be no material difference between the action and no action alternatives. Therefore, approval will have no adverse environmental impacts.

D. WILL THE PROJECT HAVE AN IMPACT ON THE ENVIRONMENTAL CHARACTERISTICS THAT CAUSED THE ESTABLISHMENT OF A CEA?

/ / Yes /X/ No

E. IS THERE, OR IS THERE LIKELY TO BE, CONTROVERSY RELATED TO POTENTIAL ADVERSE ENVIRONMENTAL IMPACTS?

/ / Yes /X/ No If Yes, explain briefly

PART III -- DETERMINATION OF SIGNIFICANCE (To be completed by Agency)

INSTRUCTIONS: For each adverse effect identified above, determine whether it is substantial, large, important or otherwise significant. Each effect should be assessed in connection with its (a) setting (i.e. urban or rural); (b) probability of occurring; (c) duration; (d) irreversibility; (e) geographic scope; and (f) magnitude. If necessary, add attachments or reference supporting materials. Ensure that explanations contain sufficient detail to show that all relevant adverse impacts have been identified and adequately addressed. If question D of Part II was checked yes, the determination and significance must evaluate the potential impact of the proposed action on the environmental characteristics of the CEA.

/ / Check this box if you have identified one or more potentially large or significant adverse impacts which MAY occur. Then proceed directly to the FULL EAF and/or prepare a positive declaration.

/X/ Check this box if you have determined, based on the information and analysis above and any supporting documentation, that the proposed action WILL NOT result in any significant adverse environmental impacts AND provide on attachments as necessary, the reasons supporting this determination:

New York State Department of Public Service

Name of Land Agency

Leonard Van Ryn	Assistant Counsel
Print or Type Name of Responsible Officer in Land Agency	Title of Responsible Officer
/s/ Leonard Van Ryn	
Signature of Responsible Officer in Land Agency	Signature of Preparer (if different from responsible officer)

March 8, 2001
Date

EXHIBIT K-4: COMPARISON OF ELECTRIC UTILITY COMPANIES ON VARIOUS INDICATORS OF SIZE

As of December 31, 2000 (except as otherwise noted)

System	Total Revenues ($Millions)	Total Assets ($Millions)	U.S. Electric Customers (Millions)	Market Capitalization (a) ($Millions)	Domestic Capacity (MW)	Total Regulated Sales (b) (MWhs)
Allegheny Energy, Inc.	4,012	7,697	1.4	5,145	8,763	43,991,172
Alliant Energy Corporation	2,405	6,734	0.9	2,470	5,188	25,791,068
Ameren Corporation	3,856	9,714	1.5	5,715	12,414	44,547,691
American Electric Power Company, Inc.	13,964	54,548	4.8	15,309	38,577	158,579,502
Cinergy Corp.	8,422	12,330	1.5	5,434	11,825	46,277,022
CMS Energy Corporation	8,998	15,851	1.7	3,572	6,964	35,860,022
Consolidated Edison, Inc./Northeast Utilities(1)	15,308	26,984	5.1	9,946	6,210	61,557,520
Constellation Energy Group, Inc.	3,879	12,385	1.1	6,766	6,544	30,193,096
Dominion Resources, Inc.	9,260	29,348	2.1	16,555	15,802	68,652,937
DPL Inc.	1,437	4,436	0.5	3,331	3,607	14,577,371
DTE Energy Company	8,075	17,526	2.1	7,262	11,030	50,131,010
Duke Energy Corporation	49,318	58,176	2.0	31,334	22,814	76,385,729
Edison International	10,939	36,929	4.2	4,118	5,513	
Energy East Corporation/RGS Energy Group, Inc.	4,408	9,570	1.8	2,804	1,485	21,659,268
Entergy Corporation	10,016	25,565	2.6	8,435	24,720	103,218,509
FPL Group, Inc.	7,082	15,300	3.8	10,528	20,974	87,959,342
Kansas City Power & Light Company	1,116	3,294	0.5	1,585	3,703	14,201,322
KeySpan Energy Corporation	5,121	11,550	0.0	5,461	6,237	
NiSource Inc.	6,031	19,697	0.4	6,461	3,392	15,945,946
NSTAR	2,700	5,570	1.1	2,044	41	15,998,277
OGE Energy Corp.	3,299	4,320	0.7	1,775	5,781	23,231,205
PG&E Corporation	21,389	31,229	4.5	4,401	5,789	
Pinnacle West Capital Corporation	3,690	7,149	0.9	3,978	3,987	22,534,524
Potomac Electric Power Co./Conectiv	8,077	13,505	1.7	3,579	4,886	24,560,810
Progress Energy, Inc.	4,119	20,091	2.6	9,130	18,973	76,831,927
PPL Corporation	5,683	12,360	1.3	6,723	9,768	
Public Service Enterprise Group Incorporated	6,848	20,796	1.9	9,151	11,961	
Puget Sound Energy, Inc.	3,442	5,557	0.9	2,008	1,736	21,710,218
Reliant Energy, Incorporated	29,339	32,077	1.7	13,383	23,271	72,965,855
SCANA Corporation	3,433	7,420	0.5	2,869	4,544	20,188,257

(1) Merger not likely to be completed; litigation is in progress.

System	Total Revenues ($Millions)	Total Assets ($Millions)	U.S. Electric Customers (Millions)	Market Capitalization (a) ($Millions)	Domestic Capacity (MW)	Total Regulated Sales (b) (MWhs)
Sempra Energy	7,143	15,612	1.2	4,877	430	
Sierra Pacific Resources	2,334	5,639	0.9	1,093	3,009	8,820,665
TECO Energy, Inc.	2,595	5,676	0.6	3,742	5,156	16,637,860
The Southern Company	10,066	31,362	3.9	15,026	32,807	146,201,466
TXU Corp.	22,009	44,990	2.7	10,686	21,092	101,990,860
UtiliCorp United Inc.	28,975	14,116	0.9	3,250	2,764	18,177,192
Exelon Corporation	12,962	35,057	5.0	21,045	22,239	86,051,503
Xcel Energy Inc.	11,592	21,769	3.2	10,225	19,924	72,908,969
Western Resources, Inc./Public Service Company of New Mexico	3,440	6,458	1.1	2,824	6,979	25,723,727
Wisconsin Energy Corporation	3,355	8,406	1.0	2,534	6,947	27,562,755
FirstEnergy Corp.	7,029	17,941	2.3	6,287	12,515	45,383,587
GPU, Inc.	5,196	19,262	2.0	3,834	285	44,903,686
FirstEnergy Corp. and GPU, Inc. as a Combined Company		38,709(c)	4.3	8,468	12,800	90,287,273

Notes

(a) As of April 5, 2001.

(b) For certain companies, no regulated sales information is provided herein because, as a result of power industry deregulation in certain states and the consequent disaggregation of the energy supply function from the energy delivery function, certain companies that previously provided electricity supply to retail customers under a regulated framework no longer supply energy requirements directly to retail customers.

(c) Pro forma.

EXHIBIT K-5

ANALYSIS OF ASSETS, REVENUES AND ELECTRIC CUSTOMERS OF FIRSTENERGY, GPU AND THE COMBINED COMPANY AT OR FOR THE YEAR ENDED DECEMBER 31, 2000

	TOTAL ASSETS (000)	TOTAL REVENUES (000)	NET INCOME (000)	ELECTRIC CUSTOMERS
FIRSTENERGY CORP. PUBLIC UTILITY COMPANIES				
Ohio Edison Company (Consolidated)	$ 8,154,151	$2,726,708	$ 336,456	1,137,485
Ohio Edison Company (Corporate)	$ 7,165,242	$2,343,596	$ 313,609	999,521
Pennsylvania Power Company	$ 988,909	$ 383,112	$ 22,847	137,964
The Cleveland Electric Illuminating Company	$ 5,964,631	$1,887,039	$ 202,950	741,376
The Toledo Edison Company	$ 2,652,267	$ 954,947	$ 137,233	302,999
American Transmission Systems, Incorporated	$ 705,874	$ 71,725	$ 19,537	--
NON-UTILITY COMPANIES	$ 1,532,594	$1,759,986	$ (48,989)	30,192
INTERCOMPANY ELIMINATIONS	$(1,068,223)	$ (371,444)	$ (48,217)	
TOTAL FIRSTENERGY CORP.	$17,941,294	$7,028,961	$ 598,970	2,212,052
GPU, INC. PUBLIC UTILITY COMPANIES				
Jersey Central Power & Light Company	$ 6,217,355	$1,979,297	$ 210,812	1,008,494
Metropolitan Edison Company	$ 3,161,379	$ 842,333	$ 81,895	495,430
Pennsylvania Electric Company	$ 3,048,119	$ 901,881	$ 39,250	580,147
FOREIGN UTILITY AND NON-UTILITY COMPANIES	$ 6,835,608	$1,472,745	$ (98,419)	2,690,000
TOTAL GPU, INC.	$19,262,461	$5,196,256	$ 233,538	4,774,071
PRO FORMA FIRSTENERGY CORP. AND GPU, INC. AS A COMBINED COMPANY	$38,709,000			8,986,123

EXHIBIT L-1

RETENTION OF FIRSTENERGY'S NON-UTILITY BUSINESSES

The following is a description of the non-utility businesses in which FirstEnergy Corp. ("FirstEnergy") and its subsidiaries are engaged and the legal bases that support the retention of such businesses by FirstEnergy following the Merger (as defined in the U-1 Application/ Declaration):

A. FINANCING SUBSIDIARIES

1. OES Capital, Incorporated

OES Capital, Incorporated ("OES Capital") is a wholly owned subsidiary of Ohio Edison Company ("Ohio Edison"). OES Capital is a financing company for the FirstEnergy Companies (as defined in the U-1 Application/Declaration), which may borrow up to $170 million under a receivables financing arrangement expiring in 2002, with loans at rates based on certain bank and commercial paper, and is required to pay an annual fee of 0.20% of the amount of the entire finance limit. OES Capital also makes loans to customers (currently representing less than 10% of its loan portfolio) to finance certain energy efficiency projects undertaken by such customers.(1)

2. OES Finance, Incorporated

OES Finance, Incorporated ("OES Finance") is a wholly owned subsidiary of Ohio Edison. OES Finance maintains deposits pledged as collateral to secure certain reimbursement obligations relating to certain letters of credit supporting Ohio Edison's obligations to lessors under certain Beaver Valley 2 sale and lease-back arrangements.(2)

(1) The Securities and Exchange Commission (the "Commission") has approved financing subsidiaries involved in factoring. See, e.g., Alliant Energy Corporation, Holding Co. Act Release No. 27368 (March 30, 2001) (the Commission approved new receivables financing program whereby special purpose subsidiaries would acquire receivables from operating companies and sell them to certain third parties); Central and South West Corporation, Holding Co. Act Release No. 23767 (July 19, 1985) (initial purpose of subsidiary was to purchase accounts receivable of CSW's operating companies at a discount and the finance these purchases with debt).

(2) The Commission has approved registered companies holding interests in special purpose financing subsidiaries. See, e.g., The Southern Company, Holding Co. Act Release No. 27134 (Feb. 9, 2000) (financing subsidiary to issue preferred securities or notes); Dominion Resources, Holding Co. Act Release No. 27112 (Dec. 15, 1999) (authorized financing through Dominion Capital, Inc.); Conectiv, Inc., Holding Co. Act Release No. 26833 (Feb. 26, 1998) (authorizing retention of Delmarva Power Financing I, a wholly owned trust that issued trust preferred securities and loaned the proceeds to Delmarva).

3. Ohio Edison Financing Trust

Ohio Edison Financing Trust is a wholly owned subsidiary of Ohio Edison. Ohio Edison Financing Trust provides financing to Ohio Edison through the issuance of preferred securities.(3)

4. Centerior Funding Corporation

Centerior Funding Corporation ("Centerior Funding") is a wholly owned subsidiary of The Cleveland Electric Illuminating Company ("Cleveland Electric"). Centerior Funding factors accounts receivable for Cleveland Electric and The Toledo Edison Company ("Toledo Edison").(4)

5. OES Nuclear, Incorporated

OES Nuclear, Incorporated ("OES Nuclear") is a wholly owned subsidiary of Ohio Edison. OES Nuclear owns and leases to Ohio Edison 17.42% of the improvements, fixtures, equipment and other tangible property constituting the Perry Nuclear Power Plant located in Lake County, Ohio.(5)

6. FirstEnergy Securities Transfer Company

FirstEnergy Securities Transfer Company ("FirstEnergy Transfer") is a wholly owned subsidiary of FirstEnergy. FirstEnergy Transfer acts as a transfer agent and registrar for the securities of FirstEnergy and its direct and indirect subsidiaries. It does not act as a transfer agent or registrar for nonaffiliated companies.(6)

7. PNBV Capital Trust

OES Ventures, Incorporated ("OES Ventures") is a wholly owned subsidiary of Ohio Edison. OES Ventures has a 49% beneficial interest in PNBV Capital Trust ("PNBV"), a Delaware corporation, which was formed to acquire the publicly held bond indebtedness for the acquisition of lease obligation bonds relating to Ohio Edison's sale and leaseback of individual interests in Beaver Valley Nuclear Power Station Unit No. 2 and Perry Nuclear Power Plant Unit No. 1 and the resultant reduction in effective cost to Ohio Edison under those leases.(7)

(3) See citations at footnote 2.

(4) See citations at footnote 1.

(5) See citations at footnote 2.

(6) See, e.g., Central and South West Corporation, Holding Co. Act Release No.
26797 (Dec. 19, 1997) (Applicants' request for authorization to implement the Rights Plan included a request for CSW Services, "which is the transfer agent for the Common Stock," to serve as Rights Agent. As Rights Agent, CSW Services would have "practically no active duties [with respect to the transaction] unless the Rights become, if ever, exercisable, at which time it will perform or cause to be performed services similar to a stock transfer agent....").

(7) See citations at footnote 1.

8. The Toledo Edison Capital Corporation

Toledo Edison holds a 90% interest, together with Cleveland Electric's 10% interest, in The Toledo Edison Capital Corporation ("TECC"). TECC makes equity investments in Delaware business trusts that hold lessor debt instruments issued in connection with Cleveland Electric's and Toledo Edison's sale and leaseback of interests in the Bruce Mansfield Plant.(8)

B. REAL ESTATE

1. FirstEnergy Properties, Inc.

FirstEnergy Properties, Inc. ("FirstEnergy Properties") is a wholly owned subsidiary of FirstEnergy. FirstEnergy Properties owns non-utility land and coal rights held for sale, investment or potential development, office buildings rented to affiliated companies and third parties, and also holds the former Centerior Energy Corporation's partnership share of investments in economic development investments. In 2000, 98.1% of FirstEnergy Properties' rental income was received from intercompany rentals; the remaining 1.9% was received from third party rentals. In 2001, 92.3% of FirstEnergy Properties rental income is projected to be received from intercompany rentals; the remaining 7.7% is scheduled to be received from third party rentals. FirstEnergy Properties has one subsidiary, BSG Properties, Inc. ("BSG Properties").(9)

2. BSG Properties, Inc.

BSG Properties is a wholly owned subsidiary of FirstEnergy Properties. BSG Properties owned a commercial building, which it sold, and is engaged in post-closing matters. BSG owns a parcel of approximately eleven acres of vacant land which is currently for sale in Seven Hills, Ohio. The book value of the parcel if $1,692,336.(10)

3. Cleveland Development Partnership I

FirstEnergy Properties owns a 1.47% limited partnership interest in Cleveland Development Partnership I ("Cleveland Development"). Cleveland Development is a partnership created to provide a source of private sector funding for real estate development in the City of Cleveland.(11)

(8) See citations at footnote 1.

(9) In prior orders, the Commission has approved the purchase of real estate, which is incidentally related to the operations of the registered holding company. See, e.g., Conectiv, Inc., Holding Co. Act Release No. 26832 (Feb. 25, 1998) (office building and warehouse); WPL Holdings, Inc., Holding Co. Act Release No. 26856 (April 14, 1998) (subsidiary of holding company purchases and holds real property primarily for use in public utility operations or "that may be used in the future for the development of utility related assets").

(10) See citations at footnote 9.

(11) The Commission has authorized registered holding companies to retain passive and/or de minimis interests in industrial and other nonutility enterprises located in the service territory of the registered holding company that were formed to promote local economic development by creating new job opportunities, expanding the local tax base, attracting new industries and retaining existing industries. See WPL Holdings, Inc., Holding Co. Act

4. Cleveland Civic Vision Housing Fund, L.L.C.

FirstEnergy owns a 5.5% limited partnership interest in the Cleveland Civic Vision Housing Fund, L.L.C. ("Cleveland Civic"). Cleveland Civic is an investment fund serving as a source of private sector financing for real estate development in the City of Cleveland.(12)

5. McDonald Corporate Tax Credit Fund Limited Partnership

Ohio Edison owns a 12.37% limited partnership interest in McDonald Corporate Tax Credit Fund Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants, as qualified under Section 42 of the Internal Revenue Code of 1986; 94% of the investment activity is in Ohio; and 6% is in Illinois.(13)

6. McDonald Corporate Tax Credit Fund - 1995 Limited Partnership

Ohio Edison owns a 9.0% limited partnership interest in McDonald Corporate Tax Credit Fund - 1995 Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants as qualified under
Section 42 of the Internal Revenue Code of 1986; 42% of the investment activity in Ohio; 25% is in Illinois; 5% is in Iowa; and 28% is in Texas.(14)

Release No. 26856 (April 14, 1998) (retention of 54.55% interest in company organized to promote economic development in downtown Cedar Rapids, Iowa); The Potomac Edison Company, Holding Co. Act Release No. 25312 (May 14, 1991) (for-profit, economic development corporation created to stimulate and promote growth and retain jobs).

(12) See citations at footnote 11.

(13) As part of their tax planning strategy, companies within the FirstEnergy system have made investments in low-income housing and rehabilitation of old buildings. A tax credit is available for low-income housing that is constructed, rehabilitated or acquired after 1986 under Section 42 of the Internal Revenue Code of 1986. The credit may be claimed over a 10-year period in a maximum amount that depends on whether the low-income units are newly constructed, rehabilitated, or acquired and whether the cost was partially financed by federal subsidies. The Internal Revenue Service issues monthly credit rate tables that are based on the applicable federal rate. The credit is available on a per-unit basis and a single building will not be disqualified for the credit on the basis that some units do not qualify for the credit. However, a project must meet specified requirements for qualification for the credit. The investments are important for FirstEnergy's shareholders, as well as FirstEnergy's consumers, in that they reduce the tax expense of the FirstEnergy system. The Commission has permitted other newly registered holding companies to retain similar passive interests in tax-credit affordable housing. See Ameren Corporation, Holding Co. Act Release No. 26809 (Dec. 30, 1997) (permitting retention of tax credit properties located in the states in which those systems operate as utilities); Alliant Energy Corporation, Holding Co. Act Release No. 27198 (July 10, 2000) (approved applicants' proposal to modify existing limitation on investments in limited partnerships investing in properties outside the service territory); Exelon Corporation, Holding Co. Act Release No. 27256 (Oct. 19, 2000) (permitting retention of passive interests in funds holding national portfolios of tax-credit properties).

(14) See citations at footnote 13.

7. McDonald Ohio Tax Credit Fund - 1996 Limited Partnership

Ohio Edison owns a 42.13% limited partnership interest in McDonald Ohio Tax Credit Fund - 1996 Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants as qualified under
Section 42 of the Internal Revenue Code of 1986; 91% of the investment activity is in Ohio; and 9% is in Indiana.15

8. McDonald Ohio Tax Credit Fund - 1998 Limited Partnership

Ohio Edison owns a 30.94% limited partnership interest in McDonald Ohio Tax Credit Fund - 1998 Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants, as qualified under
Section 42 of the Internal Revenue Code of 1986; 53% of the investment activity is in Ohio; 18% is in Illinois; and 29% is in Texas.16

9. Ohio Equity Fund For Housing Limited Partnership II

Ohio Edison owns a 7.62% limited partnership interest in Ohio Equity Fund For Housing Limited Partnership II. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants, as qualified under Section 42 of the Internal Revenue Code of 1986, in Ohio.17

10. USA Institutional Tax Credit Fund VII, L.P.

Ohio Edison owns an 8.11% limited partnership interest in USA Institutional Tax Credit Fund VII, L.P. ("USA ITCF"). USA ITCF is a low income housing tax credit limited partnership investing primarily in residential real estate targeted for lower income occupants, as qualified under Section 42 of the Internal Revenue Code of 1986; 8% of the investment activity is in California; 14% is in Illinois; 7% is in Maryland; 6% is in Massachusetts; 7% is in Michigan; 2% is in Mississippi; 14% is in New Jersey; 12% is in New York; 3% is in Puerto Rico; 1% is in Tennessee; 22% is in Texas; and 4% is in Virginia.18

11. Boston Financial Institutional Tax Credits III, a Limited Partnership

Ohio Edison owns a 5.38% limited partnership interest in Boston Financial Institutional Tax Credits III, a Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants, as qualified under Section 42 of the Internal Revenue Code of 1986; 8% of the investment activity is in Ohio; 5% is in Alabama; 6% is in Arkansas; 8% is in California; 8% is in Connecticut; 19% is in Florida; 7% is in Kentucky; 6% is in Maryland; 4% is in Michigan; 2% is

15 See citations at footnote 13.

16 See citations at footnote 13.

17 See citations at footnote 13.

18 See citations at footnote 13.

in Minnesota; 2% is in Mississippi; 2% is in New York; 1% is in North Carolina; 5% is in Oregon; 4% is in Pennsylvania; 2% is in Puerto Rico; 2% is in Utah; 6% is in Virginia; and 3% is in West Virginia.(19)

12. Boston Financial Institutional Tax Credits V, a Limited Partnership

Ohio Edison owns a 3.24% limited partnership interest in Boston Financial Institutional Tax Credits V, a Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants, as qualified under Section 42 of the Internal Revenue Code of 1986; 6% of the investment activity is in Ohio; 18% is in California; 33% is in Florida; 5% is in Illinois; 4% is in Nevada; 8% is in New Mexico; 7% is in Puerto Rico; 1% is in South Carolina; 7% is in Tennessee; and 11% is in Virginia.(20)

13. Boston Financial Institutional Tax Credits XVI, a Limited Partnership

Ohio Edison owns a 5.83% limited partnership interest in Boston Financial Institutional Tax Credits XVI, a Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants as qualified under Section 42 of the Internal Revenue Code of 1986; 29% of the investment activity is in California; 27% is in Florida; 2% is in Iowa; 5% is in Maryland; 6% is in Massachusetts; 1% is in Minnesota; 1% is in Missouri; 4% is in Nevada; 3% is in New York; 3% is in Pennsylvania; 2% is in Utah; 11% is in Virginia; 1% is in Washington; and 5% is in Wisconsin.(21)

14. Apollo Tax Credit Fund III, L.P.

Ohio Edison owns a 33.33% limited partnership interest in Apollo Tax Credit Fund III, L.P. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants, as qualified under Section 42 of the Internal Revenue Code of 1986; 69% of the investment activity is in Ohio; 9% is in Iowa; 7% is in Kentucky; and 15% is in Wisconsin.(22)

15. Apollo Tax Credit Fund - IX, Limited Partnership

Ohio Edison owns a 99.99% limited partnership interest in Apollo Tax Credit Fund - IX, Limited Partnership. The general partner is Apollo Housing II LLC which owns the remaining .01%. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants, as qualified under Section 42 of the Internal Revenue Code of 1986; 44% of the investment activity is in Ohio; 12%

(19) See citations at footnote 13.

(20) See citations at footnote 13.

(21) See citations at footnote 13.

(22) See citations at footnote 13.

is in Indiana; 4% is in Iowa; 11% is in Kansas; 9% is in New York; 7% is in Virginia; and 13% is in Wisconsin.(23)

16. Boston Capital Corporate Tax Credit Fund IV, a Limited Partnership

Ohio Edison owns a 2.95% limited partnership interest in Boston Capital Corporate Tax Credit Fund IV, a Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants as qualified under Section 42 of the Internal Revenue Code of 1986; 9% of the investment activity is in Arkansas; 3% is in California; 2% is in Colorado; 5% is in Delaware; 14% is in Florida; 7% is in Georgia; 7% is in Illinois; 5% is in Iowa; 4% is in Kansas; 6% is in Louisiana; 4% is in Maine; 3% is in Maryland; 11% is in Michigan; 2% is in Mississippi; 9% is in Missouri; 2% is in Nebraska; and 7% is in New York.(24)

17. Boston Capital Corporate Tax Credit Fund X, a Limited Partnership

Ohio Edison owns a 10.93% limited partnership interest in Boston Capital Corporate Tax Credit Fund X, a Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants as qualified under Section 42 of the Internal Revenue Code of 1986; 2% of the investment activity is in Arkansas; 16% is in Georgia; 8% is in Indiana; 2% is in Maryland; 24% is in New York; 9% is in North Carolina; 16% is in Ohio; 3% is in Oklahoma; 7% is in Texas; 10% is in Virginia; and 3% is in West Virginia.(25)

18. Boston Capital Corporate Tax Credit Fund XIV, a Limited Partnership

Ohio Edison owns a 20.00% limited partnership interest in Boston Capital Corporate Tax Credit Fund XIV, a Limited Partnership. This investment is a low income housing tax credit limited partnership investing in primarily residential real estate targeted for lower income occupants as qualified under Section 42 of the Internal Revenue Code of 1986; 1% of the investment activity is in Alabama; 2% is in Arkansas; 6% is in Florida; 7% is in Georgia; 6% is in Indiana; 3% is in Kansas; 5% is in Kentucky; 5% is in Louisiana; 8% is in Massachusetts; 11% is in Michigan; 1% is in Mississippi; 2% is in New Hampshire; 15% is in New Jersey; 3% is in Oklahoma; 7% is in Pennsylvania; 2% is in Tennessee; 7% is in Texas; 1% is in Vermont; 3% is in Virginia; and 5% is in West Virginia.(26)

19. Marion Senior Housing Limited Partnership

FirstEnergy owns a 29.21% limited partnership interest in Marion Senior Housing Limited Partnership ("Marion"). Marion is a low income housing tax credit limited partnership

(23) See citations at footnote 13.

(24) See citations at footnote 13.

(25) See citations at footnote 13.

(26) See citations at footnote 13.

investing in primarily residential real estate targeted for lower income occupants, as qualified under Section 42 of the Internal Revenue Code of 1986, in Ohio.(27)

20. Cranberry Square Associates, L.P.

Penn Power owns a 50% limited partnership interest in Cranberry Square Associates, L.P. ("Cranberry Square"). Cranberry Square is a limited partnership with the purpose of acquiring, developing, constructing, owning, operating, improving, leasing or otherwise managing a strip shopping center containing approximately 215,000 square feet of rentable space and other incidental improvements on approximately 24 acres located in Cranberry Township, Butler County, Pennsylvania.

C. TELECOMMUNICATIONS

1. Advanced Technologies Development Corp.

Advanced Technologies Development Corp. ("Advanced Technologies") is a wholly owned subsidiary of FirstEnergy Ventures Corp. ("FirstEnergy Ventures"). Advanced Technologies owns fiber optic cables, communications towers and electronics for cell siting operations, as well as some proprietary software for telecommunications services. On October 20, 2000, Advanced Technologies applied for approval from the Federal Communications Commission ("FCC") as an "exempt telecommunications company" ("ETC"); ETC status is deemed effective as of the date of the filing.(28)

2. FirstEnergy Telecommunications Corp.

FirstEnergy Telecommunications Corp. ("FirstEnergy Telecommunications") is a wholly owned subsidiary of FirstEnergy Ventures. FirstEnergy Telecommunications is a competitive telecommunications services provider offering services only in the regulated activities area. FirstEnergy Telecommunications applied to the Public Utilities Commission of Ohio (the "PUCO") on October 18, 2000, for approval to operate as a public utility within the definition of "utilities" in the State of Ohio. Approval from the PUCO and the FCC was received on December 24, 2000. On October 20, 2000, FirstEnergy Telecommunications applied for ETC approval from the FCC; ETC status is deemed effective as of the date of the filing.(29)

3. Fiber Venture Equity, Inc.

Centerior Communications Holdings, Inc. ("Centerior Communications") owns 100% of Fiber Venture Equity, Inc. ("Fiber Venture"). Fiber Venture owns a 6.5% interest in AFN, LLC ("AFN"). AFN applied for ETC approval on October 25, 2000; ETC status is deemed effective as of the date of the filing.(30)

(27) See citations at footnote 13.

(28) See Section 34 of the Act.

(29) See citation at footnote 28.

(30) See citation at footnote 28.

4. FELHC, Inc.

FELHC, Inc. ("FELHC") is a wholly owned subsidiary of FirstEnergy. FELHC serves as a licensee on all FCC radio licenses for the FirstEnergy Operating Companies (as defined in the U-1 Application/Declaration). An application was made by FELHC on January 18, 2001 for FCC approval as an ETC; ETC status is deemed effective as of the date of the filing.(31)

5. First Communications, LLC

FirstEnergy owns a 31.08% interest in First Communications, LLC ("First Communications"), with options to acquire up to a 50% interest. First Communications provides telecommunications services utilizing a nationwide fiber optic network. First Communications offers a full plan of services including long distance, toll free services, advanced data solutions (including Digital Subscriber Line, private line service and network applications) and Personal Communications Service wireless. An application was made by First Communications to the FCC on November 29, 2000 for FCC approval as an ETC; ETC status is deemed effective as of the date of the filing.(32)

6. Pantellos Corporation

FirstEnergy owns a 5.38% interest in Pantellos Corporation ("Pantellos"). Pantellos operates and manages an open, independent Internet e-marketplace for the purchase of goods and services between the energy industry and its suppliers. An application was made by Pantellos on June 1, 2000 for FCC approval as an ETC; ETC status is deemed effective as of the date of the filing.

(33)

7. AFN Finance Company No. 3, LLC

AFN Finance Company No. 3, LLC ("AFN No. 3") is a wholly owned subsidiary of Fiber Venture. AFN No. 3 was created for the exclusive purpose of seeking financing for the provision of radio communications, telecommunications services and information services. An application was made by AFN No. 3 on July 25, 2001 for FCC approval as an ETC; ETC status is deemed effective as of the date of the filing.(34)

D. EXEMPT WHOLESALE GENERATORS

1. FirstEnergy Generation Corp.

FirstEnergy Generation Corp. ("GenCo") is a wholly owned subsidiary of FirstEnergy Solutions Corp. ("FirstEnergy Solutions"). GenCo operates fossil fuel plants and the

(31) See citation at footnote 28.

(32) See citation at footnote 28.

(33) See citation at footnote 28.

(34) See citation at footnote 28.

Seneca pumped storage plant (most of which it leases from the FirstEnergy Operating Companies, pursuant to the reorganization described under "Corporate Separation Plan" in the U-1 Application/Declaration. GenCo is an EWG that sells all of its output at wholesale prices to FirstEnergy Solutions. GenCo was approved by FERC as an EWG on April 6, 2001. 95 FERC P. 62,018 (2001).(35)

E. ENERGY RELATED ACTIVITIES

1. FirstEnergy Solutions Corp.

FirstEnergy Solutions is an unregulated wholly owned subsidiary of FirstEnergy. FirstEnergy Solutions is a natural gas and power marketer in both wholesale and retail markets. FirstEnergy Solutions has two wholly-owned subsidiaries, Penn Power and GenCo. A filing was made with the FERC and approval received on or about December 15, 2000 to merge FirstEnergy's wholesale trading function done through FirstEnergy Trading Services, Inc. ("FirstEnergy Trading") into FirstEnergy Solutions. The merger of FirstEnergy Trading and FirstEnergy Solutions was consummated on December 31, 2000.(36)

2. FirstEnergy Fuel Marketing Company

FirstEnergy Fuel Marketing Company ("FirstEnergy Fuel Marketing") is a wholly owned subsidiary of FirstEnergy Ventures. FirstEnergy Marketing provides products and services to electricity generators and industrial fuel suppliers, including logistics services, contract administration, inventory management and fuel blending.(37)

3. Utility.com, Inc.

FirstEnergy owns a 5.0% interest in Utility.com, Inc. ("Utility.com"), represented by 192,308 shares owned and warrants for 23,077 shares of Series E preferred stock. Utility.com is currently registered to provide electricity in 10 states. Utility.com sells electricity to customers using the same lines and poles that are in place now with no interruption in service, but seeks to provide customers with savings over their existing electricity provider.(38)

4. Penn Power Energy, Inc.

Penn Power Energy, Inc. ("Penn Power") is a wholly owned subsidiary of FirstEnergy Solutions. Penn Power Energy is an energy marketing company which provides service to Pennsylvania customers under Pennsylvania's Electric Choice Program. Penn Power Energy is a licensed electric supplier providing retail electricity service in Pennsylvania.(39)

(35) See Section 32 of the Act.

(36) Rule 58(b)(1)(v) (activities involving the "brokering and marketing of energy commodities, including but not limited to electricity or natural or manufactured gas or other combustible fuels").

(37) See citation at footnote 36.

(38) See citation at footnote 36.

(39) See citation at footnote 36.

5. Centerior Energy Services, Inc. (d/b/a "The E Group")

Centerior Energy Services, Inc. ("Centerior Energy Services") is a wholly owned subsidiary of FirstEnergy Ventures. Centerior Energy Services provides various consulting services related to energy management and procurement under the registered trade name "The E Group."(40)

6. OES Fuel, Incorporated

OES Fuel, Incorporated ("OES Fuel") is a wholly owned subsidiary of Ohio Edison. OES Fuel finances and manages fuel inventories for Ohio Edison and Penn Power.(41)

7. Bay Shore Power Company

Bay Shore Power Company ("Bay Shore") is a wholly owned subsidiary of FirstEnergy Ventures. Bay Shore is undergoing start-up operations and will own and operate a petroleum coke disposal facility that will supply steam for GenCo for Bay Shore's turbines as fuel for the operation of the Bay Shore Power Plant and to BP Amoco Corporation.(42)

8. Ancoma, Inc.

Ancoma, Inc. ("Ancoma") is a wholly owned subsidiary of FirstEnergy Facilities Services Group, LLC ("FirstEnergy Facilities"). Ancoma provides HVAC equipment installation and service, process piping, plumbing, fire protection, refrigeration and energy management systems to the Rochester, New York area.(43)

9. Colonial Mechanical Corporation

Colonial Mechanical Corporation ("Colonial Mechanical") is a wholly owned subsidiary of FirstEnergy Facilities. Colonial Mechanical provides HVAC equipment installation and service, sheet metal fabrication, plumbing installation and service, process piping and electrical and pre-construction services to the Richmond, Virginia area.(44)

10. Webb Technologies, Inc.

Webb Technologies, Inc. ("Webb Technologies") is a wholly owned subsidiary of FirstEnergy Facilities. Webb Technologies provides installation and service of low-temperature

(40) Rule 58(b)(1)(i) ("energy management services").

(41) See citation at footnote 40.

(42) Rule 58(b)(1)(vi) ("production, conversion, sale and distribution of thermal energy products such as process steam").

(43) Rule 58(b)(l)(vii) ("sale of technical, operational, management, and other similar kinds of services and expertise...").

(44) See citation at footnote 43.

refrigeration systems and HVAC equipment installation and service in the greater Norfolk, Virginia area.(45)

11. Dunbar Mechanical Inc.

Dunbar Mechanical Inc. ("Dunbar Mechanical") is a wholly owned subsidiary of FirstEnergy Facilities. Dunbar Mechanical provides HVAC equipment and plumbing installation and service, process and utility piping, equipment moving, rigging and setting, material handling, equipment installation and mechanical system maintenance to the greater Toledo, Ohio market.(46)

12. Edwards Electrical & Mechanical, Inc.

Edwards Electrical & Mechanical, Inc. ("Edwards E&M") is a wholly owned subsidiary of FirstEnergy Facilities. Edwards E&M provides HVAC equipment installation and service, refrigeration, electrical service, sheet metal fabrication, process piping, automation controls, plumbing and certified welding to customers in Indianapolis, Indiana and the surrounding areas.(47)

13. Elliott-Lewis Corporation

Elliott-Lewis Corporation ("Elliot-Lewis") is a wholly owned subsidiary of FirstEnergy Facilities. Elliott Lewis provides HVAC equipment installation and service, energy management, facilities management and plumbing services to the greater Philadelphia, Pennsylvania markets. In addition, Elliot-Lewis owns all of the issued and outstanding shares of the following companies providing such services: A.A. Duckett, Inc. ("Duckett"), Sautter Crane Rental, Inc. ("Sautter Crane") and E-L Enterprises, Inc. ("E-L Enterprises").(48)

14. L. H. Cranston and Sons, Inc.

L. H. Cranston and Sons, Inc. ("Cranston and Sons") is a wholly owned subsidiary of FirstEnergy Facilities. Cranston and Sons installs and maintains HVAC equipment and electrical, plumbing and refrigeration systems in the Timonium, Maryland area.(49)

15. Roth Bros., Inc.

Roth Bros., Inc. ("Roth Bros.") is a wholly owned subsidiary of FirstEnergy Facilities. Roth Bros. provides HVAC equipment installation and service, building automation

(45) See citation at footnote 43.

(46) See citation at footnote 43.

(47) See citation at footnote 43.

(48) See citation at footnote 43.

(49) See citation at footnote 43.

control systems and monitoring services, roofing installation and maintenance, sheet metal and industrial metal fabrication and lighting retrofits in the Youngstown, Ohio area.(50)

16. The Hattenbach Company

The Hattenbach Company ("Hattenbach") is a wholly owned subsidiary of FirstEnergy Facilities. Hattenback provides refrigeration sales and service to commercial entities in the Cleveland, Ohio market.(51)

17. R. P. C. Mechanical, Inc.

R. P. C. Mechanical, Inc. ("R. P. C. Mechanical") is a wholly owned subsidiary of FirstEnergy Facilities. R. P. C. Mechanical provides HVAC equipment installation and service, process piping and energy management and control systems in the greater Cincinnati, Ohio area.(52)

18. Spectrum Controls Systems

Spectrum Controls Systems, Inc. ("Spectrum") is a wholly owned subsidiary of FirstEnergy Facilities. Spectrum provides installation and service of HVAC control systems to customers in the Cincinnati, Ohio area.(53)

19. FirstEnergy Nuclear Operating Company

FirstEnergy Nuclear Operating Company ("FENOC") is a wholly owned subsidiary of FirstEnergy. FENOC is not an electric utility within the meaning of the 1935 Act.54 FENOC operates the Davis-Besse Nuclear Power Station, the Perry Nuclear Power Plant

(50) See citation at footnote 43.

(51) See citation at footnote 43.

(52) See citation at footnote 43.

(53) See citation at footnote 43.

(54) FENOC is not an electric public utility company within the meaning of the 1935 Act. Section 2(a)(3) of the Act defines an "electric utility company" as "any company which owns or operates facilities used for the generation, transmission, or distribution of electricity for sale...." The core principles for interpreting the meaning of the term "operates" were articulated by the Staff in 1982 in Ebasco Services, Incorporated, SEC No-Action Letter (Sept. 16, 1982), and FENOC meets the three-part Ebasco test. First, FENOC has no ownership or investment interest in the Power Stations (as defined herein). Second, FENOC does not have full operational responsibility for the Power Stations, but rather performs operating services in accordance with the three unit operating agreements between the Power Station owners and FENOC (the "Agreements"). FENOC has no responsibilities or operating discretion with respect to the Power Stations except as granted to FENOC under the Agreements. Third, no fees are paid to FENOC under the Agreements based on revenues or income the Power Stations receive from generating or distributing electricity. A cost-based allocation method is used to charge the Power Station owners for the services provided under the Agreements. FENOC's role in the operation and maintenance of the Power Stations is similar in all relevant respects to the arrangements described in the line of Ebasco no-action letters, and, therefore, FENOC is not an electric public utility company within the meaning of the 1935 Act.

and the Beaver Valley Nuclear Power Station (collectively, the "Power Stations") under the supervision and direction of the owners of those facilities.(55)

20. Warrenton River Terminal, Ltd.

Warrenton River Terminal, Ltd. ("Warrenton River") is a wholly owned subsidiary of FirstEnergy Ventures. Warrenton River owns facilities for the transloading of bulk materials on the Ohio River - primarily coal. The coal unloaded at Warrenton River is in part used by the FirstEnergy Operating Companies at various generation facilities, but not all transloaded materials handled at Warrenton River are for the use and benefit of FirstEnergy or any of the FirstEnergy Subsidiaries; 64.32% of these materials are for the use and benefit of third parties.(56)

21. FirstEnergy Engineering, Incorporated

Ohio Edison holds a 49% interest FirstEnergy Engineering, Incorporated ("FirstEnergy Engineering"), which provides engineering services at cost as a subcontractor on construction projects undertaken by the FirstEnergy Subsidiaries (as defined in the U-1 Application/Declaration). The engineering services provided include, but are not limited to, mechanical, HVAC, electrical, and civil engineering applications. Substantially all of the services are provided to FirstEnergy's subsidiaries in support of FirstEnergy Solutions, GenCo and FENOC; the remainder are provided to various third parties.(57)

22. Engineered Processes, Ltd.

FirstEnergy Ventures has a 50% interest in Engineered Processes, Ltd. ("Engineered Processes"). Engineered Processes holds the patent on beta plaster, which is primarily used in wallboard applications. Beta plaster is manufactured using the by-products of coal-fired generating facilities to create wallboard material. FirstEnergy has a 20-year royalty agreement with Engineered Processes.(58)

23. Eastroc Technologies, LLC

FirstEnergy Ventures has a 50% interest in Eastroc Technologies, LLC ("Eastroc Technologies"). Eastroc Technologies holds the patent for alpha plaster, which is typically used

(55) See, e.g., New Century Energies, Inc., Holding Co. Act Release No. 27212 (Aug. 16, 2000) (Northern States Power Company's non-utility subsidiaries included Nuclear Management Company, which provides "services to the nuclear operations of its members," and NSP Nuclear Corporation, formed to hold NSP's interest in Nuclear Management Company).

(56) Rule 58(b)(1)(ix) ("ownership, operation and servicing of fuel procurement, transportation, handling and storage facilities").

(57) See citation at footnote 43.

(58) Rule 58(b)(1)(x) ("development and commercialization of technologies or processes that utilize coal waste by products as an integral component of such technology or process").

in plaster of paris applications. Alpha plaster is manufactured using the by-products of coal-fired generation facilities to create plaster of paris materials.(59)

24. MARBEL Energy Corporation

MARBEL Energy Corporation ("MARBEL") is a wholly owned subsidiary of FirstEnergy. MARBEL is the parent company of a natural gas pipeline company, Northeast Ohio National Gas Corp., and a holding company, Marbel Holdco Inc. ("Marbel Holdco"). In addition, MARBEL is the contracting party to two large gas supply agreements.(60)

25. Great Lakes Energy Partners, LLC

Marbel Holdco owns a 50% interest in Great Lakes Energy Partners, LLC ("Great Lakes". Great Lakes is an oil and gas exploration and production company in a joint venture with Range Resources Corporation and holds a majority of its assets in the Appalachian Basin, including more than 7,700 oil and natural gas wells, drilling rights on nearly one million acres, proven resources of 450 billion cubic feet equivalent of natural gas and oil, and 5,000 miles of pipeline. Great Lakes also owns intrastate gas pipelines and a small interstate pipeline between Ohio and West Virginia.(61)

26. PowerSpan Corp.

FirstEnergy owns an 18.63% interest in PowerSpan Corp. ("PowerSpan") - formerly Zero Emissions Technology, Inc. - on an as-converted, fully diluted basis.62 PowerSpan utilizes advanced technology to reduce emissions of NOx , SO2 and particulate matter from utility generation facilities. PowerSpan's technologies are applied in coal, oil and gas-fired power generation facilities. The products reduce particulate emissions for a low cost and can provide a return on investment for the entity using the products.(63)

27. A.A. Duckett, Inc.

Duckett is a wholly owned subsidiary of Elliot-Lewis. Duckett provides commercial HVAC installation and ancillary services to third parties and affiliated companies in the New Jersey area.(64)

(59) See citation at footnote 58.

(60) See, e.g., CP&L Energy, Inc., Holding Co. Act Release No. 27284 (Nov. 27, 2000) (North Carolina Natural Gas Corporation had nonutility subsidiaries investing in an intrastate pipeline in North Carolina).

(61) See citation at footnote 60.

(62) FirstEnergy owns 2,000,000 shares of Series B Convertible Preferred Stock. FirstEnergy also has 100,000 warrants to acquire common stock at $4.74 per share and 150,000 warrants to acquire common stock at $7.50 per share.

(63) Rule 58(b)(1)(ii) ("development and commercialization of electrotechnologies related to energy conservation, storage and conversion, energy efficiency, waste treatment, greenhouse gas reduction and similar innovations").

(64) See citation at footnote 43.

28. Sautter Crane Rental, Inc.

Sautter Crane is a wholly owned subsidiary of Elliot-Lewis which provides crane rental service to affiliated companies and third parties, including other utilities and mechanical contractors.(65)

29. Modern Air Conditioning, Inc.

Modern Air Conditioning, Inc. ("Modern AC") is a wholly owned subsidiary of E-L Enterprises and provides HVAC equipment installation and service, energy management, facilities management and plumbing services.(66)

30. Airdex Air Conditioning Corporation

Airdex Air Conditioning Corporation ("Airdex AC") is a wholly owned subsidiary of Modern AC and provides HVAC equipment installation and service, energy management, facilities management and plumbing services.(67)

31. R.L. Anderson, Inc.

R.L. Anderson, Inc. ("R.L. Anderson") is a wholly owned subsidiary of E-L Enterprises and provides HVAC equipment installation and service, energy management, facilities management and plumbing services.(68)

32. Nth Power Technologies II, LLC

FirstEnergy owns an 8.2% membership interest in Nth Power Technologies II, LLC ("Nth Power"), a venture capital fund. Nth Power invests in the energy industry with a focus on emerging technologies in the global energy industry. Nth Power was initially capitalized at $10,000,000. FirstEnergy's commitment for the fund is approximately $1,250,000.(69)

33. Kinetic Ventures I, LLC (formerly Utility Competitive Advantage Fund I, LLC)

FirstEnergy owns an 11.10% membership interest in Kinetic Ventures I, LLC ("KVI"), a venture capital fund. KVI's focus is on early stage companies involved in energy related fields and technology as well as communications technologies. KVI was initially capitalized at $90,000,000; FirstEnergy's commitment for the fund is approximately $10,000,000.(70)

(65) See citation at footnote 43.

(66) See citation at footnote 43.

(67) See citation at footnote 43.

(68) See citation at footnote 43.

(69) See citation at footnote 63.

(70) See citation at footnote 63.

34. Kinetic Ventures II, LLC (formerly Utility Competitive Advantage Fund II, LLC)

FirstEnergy owns a 17.63% membership interest in Kinetic Ventures II, LLC ("KVII"), a venture capital fund. KVII's focus is on energy related fields and energy related technology in early stage companies involved in energy related fields and technology as well as communications technologies. KVII was initially capitalized at $95,000,000; FirstEnergy's commitment is approximately $15,000,000.(71)

35. Envirotech Investment Fund I, L.P.

FirstEnergy owns a 6.36% partnership interest in Envirotech Investment Fund I, L.P. ("Envirotech"). Envirotech is a venture capital fund that invests assets in energy-related technologies relating to environmental issues. Envirotech was initially capitalized at $32,000,000, of which FirstEnergy's commitment is approximately $2,000,000.(72)

36. Automated Power Exchange, Inc.

FirstEnergy owns a 1.16% interest in Automated Power Exchange, Inc. ("APX"), represented by 1,000,000 shares of Series B-2 Preferred Stock and 218,975 shares of Series C Preferred Stock held through KVI. APX develops, owns and operates integrated low cost efficient internet-based electronic power exchanges and automated clearinghouses for the electric power industry.(73)

37. Active Power, Inc.

FirstEnergy owns less than one hundredth of a percent interest
- 0.006% - in Active Power, Inc. ("Active Power"), represented by 92,378 shares of common stock of 39 million shares outstanding.74 This investment represented a distribution by Envirotech. Active Power is a developer of flywheel energy storage system for use in uninterruptible power supply and other power quality applications.(75)

38. The Alliance Participants Administrative and Startup Activities Company, LLC

FirstEnergy owns a 10% interest in The Alliance Participants Administrative and Startup Activities Company, LLC ("BridgeCo"). BridgeCo is an entity created to manage the financial and other affairs of the ten members of the Alliance Regional Transmission

(71) See citation at footnote 63.

(72) Interests held in Envirotech have been approved by the Commission. See, e.g., General Public Utilities Corporation, Holding Co. Act Release No. 26230 (Feb. 8, 1995) (order issued requiring that certificate be filed annually within 180 days of the end of each calendar year containing, among other things, a description of each of Envirotech's portfolio company investments, the costs incurred by Envirotech for such investments and their current valuation).

(73) See citation at footnote 36.

(74) The market value of this stock, as of June 30, 2001, was $1,540,865.

(75) See citation at footnote 63.

Organization only until that company begins operations, anticipated to be late 2001, when BridgeCo will be dissolved.(76)

F. NON-UTILITY HOLDING COMPANIES

1. FirstEnergy Facilities Services Group, LLC

FirstEnergy Facilities is a wholly owned subsidiary of FirstEnergy. FirstEnergy Facilities acts as the parent company for 11 direct subsidiaries engaged in mechanical contracting, facilities management and energy management services: (i) Ancoma; (ii) Colonial Mechanical; (iii) Webb Technologies; (iv) Dunbar Mechanical; (v) Edwards E&M; (vi) Elliott-Lewis;
(vii) Cranston and Sons; (viii) Roth Bros.; (ix) Hattenbach; (x) R. P. C. Mechanical; and (xi) Spectrum. FirstEnergy Facilities is retainable because of all of its subsidiaries are, as set forth herein, engaged in retainable non-utility businesses.

2. FirstEnergy Ventures Corp.

FirstEnergy Ventures is a wholly owned subsidiary of FirstEnergy. FirstEnergy Ventures owns equity investments in certain unregulated enterprises and business ventures, and has eight wholly-owned subsidiaries: (i) Centerior Power Enterprises, Inc. ("Centerior Power"); (ii) Centerior Energy Services; (iii) Advanced Technologies; (iv) Centerior Communications; (v) Bay Shore; (vi) FirstEnergy Fuel Marketing; (vii) FirstEnergy Telecommunications; and (viii) Warrenton River. FirstEnergy Ventures is a non-utility holding company that is retainable because of all of its subsidiaries are, as set forth herein, engaged in retainable non-utility businesses. FirstEnergy Ventures is part owner of two other companies: Eastroc Technologies and Engineered Processes.

3. FE Acquisition Corp.

FE Acquisition Corp. ("FE Acquisition") is a wholly owned subsidiary of FirstEnergy. FE Acquisition holds all of the outstanding shares in Mid-Atlantic Energy Development Co. ("Mid-Atlantic"), an inactive holding company.

4. Marbel Holdco, Inc.

Marbel Holdco is a wholly owned subsidiary of MARBEL. It holds FirstEnergy's 50% ownership in Great Lakes. Marbel Holdco is a non-utility holding company that is retainable because its investments are in retainable non-utility businesses.

5. OES Ventures, Incorporated

OES Ventures is a wholly owned subsidiary of Ohio Edison. It holds PNBV. OES Ventures is a non-utility holding company that is retainable because its investments are in retainable non-utility businesses.

(76) See citation at footnote 43.

6. Centerior Communications Holdings, Inc.

Centerior Communications is a wholly owned subsidiary of FirstEnergy Ventures. Centerior Communications was granted ETC status by the FCC in July 1997. Centerior Communications holds an interest in Fiber Venture. Centerior Communications is a non-utility holding company that is retainable because its investments are in retainable non-utility businesses.

7. E-L Enterprises, Inc.

E-L Enterprises is a wholly owned subsidiary of Elliot-Lewis. E-L Enterprises holds all of the issued and outstanding stock of Modern AC and R.L. Anderson and, indirectly, Airdex AC. E-L Enterprises is a non-utility holding company that is retainable because its investments are in retainable non-utility businesses.

G. INACTIVE NON-UTILITY SUBSIDIARIES

1. Centerior Service Company

Centerior Service Company is a direct inactive subsidiary of FirstEnergy.

2. FE Holdings, L.L.C.

FE Holdings, L.L.C. is a direct inactive subsidiary of FirstEnergy.

3. Ohio Edison Financing Trust II

Ohio Edison Financing Trust II is a direct inactive subsidiary of Ohio Edison.

4. Centerior Indemnity Trust

Centerior Indemnity Trust ("CIT") is a wholly owned subsidiary of FirstEnergy. CIT is the remnant of an executive compensation program that required the creation of a trust if the rating on Centerior Energy Corporation dropped below investment grade. That event did occur, and the trust was funded using short term debt instruments, but it is expected that the trust will cease to exist between December 2001 and June 2002. (77)

5. CID Ohio Equity Capital, Limited Partnership Fund IV

Ohio Edison owns a 10% limited partnership interest in CID Ohio Equity Capital, Limited Partnership Fund IV ("CID"), and FirstEnergy Properties owns a 5% interest in CID. CID was initiated in 1994 to invest in a portfolio of private equity and equity-related securities of start-up and early-stage growth companies operating principally in Ohio. The partnership, which

(77) See citations at footnote 1.

currently has three remaining portfolio companies, is winding down and is scheduled to dissolve in March 2004.(78)

6. Centerior Power Enterprises, Inc.

Centerior Power is a wholly owned subsidiary of FirstEnergy Ventures. Centerior Power is to be dissolved upon the planned cancellation of a contract, which required Centerior Power, together with CPICOR Management LLC (a non-affiliate), to implement the Department of Energy clean coal project.

7. Mid-Atlantic Energy Development Co.

FE Acquisition holds all of the outstanding shares of Mid-Atlantic. Mid-Atlantic is an inactive subsidiary of FE Acquisition. Mid-Atlantic owned three 130 MW gas-fired peaking turbines at Richland, Ohio. Mid-Atlantic sold those turbines to GenCo effective January 1, 2001, prior to their going into service.

8. Cleveland Electric Financing Trust I

Cleveland Electric Financing Trust I ("CEI Financing Trust I") is a wholly owned subsidiary of Cleveland Electric, which was formed to issue and sell up to $245 million liquidation amount of its preferred trust securities, the proceeds of which will be used, along with the proceeds of the concurrent issuance to Cleveland Electric of up to $7.6 million liquidation amount of CEI Financing Trust I's common trust securities, to purchase subordinated debentures of Cleveland Electric having an interest rate identical to the coupon on the preferred securities. CEI Financing Trust I's sole purpose will be to hold the Cleveland Electric subordinated debentures and to use the debt service thereon to pay distributions on its preferred trust securities. Although CEI Financing Trust I and Cleveland Electric jointly filed a Registration Statement on Form S-2 with the Commission on July 9, 2001 to register the preferred securities, the timing of the issuance and sale of the preferred trust securities is subject to, among other things, the Commission's review, if any, of the Form S-2 and general market conditions, and, therefore, is uncertain. Other than such registration and other ministerial activities in preparation for the offering of its preferred trust securities, CEI Financing Trust I is not currently engaged in any activities.

9. FirstEnergy Service Company

FirstEnergy Service Company is a wholly owned subsidiary of FirstEnergy, which will act as a new service company for the FirstEnergy system following the Merger.

(78) See citations at footnote 11.

H. DE MINIMIS OR PASSIVE FINANCIAL INVESTMENTS

1. Corvis Corporation

FirstEnergy owns less than one hundredth of a percentage interest - 0.007% - in Corvis Corporation ("Corvis") represented by 535,761 shares of common stock out of 94,311,463 authorized shares as of March 1, 2001.(79) This investment represented a distribution by KVI. Corvis is a developer of new technology for transmitting signals across fiber optic cables for optical switching equipment.

2. Cisco Systems Inc.

FirstEnergy owns less than one hundredth of a percent interest
- 0.002% - in Cisco Systems, Inc. ("Cisco"), represented by 13,451 shares of common stock out of 7,041,991,896 outstanding shares as of March 1, 2001.(80) This investment represents a distribution by KVI. Cisco is a world leader in networking solutions for the Internet providing end-to-end networking solutions to customers used to build a unified information infrastructure of their own or to connect to someone else's network.(81)

3. S1 Corporation

FirstEnergy owns less than one hundredth of a percent interest
- 0.004% - in S1 Corporation ("S1"), represented by 23,094 shares of common stock out of 56.14 million shares outstanding as of March 1, 2001.(82) This investment represented a distribution by KVI. S1 is a provider of eFinance solutions services centered on the banking, brokerage and insurance industries. S1 enables financial service providers to create a complete enterprise eFinance experience through all markets, delivery channels and lines of business.(83)

4. Smarthouse, Inc.

Cleveland Electric owns 860 shares of common stock in Smarthouse, Inc. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This company is bankrupt, and the shares are worthless. FirstEnergy does not have a record of the total number of outstanding shares and therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(84)

(79) The market value of this stock, as of June 30, 2001, was $2,351,991.

(80) The market value of this stock, as of June 30, 2001, was $244,808.

(81) FirstEnergy plans to liquidate this investment within three years of the date of the order in this proceeding.

(82) The market value of this stock, as of June 30, 2001, was $323,316.

(83) FirstEnergy plans to liquidate this investment within three years of the date of the order in this proceeding.

(84) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

5. Silas Creek Retail, Inc.

Ohio Edison owns 104 shares of common stock in Silas Creek Retail, Inc. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This company is bankrupt, and the shares are worthless. FirstEnergy does not have a record of the total number of outstanding shares and therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(85)

6. Smith International, Inc.

Ohio Edison owns 17 warrants to acquire 17 shares of common stock in Smith International, Inc. ("Smith"). Smith makes premium drill bits, drilling fluids, and related products and offers drilling related services. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This company is bankrupt, and the shares are worthless. FirstEnergy does not have a record of the total number of outstanding shares and therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(86)

7. Steel City Products, Inc.

FirstEnergy owns a 0.001% interest in Steel City Products, Inc., represented by 27 shares of common stock out of 3,238,061 outstanding shares in 2000. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This company is bankrupt, and the shares are worthless. FirstEnergy does not have a record of the total number of outstanding shares and therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(87)

8. Madisons of Columbus, Inc.

Cleveland Electric owns 41 shares of common stock in Madisons of Columbus, Inc. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This company is bankrupt, and the shares are worthless. FirstEnergy does not have a record of the total number of outstanding shares and

(85) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(86) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(87) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(88)

9. The Mason And Dixon Lines, Inc.

Cleveland Electric owns 640 shares of Class B Preferred Stock of The Mason And Dixon Lines, Inc. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This company is bankrupt, and the shares will be surrendered for $640.00 in 2006. FirstEnergy does not have a record of the total number of outstanding shares and therefore is unable to give an accurate percentage of ownership.(89)

10. Luckey Farmers, Inc.

Toledo Edison owns 74 shares of Class C Preferred Stock of Luckey Farmers, Inc. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This company is bankrupt, and the shares are worthless. FirstEnergy does not have a record of the total number of outstanding shares and therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(90)

11. The Lionel Corp.

Toledo Edison owns 72 shares of common stock in The Lionel Corp. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This company is bankrupt, and the shares are worthless. FirstEnergy does not have a record of the total number of outstanding shares and therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(91)

12. Jewel Recovery L.P. (d/b/a Zales Corp.)

Ohio Edison owns 26.44 non-transferable limited partnership units in Jewel Recovery L.P. (d/b/a Zales Corp.) which represents less than 0.001%. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to

(88) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(89) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(90) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(91) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

bankruptcy. This company is bankrupt, and this interest is worthless. There is no market for the interest held, and the interest is non-transferable.(92)

13. Hermans Sporting Goods, Inc.

Ohio Edison owns 51 shares, Cleveland Electric owns 460 shares and Toledo Edison owns 69 shares of common stock in Hermans Sporting Goods, Inc., out of 5,285,000 outstanding shares, which represents less than one hundredth of a percent interest - 0.001%. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This company is bankrupt and the shares are worthless. There is no market for the stock.(93)

14. Homeplace of America, Inc.

Cleveland Electric owns 5,312 shares, Ohio Edison owns 623 shares and Penn Power owns 610 shares of common stock in Homeplace of America, Inc., out of 45,000,000 outstanding shares, which represents less than one hundredth of a percent interest - 0.001%. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. The stock has no value at the present time. There is no market for the stock.(94)

15. House of Fabrics, Inc.

Toledo Edison owns 356 shares of common stock in House of Fabrics, Inc. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This company is bankrupt, and the shares are worthless. FirstEnergy does not have a record of the total number of outstanding shares and therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(95)

16. Federals, Inc.

FirstEnergy owns 920 shares of common stock in Federals, Inc. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This company is bankrupt, and the shares are worthless. FirstEnergy does not

(92) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(93) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(94) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(95) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

have a record of the total number of outstanding shares and therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(96)

17. Country Spring Farms Co-Op, Inc.

Toledo Edison has a Memoranda of Capital Credit in Country Spring Farmers Co-Op, Inc. in the amount of $174.00. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This company is bankrupt, and the interest is worthless. There is no market for the interest held by FirstEnergy.(97)

18. Cook United, Inc.

Toledo Edison owns 16,373 shares of common stock in Cook United, Inc. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This company is bankrupt, and the shares are worthless. FirstEnergy does not have a record of the total number of outstanding shares and therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(98)

19. County Seat Stores, Inc.

Toledo Edison owns 58 shares, Cleveland Electric owns 1,102 shares and Ohio Edison owns 793 shares of common stock in County Seat Stores, Inc. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This company is bankrupt, and the shares are worthless. There is no market for these shares.(99)

20. Busy Beavers Building Centers, Inc.

Ohio Edison owns 102 shares of common stock in Busy Beavers Building Centers, Inc. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This company is bankrupt, and the shares are worthless. FirstEnergy does not have a record of the total number of outstanding shares and

(96) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(97) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(98) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(99) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(100)

21. Bulk Materials, Inc.

Cleveland Electric owns 38 shares, Toledo Edison owns 20 shares and Ohio Edison owns 10 shares of cumulative preferred stock in Bulk Materials, Inc. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcies. FirstEnergy does not have a record of the total number of outstanding shares and therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(101)

22. Best Products Co., Inc.

FirstEnergy owns 1,699 shares of common stock in Best Products Co., Inc. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. The stock has a present value of $0.17. FirstEnergy does not have a record of the total number of outstanding shares and therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(102)

23. Value Merchants Inc.

FirstEnergy owns 176 shares of common stock in Value Merchants Inc. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. The stock has a present value of $0.01. FirstEnergy does not have a record of the total number of outstanding shares and therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(103)

24. COLOROCS Corp.

FirstEnergy owns 25 shares of common stock in COLOROCS Corp. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. The stock has no value at present. FirstEnergy does not have a

(100) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(101) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(102) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(103) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable. 25

record of the total number of outstanding shares and therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(104)

25. Republic Technologies International, Inc.

FirstEnergy owns 30,000 shares of Series C Convertible Preferred Stock (the "Series C Shares") in Republic Technologies International, Inc. ("Republic"). These shares are convertible at FirstEnergy's discretion. The Series C Shares would be converted to 429,478 shares of Common Stock representing a 5.3% equity ownership in Republic. At the present time, FirstEnergy has no intention to convert the shares to common stock. Republic is a large steel manufacturer combining the resources and expertise of Canadian Drawn Republic Steel Company, Inc., Bliss & Laughlin Steel, Republic Engineered Steels, Bar Technologies, and USS/KOBE. FirstEnergy's interest in Republic arises from FirstEnergy's subscription to purchase shares in Bar Technologies, Inc. ("Bar Tech"), a Delaware corporation renamed "Republic Technologies International, Inc." FirstEnergy's purchase of that stock, along with the investments of others, was used to finance certain debt of Bar Tech concerning a restructuring of Bar Tech.(105) Republic, BarTech and the above mentioned affiliated companies filed a consolidated Chapter 11 bankruptcy petition on April 2, 2001 in the Northern District of Ohio. Such case is pending and FirstEnergy's interest in the Series C Shares is uncertain at this time. At the present time, First Energy has no intention of converting its ownership interest into common stock assuming such action is permitted under the bankruptcy code.

26. United Merchants and Manufacturers, Inc.

Ohio Edison owns 39 shares of common stock and 2 shares of Series 1 preferred stock in United Merchants and Manufacturers, Inc. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This Company is bankrupt, and the shares are worthless. FirstEnergy does not have a record of the total number of shares and therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(106)

27. Edison Brothers Stores, Inc.

Ohio Edison owns 69 shares of common stock in Edison Brothers Stores, Inc. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This Company is bankrupt, and the shares are worthless.

(104) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(105) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(106) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

FirstEnergy does not have a record of the total number of shares and therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(107)

28. EBS Pension, L.L.C.

Ohio Edison owns 71 units in EBS Pension, L.L.C. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This Company is bankrupt, and the interests are worthless. There is no market for the interests.(108)

29. EBS Building, L.L.C.

Ohio Edison owns 71 units in EBS Building, L.L.C. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This Company is bankrupt, and the interests are worthless. There is no market for the interests.(109)

30. EBS Litigation, L.L.C.

Ohio Edison owns 69 units in EBS Litigation, L.L.C. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This Company is bankrupt, and the interests are worthless. There is no market for the interests.(110)

31. EnviroSource, Inc.

Ohio Edison owns 66 shares of non-assignable Class B preferred stock in EnviroSource, Inc. This investment was obtained when this customer issued stock in lieu of payment for services rendered pursuant to bankruptcy. This Company is bankrupt, and the shares are worthless. FirstEnergy does not have a record of the total number of shares and

(107) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(108) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(109) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(110) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable. 28

therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(111)

32. Oakhurst Capital, Inc.

Ohio Edison owns 27 shares of common stock of Oakhurst Capital, Inc. ("Oakhurst"), which was a creditor of Heck's Inc. ("Heck's"). This investment was obtained when Heck's completed its bankruptcy in 1989. Oakhurst is also bankrupt, and the shares in Oakhurst are worthless. FirstEnergy does not have a record of the total number of shares of Oakhurst stock and therefore is unable to give an accurate percentage of ownership. There is no market for the stock.(112)

(111) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

(112) In light of the fact that there is no market for this investment, FirstEnergy has no readily available outlet to dispose of it at this time. FirstEnergy plans to dispose of the investment when, and if, the investment becomes marketable.

EXHIBIT L-2

GPU'S NON-UTILITY SUBSIDIARIES WITH APPLICABLE EXEMPTION OR COMMISSION ORDER

NON-UTILITY SUBSIDIARY AND BUSINESS ENGAGED IN	APPLICABLE EXEMPTION OR COMMISSION ORDER
Met-Ed Preferred Capital II, Inc.; Met-Ed Capital II, L.P.; Met-Ed Capital Trust - All organized for the purpose of issuing trust preferred securities	HCAR No. 26967 (Jan. 19, 1999)
Penelec Preferred Capital II, Inc.; Penelec Capital II, L.P.; Penelec Capital Trust - All organized for the purpose of issuing trust preferred securities	HCAR No. 26966 (Jan. 19, 1999)
Saxton Nuclear Experimental Corporation - owns experimental nuclear reactor which is currently being decommissioned	HCAR No. 14227 (May 11, 1960)
Nineveh Water Company - Water company	HCAR No. 10982 (Dec. 28, 1951)
GPU Telcom Services, Inc. - Exempt telecommunications company ("ETC") AFN, LLC - ETC AFN Finance Company No. 1, LLC - ETC	Section 34
GPU EnerTech Holdings, Inc. - Holds an interest in energy-related investment vehicle	HCAR No. 27139 (Feb. 18, 2000)
GPU Service, Inc. - System service company	HCAR No. 17112 (Apr. 29, 1971)
GPU Nuclear, Inc. - Licensed owner of the non-operational Three Mile Island Unit 2 nuclear generating station	HCAR No. 21708 (Sept. 5, 1980)
GPU Advanced Resources, Inc. - lines of business include energy services and retail energy services	Rule 58
MYR Group, Inc. and Subsidiaries - Infrastructure service and electrical contracting company The L. E. Myers Co. Hawkeye Construction, Inc. MYRcom, Inc. MYRpower, Inc. Great Southwestern Construction, Inc. Harlan Electric Company Sturgeon Electric Company, Inc. ComTel Technology Inc. Power Piping Company D.W. Close Company	HCAR No. 27165 (Apr. 14, 2000)
Various EWGs in the GPU System, including GPU Power, Inc. Guaracachi America, Inc.	Section 32

NON-UTILITY SUBSIDIARY AND BUSINESS ENGAGED IN	APPLICABLE EXEMPTION OR COMMISSION ORDER
Empresa Guaracachi S.A. EI Barranquilla, Inc. Termobarranquilla S.A. Barranquilla Lease Holding, Inc. Los Amigos Leasing Company Ltd. EI International GPUI Colombia Ltda GPU Power Philippines, Inc. Magellan Utilities Development Corporation GPU International Asia, Inc. GPU Power Ireland, Inc. (Inactive) Hanover Energy Corp. (Inactive) Austin Cogeneration Corporation (Inactive) Austin Cogeneration Partners, L.P.(Inactive) International Power Advisors, Inc. EI Canada Holding Limited EI Services Canada Limited EI Brooklyn Power Limited EI Brooklyn Investments Limited Brooklyn Energy L.P.	
Various FUCOs in the GPU System, including GPU Capital, Inc. GPU Electric, Inc. GPU Argentina Holdings, Inc. GPU Argentina Services, S.R.L. GPU Empresa Distribuidora Electrica Regional, S.A. San Luis Energy S.A. Empresa Distribuidora San Luis S.A. Compania Electrica La Rioja S.A. Empresa Distribuidora de Electricidad de la Rioja S.A. Compania Electric de Salta S.A. GPU Empresa de Sistemas Electricos Dispersos S.A. Empresa Distribuidora de Electricidad de Salta S.A. GPU Australia Holdings, Inc. VicGas Holdings, Inc. GPU GasNet Pty Ltd Transmission Pipelines Australia Pty Limited GPU GasNet Trading Pty Ltd Victoria Electric Holdings, Inc. Victoria Electric, Inc. Austran Holdings, Inc. GPU International Australia Pty Ltd EI UK Holdings, Inc. Avon Energy Partners Holdings	Section 33

NON-UTILITY SUBSIDIARY AND BUSINESS ENGAGED IN	APPLICABLE EXEMPTION OR COMMISSION ORDER
Avon Energy Partners PLC Midlands Electricity plc(1) Midlands Power International Ltd. GPU GasNet A Pty Ltd GPU GasNet A Trust GPU GasNet B Pty Ltd GPU GasNet B Trust Austran Investments Pty Ltd	
GPU Diversified Holdings LLC - A holding company which holds certain GPU System non-utility interests	Rule 58
GPU Solar, Inc. - Develops electrotechnologies	Rule 58
UMICO Holdings, Inc. - Insurance company	HCAR No. 27196 (July 6, 2000)
JCP&L Preferred Capital, Inc.; JCP&L Capital, L.P. - Organized for the purpose of issuing JCP&L MIPS.	Inactive; HCAR Nos. 26292 (May 16, 1995), 26289 (May 11, 1995) and 26246 (May 6, 1995)
JCP&L Transition Holdings, Inc.;	Inactive; Authorization pending in SEC File No. 70-9885
JCP&L Transition, Inc.; JCP&L Transition Funding LLC - All organized for the purpose of issuing transition bonds	
NCP Ada Power Incorporated	Inactive; HCAR No. 26053 (May 17, 1994)
NCP Energy, Inc. - Inactive	
GPU Brasil, Inc.	GPU is in the process of dissolving these inactive subsidiaries
GPU do Brasil Ltda. - Inactive GPU Sao Paulo S.A.	

1 Midlands Electricity PLC ("Midlands") has ownership interests in over 100 subsidiaries that, either directly or indirectly, are engaged in various utility and non-utility businesses. These subsidiaries include Midlands Power International Limited, which, through its subsidiaries, has investments in operating generating facilities located outside the United States totaling 4,201 MW (of which the GPU-related equity interest represents 1,119 MW) of capacity. Through additional subsidiaries, Midlands engages in other, non-utility activities including electricity generation, electrical contracting, metering services and related businesses. A complete list of the Midlands subsidiaries, with the related percentage ownership interest, is attached hereto as Annex A.

ANNEX A

Central Power (Holdings) Limited (100.00%) Contracting From Midlands Electricity Limited (100.00%) EA Technology Limited (7.89%)
Easy Power Limited (100.00%)
Electra Brands Limited (6.60%)
ElectraLink Limited (7.82%)
Electricality Limited (100.00%)
Electricity Association Limited (5.9%)
Electricity Pension Trustees Limited (5.9%) Electricity Pensions Limited (5.88%)
Energy Data Services (UK) Limited (100.00%) Energy Partners Limited (100.00%)
Energy Solutions (UK) Limited (100.00%)
Enizade Limited (100.00%)
Future Gen Limited (100.00%)
Gol Energy Limited (100.00%)
GPU Power Distribution Limited (100.00%) GPU Power Engineering Limited (100.00%)
GPU Power Investments Ltd. (100.00%)
Achilles Group Limited
Asset Investment Trading Limited (100.00%) Energy Services (UK) Limited (100.00%)
Geophysical Mapping Services Limited (100.00%) MEB (Contracting) Limited (100.00%)
MEB (Overseas) Limited (100.00%)
MEB Gas Limited (100.00%)
MEB Trading Limited (100.00%)
Metering Services Limited (100.00%)
Midland Construction Limited (100.00%)
Midlands Electricity International Limited (100.00%) Midlands Electricity Metering Limited (100.00%) Midlands Energy Limited (100.00%)
Midlands Metering Services Limited (100.00%) Midlands Power Limited (100.00%)
Midlands Sales Limited (100.00%)
Peregrine Midlands Limited (49.00%)
Powerline Energy Services Limited (100.00%) Romco Limited (100.00%)
Sisyphus Quebec Limited (100.00%)
Systemes M31 Inc. (31.02%)
The Energy Services Company Limited (100.00%) GPU Power Networks (UK) Limited (100.00%) GPU Power Serve Limited (100.00%)
GPU Power UK Limited (100.00%)

GPU Power Utilities Limited (100.00%)
GPU Telecoms UK Limited (100.00%)
MEB Connection Limited (100.00%)
MEB Corporate Insurance Limited (100.00%) MEB Home Power Limited (100.00%)
MEB Leasing (December) Limited (100.00%) MEB Leasing (March) Limited (100.00%)
MEB Leasing (September) Limited (100.00%) MEB Limited (100.00%)
MEB Logistics Limited (100.00%)
MEB Manx Limited (100.00%)
MEB Power Care Limited (100.00%)
MEB Power Force Limited (100.00%)
MEB Power Limited (100.00%)
MEB Power Projects Limited (100.00%)
MEB Power Switch Limited (100.00%)
MEB Powernet Limited (100.00%)
MEB Response Limited (100.00%)
MEB Supply Services Limited (100.00%)
MEB System Limited (100.00%)
Meter Services Limited (100.00%)
Midlands Electricity (Property) Limited (100.00%) Midlands Electricity (Share Scheme Trustees) Limited (100.00%) Midlands Electricity Contracting Limited (100.00%) Midlands Electricity Electrical Contracting Limited (100.00%) Midlands Electricity Group plc (100.00%)
Mucklow Hill (Three) Limited (100.00%)
Mucklow Hill (Two) Limited (100.00%)
Midlands Electricity Retail Limited (100.00%) Midlands Electricity Trading Limited (100.00%) Midlands Generation Limited (100.00%) Midlands Investments Limited in Liquidation (100.00%) Midlands Power (Holdings) Limited (100.00%) Midlands Power Generation Limited (100.00%) Midlands Power (Hungary) Limited (100.00%) Midlands Power International Limited (100.00%) Forestgen Limited (100.00%) Midlands Generation (Overseas) Limited (100.00%) Trakya Elektrik Uretim ve Ticaret A.S. (31.00%) Midlands Hydrocarbons (Pakistan) Limited (100.00%) Midlands Power (Bangladesh) Limited (100.00%) Midlands Power (Consultancy) Limited (100.00%) Midlands Power (Europe) Limited (100.00%) Midlands Power (HPL) Limited (100.00%)
Humber Power Limited (25.00%)
Midlands Power (Indus) Limited (100.00%)

Midlands Power (One) Limited (100.00%)
Midlands Power (Pakistan) Limited (100.00%) Midlands Power (Philippines) Limited (100.00%) Midlands Power (Sulelman) Limited (100.00%) Midlands Power (Uch) Limited (100.00%)
Midlands Power (Isle of Man) Limited (100.00%) UPL HC1.LDC (40.00%)
UPL HC2.LDC (40.00%)
Midlands Power (UK) Limited (100.00%)
Midlands Power (TPL) Limited (100.00%)
Teesside Power Holdings Limited (15.00%) Teesside Power Limited (19.23%)
Midlands Power Services Limited (100.00%) Mr. Electric Limited (100.00%)
Non-Fossil Purchasing Agency Limited (8.30%) NPGT Limited (40.00%)
Ongen Limited (100.00%)
REC Collect Limited (25.00%)
Redgen Limited (100.00%)
Redigen Limited (100.00%)
Servgen Limited (100.00%)
St. Clements Services Limited (9.87%)
Value Power Services Limited (100.00%)

EXHIBIT L-3

GPU'S INVESTMENTS IN NONSYSTEM SECURITIES

NAME AND DESCRIPTION OF COMPANY	PERCENTAGE INTEREST OF VOTING SECURITIES AT 12/31/00	APPLICABLE EXEMPTION OR COMMISSION ORDER
Ballard Generation Systems Inc. - Develops, manufactures and markets stationary fuel cell power systems	7.41%	HCAR No. 26631 (Dec 17, 1996) and No. 26635 (Dec. 26, 1996)
Ballard Power Systems Inc. - Develops, manufactures and markets fuel cells and related systems	< 1%	Authorization Pending
Envirotech Investment Fund I Limited Partnership - Energy-related investment vehicle	9.9%	HCAR No. 26230 (Feb. 8, 1995)
Waterford Development Corporation - Local industrial enterprise assistance	6.25%	Rule 40(a)(5)
Greater Reading Development Partnership - Local industrial enterprise assistance	5.58%	Rule 40(a)(5)
Telergy, Inc. - Exempt Telecommunications Company ("ETC")	3% convertible preferred non-voting stock interest	Section 34
Pantellos Corporation - ETC	3.19%	Section 34
Last Mile, Inc. d/b/a Sting Communications - ETC	25% non-voting preferred stock interest	Section 34
EnerTech Capital Partners II, L.P. - Energy-related investment vehicle.	1.82%	HCAR No. 27139 (Feb. 18, 2000)

Exhibit N-1

OUTSTANDING SECURITIES AND FINANCING ARRANGEMENTS OF FIRSTENERGY AND SUBSIDIARIES

(AS OF MARCH 31, 2001)

($ in thousands)

ISSUE TYPE	INTEREST RATE	ISSUE DATE	MATURITY	PRINCIPAL
OHIO EDISON				
First Mortgage Bonds (FMB)	8.250%	4-1992	4-2002	$125,000
FMB	7.500%	8-1972	8-2002	34,265
FMB	7.375%	9-1992	9-2002	120,000
FMB	8.625%	9-1991	9-2003	150,000
FMB	6.875%	4-1993	4-2005	80,000
FMB	8.750%	6-1992	6-2022	50,960
FMB	7.875%	4-1993	4-2023	93,500
FMB	7.625%	7-1993	6-2023	75,000
SUBTOTAL FMB				$728,725
Pollution Control Notes (PCN)	3.150%	4-2000	4-2015	$19,000
PCN	6.750%	4-1995	7-2015	40,000
PCN	7.050%	7-1995	10-2020	60,000
PCN	7.000%	6-1991	6-2021	69,500
PCN	7.150%	9-1991	9-2021	443
PCN	5.375%	6-1998	6-2028	13,522
PCN	5.950%	11-1993	5-2029	6,212
PCN	5.950%	12-1993	5-2029	50,000
PCN	5.625%	12-1993	11-2029	50,000
PCN	3.150%	4-2000	4-2030	60,400
PCN	5.450%	9-1993	9-2033	14,800
PCN	3.200%	4-2000	10-2033	44,800
PCN	3.200%	4-2000	10-2033	12,300
PCN	2.750%	2-1989	2-2014	50,000
PCN	4.850%	1-1988	2-2015	50,000
PCN	5.800%	12-1999	6-2016	47,725
PCN	3.450%	9-1988	9-2018	33,000
PCN	3.350%	9-1988	9-2018	23,000
PCN	3.300%	6-2000	6-2023	50,000
PCN	4.300%	6-1999	6-2033	50,000
PCN	4.650%	6-1999	6-2033	108,000
PCN	5.400%	12-1999	6-2033	30,000
SUBTOTAL PCN				$882,702
PEPCO Trust Note	7.930%	10-1994	3-2002	$9,257
PEPCO Trust Note	7.680%	5-1994	10-2005	200,000
SUBTOTAL PEPCO				$209,257

ISSUE TYPE	INTEREST RATE	ISSUE DATE	MATURITY	PRINCIPAL
CITIBANK TERM NOTE	5.850%	11-1999	11-2002	$240,000
DEBENTURE	9.000%	10-1995	12-2025	$123,711
Preferred Stock	4.560%	3-1952	Perpetual	$14,430
Preferred Stock	4.440%	1-1953	Perpetual	13,656
Preferred Stock	4.400%	10-1944	Perpetual	17,628
Preferred Stock	3.900%	4-1950	Perpetual	15,251
Preferred Stock	7.750%	4-1993	Perpetual	100,000
Preferred Stock	8.450%	11-1991	9-2001	5,000
SUBTOTAL PREFERRED STOCK				$165,965
GRAND TOTAL OHIO EDISON				$2,350,360
PENN POWER				
FMB	7.500%	8-1992	8-2003	$40,000
FMB	6.625%	7-1993	1-2004	14,000
FMB	6.375%	9-1993	9-2004	20,500
FMB	9.740%	11-1989	11-2001-19	18,052
FMB	8.500%	7-1992	7-2022	27,250
FMB	7.625%	7-1993	7-2023	6,500
SUBTOTAL FMB				$126,302
PCN	5.400%	10-1993	10-2013	$1,000
PCN	7.150%	9-1991	3-2017	17,925
PCN	5.400%	9-1993	9-2017	10,600
PCN	5.900%	5-1988	5-2018	16,800
PCN	7.150%	9-1991	9-2021	10,525
PCN	7.150%	9-1991	9-2021	3,957
PCN	6.150%	9-1994	8-2023	12,700
PCN	6.450%	5-1992	5-2027	14,500
PCN	2.750%	7-1997	6-2027	5,800
PCN	2.750%	7-1997	6-2027	4,500
PCN	5.375%	6-1998	6-2028	1,734
PCN	5.450%	9-1993	9-2028	6,950
PCN	6.000%	9-1995	9-2028	14,250
PCN	5.950%	11-1993	5-2029	238
PCN	5.900%	12-1999	6-2033	5,200
SUBTOTAL PCN				$126,679
Preferred Stock	4.25%	11-1945	Perpetual	$4,105
Preferred Stock	4.24%	3-1951	Perpetual	4,000
Preferred Stock	4.64%	6-1958	Perpetual	6,000
Preferred Stock	7.75%	7-1993	Perpetual	25,000
Preferred Stock	7.625%	10-1992	10-2022	15,000
SUBTOTAL PREFERRED STOCK				$54,105
GRAND TOTAL PENN POWER				$307,086

ISSUE TYPE	INTEREST RATE	ISSUE DATE	MATURITY	PRINCIPAL
CLEVELAND ELECTRIC				
FMB	7.625%	8-1992	8-2002	$195,000
FMB	7.375%	6-1993	6-2003	100,000
FMB	9.500%	5-1995	5-2005	300,000
FMB	6.860%	10-1998	10-2008	125,000
FMB	9.000%	2-1993	1-2023	150,000
SUBTOTAL FMB				$870,000
PCN	7.000%	9-1979	9-2001-09	$1,820
PCN	8.000%	5-1992	12-2013	78,700
PCN	3.046%	3-1988	3-2015	39,835
PCN	3.033%	3-1988	3-2018	72,795
PCN	6.000%	8-1997	8-2020	62,560
PCN	2.650%	8-1997	8-2020	47,500
PCN	6.100%	8-1997	8-2020	70,500
PCN	6.850%	2-1993	7-2023	30,000
PCN	8.000%	10-1994	10-2023	46,100
PCN	7.625%	5-1995	5-2025	53,900
PCN	7.750%	7-1995	7-2025	45,150
PCN	7.700%	8-1995	8-2025	43,800
PCN	5.375%	6-1998	6-2028	5,993
PCN	5.350%	10-1998	10-2030	23,255
PCN	4.600%	10-1998	10-2030	81,640
PCN	5.580%	7-1999	6-2033	27,700
SUBTOTAL PCN				$731,248
MTN	7.420%	3-1993	8-2001	$10,000
MTN	9.050%	8-1991	8-2001	5,000
MTN	8.680%	10-1991	11-2001	15,000
MTN	8.540%	11-1991	11-2001	3,000
MTN	8.550%	11-1991	11-2001	5,000
MTN	8.560%	11-1991	11-2001	3,500
MTN	8.130%	7-1992	7-2002	28,000
MTN	7.850%	7-1992	7-2002	5,000
MTN	7.750%	3-1993	3-2003	10,000
MTN	7.750%	3-1993	3-2003	5,000
MTN	7.430%	10-1997	11-2009	150,000
MTN	7.880%	10-1997	11-2017	300,000
MTN	9.520%	8-1991	8-2021	7,500
SUBTOTAL MTN				$547,000
Secured Trust Note	7.670%	6-1997	7-2004	$280,000
Secured Trust Note	7.130%	6-1997	7-2007	120,000
SUBTOTAL SEC TRUST NOTE				$400,000
Preferred Stock	7.40%	11-1971	Perpetual	$50,000
Preferred Stock	7.56%	8-1972	Perpetual	45,071
Preferred Stock	Adjustable	12-1983	Perpetual	46,405

ISSUE TYPE	INTEREST RATE	ISSUE DATE	MATURITY	PRINCIPAL
Preferred Stock	8.48%	6-1993	Perpetual	96,850
Preferred Stock	7.35%	8-1973	8-1999-08	8,035
Preferred Stock	8.80%	12-1991	12-2001	50,513
Preferred Stock	9.00%	11-1992	11-2001-02	36,352
SUBTOTAL PREFERRED STOCK				$333,226
GRAND TOTAL CLEVELAND ELECT				$2,881,474
TOLEDO EDISON				
FMB	8.000%	11-1973	11-2001-03	$34,525
FMB	7.875%	8-1992	8-2004	145,000
SUBTOTAL FMB				$179,525
PCN	7.625%	5-1995	5-2020	$45,000
PCN	7.750%	7-1995	5-2020	54,000
PCN	6.875%	1-1993	7-2023	20,200
PCN	8.000%	10-1994	10-2023	30,500
PCN	3.300%	5-2000	4-2024	67,300
PCN	6.100%	8-1997	8-2027	10,100
PCN	5.375%	6-1998	6-2028	3,751
PCN	3.000%	9-2000	9-2033	30,900
PCN	10.000%	8-1980	8-2001-10	970
PCN	4.850%	6-1999	6-2030	34,850
PCN	5.580%	7-1999	6-2033	18,800
PCN	5.250%	9-1999	9-2033	31,600
PCN	5.100%	9-1999	9-2033	5,700
SUBTOTAL PCN				$353,671
Medium Term Notes (MTN)	8.500%	12-1991	12-2001	$8,000
MTN	8.650%	3-1992	4-2002	5,000
MTN	8.620%	3-1992	4-2002	7,000
MTN	8.180%	7-1992	7-2002	17,000
MTN	7.850%	3-1993	3-2003	15,000
MTN	7.820%	3-1993	3-2003	38,400
MTN	7.780%	3-1993	4-2003	1,000
MTN	7.760%	3-1993	4-2003	5,000
MTN	7.910%	3-1993	4-2003	3,000
MTN	10.000%	3-1991	3-2021	15,000
MTN	9.220%	11-1991	12-2021	15,000
SUBTOTAL MTN				$129,400
Secured Trust Note	7.670%	6-1997	7-2004	$70,000
Secured Trust Note	7.130%	6-1997	7-2007	30,000
SUBTOTAL SEC TRUST NOTE				$100,000
DEBENTURE	8.700%	8-1992	9-2002	135,000
Preferred Stock	4.25%	6-1947	Perpetual	$16,000
Preferred Stock	4.56%	10-1951	Perpetual	5,000
Preferred Stock	4.25%	1-1955	Perpetual	10,000

ISSUE TYPE	INTEREST RATE	ISSUE DATE	MATURITY	PRINCIPAL
Preferred Stock	8.32%	8-1971	Perpetual	10,000
Preferred Stock	7.76%	8-1972	Perpetual	15,000
Preferred Stock	7.80%	7-1973	Perpetual	15,000
Preferred Stock	10.00%	3-1975	Perpetual	19,000
Preferred Stock	8.84%	12-1976	Perpetual	25,000
Preferred Stock	9.46%	10-1977	Perpetual	35,000
Preferred Stock	Adjustable	10-1985	Perpetual	30,000
Preferred Stock	Adjustable	3-1986	Perpetual	30,000
SUBTOTAL PREFERRED STOCK				$210,000
GRAND TOTAL TOLEDO EDISON				$1,107,596
OTHER FINANCING ARRANGEMENTS				
FE Ventures - Bay Shore				
PCN	5.375%	3-1998	9-2002	$2,800
PCN	5.875%	3-1998	9-2020	73,400
PCN	6.625%	3-1998	9-2020	56,700
PCN	8.470%	3-1998	9-2020	14,600
SUBTOTAL PCN				$147,500
FE Facilities Services Group				
SECURED NOTE				$17,930
Marbel				
UNSECURED NOTE				$649
AmericanTransmission Systems, Inc.				
ADVANCES TO ASSOCIATED COMPANIES	7.75%			$338,480
FirstEnergy Properties, Inc				
NOTE	0.00%			$10,000
FE Generation Corp.				
ADVANCES TO ASSOCIATED COMPANIES	0.00%			$325,334
NOTES TO ASSOCIATED COMPANIES	0.00%			$160,029
FE Services				
NOTES TO ASSOCIATED COMPANIES	0.00%			$245,160

ISSUE TYPE	INTEREST RATE	ISSUE DATE	MATURITY	PRINCIPAL
OES Fuel				
NUCLEAR FUEL FINANCING NOTES				$70,800
OES Finance				
ADVANCES TO ASSOCIATED COMPANIES				$263,763
OES Nuclear				
ADVANCES TO ASSOCIATED COMPANIES				$127,400

ISSUE TYPE	INTEREST RATE	ISSUE DATE	MATURITY	CAPACITY
FIRSTENERGY				
FE Revolving Credit Agreement	Periodic Fixed Rate equal to LIBOR plus margin of 187.5 bp	12/4/2000	12/3/2001	$450,000
FIRSTENERGY GRAND TOTAL				$450,000
OHIO EDISON				
OES Fuel	LIBOR + 67.5 bp	3/30/2001	3/29/2002	$141,500
OES Capital	LIBOR + 112.5 bp	3/12/2001	3/11/2002	$170,000
Uncommitted Credit Lines (IBJ)	As negotiated	5/30/2001	5/29/2002	$50,000
Credit Line (FirstMerit)	LIBOR + 70 bp	7/6/2001	7/5/2002	$15,000
Credit Line (Key)	LIBOR + 75 bp	5/22/2001	5/21/2002	$40,000
Credit Line (Mellon)	LIBOR + 85 bp	1/5/2001	1/4/2002	$20,000
OHIO EDISON GRAND TOTAL				$436,500
CENTERIOR ENERGY				
CFC Floating Rate Certificate	LIBOR +150 bp	7/17/2001	7/16/2002	$200,000
CENTERIOR ENERGY GRAND TOTAL				$200,000

ISSUE TYPE	INTEREST RATE	ISSUE DATE	MATURITY	CAPACITY
PENNPOWER				
Uncommitted Credit Line	FED Funds +75 bp	2/93	open	$2,000
PENNPOWER GRAND TOTAL				$2,000

08-07-01

EXHIBIT N-2
FORM OF

UTILITY MONEY POOL AGREEMENT

This Utility Money Pool Agreement (the "Agreement"), dated as of _____, 2001, is made and entered into by and among FirstEnergy Corp. ("FirstEnergy"), an Ohio corporation and a registered holding company under the Public Utility Holding Company Act of 1935, as amended (the "Act"), FirstEnergy Corporate Group, Inc. ("FirstEnergy Corporate"), an Ohio corporation and a non-utility subsidiary of FirstEnergy (in its role as administrator of the money pool and as a participant in the money pool), and the FirstEnergy Utility Subsidiaries identified on the signature page hereto (each a "Party" and collectively, the "Parties").

WITNESSETH:

WHEREAS, the Parties desire to establish a Money Pool (the "Utility Money Pool") to coordinate and provide for certain of their short-term cash and working capital requirements; and

WHEREAS, the utility subsidiaries that will participate in the Utility Money Pool (each a "Subsidiary" and collectively, the "Subsidiaries") will from time to time have need to borrow funds on a short-term basis, and certain of the Parties will from time to time have funds available to loan on a short-term basis;

NOW, THEREFORE, in consideration of the premises and the mutual agreements, covenants and provisions contained herein, and intending to be legally bound hereby, the Parties hereto agree as follows:

ARTICLE I

CONTRIBUTIONS AND BORROWINGS

Section 1.01 Contributions to Utility Money Pool.

Each Party will determine each day, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion, the amount of funds it has available for contribution to the Utility Money Pool, and will contribute such funds to the Utility Money Pool. The determination of whether a Party at any time has surplus funds to lend to the Utility Money Pool or shall lend funds to the Utility Money Pool will be made by such Party's chief financial officer or treasurer, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion. Each Party may withdraw any of its funds at any time upon notice to FirstEnergy Corporate as administrative agent of the Utility Money Pool.

Section 1.02 Rights to Borrow.

Subject to the provisions of Section 1.04(c) of this Agreement, short-term borrowing needs of the Parties, with the exception of FirstEnergy, will be met by funds in the Utility Money Pool to the extent such funds are available. Each Party (other than FirstEnergy) shall have the right to make short-term borrowings from the Utility Money Pool from time to time, subject to

the availability of funds and the limitations and conditions set forth herein and in the applicable orders of the Securities and Exchange Commission ("SEC"). Each Party (other than FirstEnergy) may request loans from the Utility Money Pool from time to time during the period from the date hereof until this Agreement is terminated by written agreement of the Parties; provided, however, that the aggregate amount of all loans requested by any Party hereunder shall not exceed the applicable borrowing limits set forth in applicable orders of the SEC and other regulatory authorities, resolutions of such Party's Board of Directors, such Party's governing corporate documents, and agreements binding upon such Party. No loans through the Utility Money Pool will be made to, and no borrowings through the Utility Money Pool will be made by, FirstEnergy.

Section 1.03 Source of Funds.

(a) Funds will be available through the Utility Money Pool from the following sources for use by the Parties from time to time: (1) surplus funds in the treasuries of Parties other than FirstEnergy, (2) surplus funds in the treasury of FirstEnergy (such funds in clauses (1) and (2) being referred to as "Internal Funds"), and (3) proceeds from bank borrowings by Parties and the sale of commercial paper by FirstEnergy and each other Party ("External Funds"), in each case to the extent permitted by applicable laws and regulatory orders. Funds will be made available from such sources in such other order as FirstEnergy Corporate, as administrator of the Utility Money Pool, may determine will result in a lower cost of borrowing to companies borrowing from the Utility Money Pool, consistent with the individual borrowing needs and financial standing of the Parties providing funds to the Utility Money Pool.

(b) Borrowing Parties will borrow pro rata from each lending Party in the proportion that the total amount loaned by such lending Party bears to the total amount then loaned through the Utility Money Pool. On any day when more than one fund source (e.g., Internal Funds and External Funds), with different rates of interest, is used to fund loans through the Utility Money Pool, each borrowing Party will borrow pro rata from each fund source in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available to the Utility Money Pool.

Section 1.04 Authorization.

(a) Each loan shall be authorized by the lending Party's chief financial officer or treasurer, or by a designee thereof.

(b) FirstEnergy Corporate, as administrator of the Utility Money Pool, will provide each Party with periodic activity and cash accounting reports that include, among other things, reports of cash activity, the daily balance of loans outstanding and the calculation of interest charged.

(c) All borrowings from the Utility Money Pool shall be authorized by the borrowing Party's chief financial officer or treasurer, or by a designee thereof. No Party shall be required to effect a borrowing through the Utility Money Pool if such Party determines that it can (and is authorized to) effect such borrowing at lower cost directly from banks or through the sale of its own commercial paper.

Section 1.05 Interest.

The daily outstanding balance of all loans to any Subsidiary shall accrue interest as follows:

(a) If only Internal Funds comprise the daily outstanding balance of all loans outstanding during a calendar month, the interest rate applicable to such daily balances shall be the greater of the 30 day LIBOR rate as quoted in The Wall Street Journal or the money market rate that a lending Subsidiary could have obtained if it placed its excess cash in such an investment (as calculated monthly, the "Average Composite").

(b) If only External Funds comprise the daily outstanding balance of all loans outstanding during a calendar month, the interest rate applicable to such daily outstanding balance shall be the lender's cost for such External Funds calculated monthly or, if more than one Party had made available External Funds at any time during the month, the applicable interest rate shall be a composite rate, equal to the weighted average of the costs incurred by the respective Parties for such External Funds calculated monthly.

(c) In cases where the daily outstanding balances of all loans outstanding at any time during the month include both Internal Funds and External Funds, the interest rate applicable to the daily outstanding balances for the month shall be equal to the weighted average of the (i) cost of all Internal Funds contributed by Parties, as determined pursuant to Section 1.05(a) of this Agreement, and (ii) the cost of all such External Funds, as determined pursuant to Section 1.05(b) of this Agreement.

(d) The interest rate applicable to Loans made by a Subsidiary to the Utility Money Pool under Section 1.01 of this Agreement shall be the Average Composite as determined pursuant to Section 1.05(a) of this Agreement.

(e) Loans may be made solely from Internal Funds or solely from External Funds, rather than pursuant to Section 1.05(c), if such practice would result in a lower cost of borrowing.

Section 1.06 Certain Costs.

The cost of compensating balances and fees paid to banks to maintain credit lines by Parties lending External Funds to the Utility Money Pool shall initially be paid by the Party maintaining such line. A portion of such costs, or all of such costs if a Party establishes a line of credit solely to lend funds to the Utility Money Pool, shall be retroactively allocated every quarter to the Subsidiaries borrowing such External Funds through the Utility Money Pool in proportion to their respective daily outstanding borrowings of such External Funds.

Section 1.07 Repayment.

Each Subsidiary receiving a loan from the Utility Money Pool hereunder shall repay the principal amount of such loan, together with all interest accrued thereon, on demand and in any event within 364 days of the date on which such loan was made. All loans made through the Utility Money Pool may be prepaid by the borrower without premium or penalty.

Section 1.08 Form of Loans to Subsidiaries.

Loans to the Subsidiaries from the Utility Money Pool shall be made as open-account advances, pursuant to the terms of this agreement. A separate promissory note will not be required for each individual transaction. If the Parties deem it necessary or appropriate, a master promissory note evidencing the terms of the transactions may be signed by each borrowing Party. Any such note shall: (a) be dated as of the date of the initial borrowing; (b) mature on demand or on a date agreed by the Parties to the transaction, but in any event not later than one year after the date of the applicable borrowing; and (d) be repayable in whole at any time or in part from time to time, without premium or penalty.

ARTICLE II

OPERATION OF UTILITY MONEY POOL

Section 2.01 Operation.

Operation of the Utility Money Pool, including record keeping and coordination of loans, will be handled by FirstEnergy Corporate under the authority of the appropriate officers of the Parties. FirstEnergy Corporate shall be responsible for the determination of all applicable interest rates and charges to be applied to advances outstanding at any time hereunder, shall maintain records of all advances, interest charges and accruals and interest and principal payments for purposes hereof, and shall prepare periodic reports thereof for the Parties. FirstEnergy Corporate will administer the Utility Money Pool on an "at cost" basis. Separate records shall be kept by FirstEnergy Corporate for the Utility Money Pool established by this Agreement and any other money pool administered by FirstEnergy Corporate.

Section 2.02 Investment of Surplus Funds in the Utility Money Pool.

Funds not required for the Utility Money Pool loans (with the exception of funds required to satisfy the Utility Money Pool's liquidity requirements) will ordinarily be invested in one or more short-term investments, including (i) interest-bearing accounts with banks; (ii) obligations issued or guaranteed by the U.S. government and/or its agencies and instrumentalities, including obligations under repurchase agreements; (iii) obligations issued or guaranteed by any state or political subdivision thereof, provided that such obligations are rated not less than A by a nationally recognized rating agency; (iv) commercial paper rated not less than A-1 by S&P or P-1 by Moody's, or their equivalent by a nationally recognized rating agency; (v) money market funds;
(vi) bank certificates of deposit;(vii) Eurodollar funds; and (viii) such other investments as are permitted by Section 9(c) of the Act and Rule 40 thereunder.

Section 2.03 Allocation of Interest Income and Investment Earnings.

The interest income and other investment income earned by the Utility Money Pool on loans and investment of surplus funds will be allocated among the Parties in accordance with the proportion each Party's contribution of funds in the Utility Money Pool bears to the total amount of funds in the Utility Money Pool and the cost of any External Funds provided to the Utility

Money Pool by such Party. Interest and other investment earnings will be computed on a daily basis and settled once per month.

Section 2.04 Event of Default.

If any Subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against any Party seeking to adjudicate it bankrupt or insolvent, then FirstEnergy Corporate, on behalf of the Utility Money Pool, may, by notice to the Subsidiary, terminate the Utility Money Pool's commitment to the Subsidiary and/or declare the principal amount then outstanding of, and the accrued interest on, the loans and all other amounts payable to the Utility Money Pool by the Subsidiary hereunder to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by each Subsidiary.

ARTICLE III

MISCELLANEOUS

Section 3.01 Amendments.

Any such amendment to this Agreement shall be adopted except in a writing executed by Parties and subject to all applicable approvals by the SEC and the applicable state utility regulatory commission.

Section 3.02 Legal Responsibility.

Nothing herein contained shall render any Party liable for the obligations of any other Party hereunder and the rights, obligations and liabilities of the Parties are several in accordance with their respective obligations, and not joint.

Section 3.03 Rules for Implementation. The Parties may develop a set of guidelines for implementing the provisions of this Agreement, provided that the guidelines are consistent with all of the provisions of this Agreement.

Section 3.04 Governing Law.

This Agreement shall be governed by and construed in accordance with, the laws of the State of Ohio.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officer of each Party hereto as of the date first above written.

FirstEnergy Corp.

By:

Name:

Title:

FirstEnergy Corporate Group, Inc.

By:

Name:

Title:

Ohio Edison Company

By:

Name:

Title:

The Cleveland Electric Illuminating Company

By:

Name:

Title:

The Toledo Edison Company

By:

Name:

Title:

Pennsylvania Power Company

By:

Name:

Title:

Northeast Ohio Natural Gas Corp.

By:

Name:

Title:

American Transmission Systems,
Incorporated

By:

Name:

Title:

Jersey Central Power & Light Company

By:

Name:

Title:

Pennsylvania Electric Company

By:

Name:

Title:

Metropolitan Edison Company

By:

Name:

Title:

York Haven Power Company

By:

Name:

Title:

Waverly Electric Power & Light Company

By:

Name:

Title:

Date: _____, 2001

EXHIBIT N-3

FORM OF

NON-UTILITY MONEY POOL AGREEMENT

This Non-Utility Money Pool Agreement (the "Agreement"), dated as of _____, 2001, is made and entered into by and among FirstEnergy Corp. ("FirstEnergy"), an Ohio corporation and a registered holding company under the Public Utility Holding Company Act of 1935, as amended (the "Act"), FirstEnergy Corporate Group, Inc. ("FirstEnergy Corporate") (solely in the role as administrator of the money pool), a subsidiary service company of FirstEnergy, and each of the non-utility subsidiaries of FirstEnergy whose name appears on the signature pages hereof including those entities which may be added as parties hereto after the date hereof (each a "Party" and collectively, the "Parties").

WITNESSETH:

WHEREAS, the Parties desire to establish a Money Pool (the "Non-Utility Money Pool") to coordinate and provide for certain of their short-term cash and working capital requirements; and

WHEREAS, the non-utility subsidiaries that will participate in the Non-Utility Money Pool (each a "Subsidiary" and collectively, the "Subsidiaries") will from time to time have need to borrow funds on a short-term basis, and certain of the Parties will from time to time have funds available to loan on a short-term basis;

NOW, THEREFORE, in consideration of the premises and the mutual agreements, covenants and provisions contained herein, and intending to be legally bound hereby the Parties hereto agree as follows:

ARTICLE I

CONTRIBUTIONS AND BORROWINGS

Section 1.01 Contributions to Non-Utility Money Pool.

Each Party will determine each day, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion, the amount of funds it has available for contribution to the Non-Utility Money Pool, and will contribute such funds to the Non-Utility Money Pool. The determination of whether a Party at any time has surplus funds to lend to the Non-Utility Money Pool or shall lend funds to the Non-Utility Money Pool will be made by an appropriate officer of such Party, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion. Each Party may withdraw any of its funds at any time upon notice to FirstEnergy Corporate as administrative agent of the Non-Utility Money Pool.

Section 1.02 Rights to Borrow.

Subject to the provisions of Section 1.04(c) of this Agreement, all short-term borrowing needs of the Parties, with the exception of FirstEnergy, may be met by funds in the Non-Utility Money Pool to the extent such funds are available. Each Party (other than FirstEnergy) shall have the right to make short-term borrowings from the Non-Utility Money Pool from time to time, subject to the availability of funds and the limitations and conditions set forth herein and in the applicable orders of the Securities and Exchange Commission. Each Party (other than FirstEnergy) may request loans from the Non-Utility Money Pool from time to time during the period from the date hereof until this Agreement is terminated by written agreement of the Parties; provided, however, that the aggregate amount of all loans requested by any Party hereunder shall not exceed the applicable borrowing limits, if any, set forth in applicable orders of the Securities and Exchange Commission and other regulatory authorities, resolutions of such Party's Board of Directors or similar governing body, such Party's governing corporate documents, and agreements binding upon such Party. No loans through the Non- Utility Money Pool will be made to, and no borrowings through the Non-Utility Money Pool will be made by, FirstEnergy.

Section 1.03 Source of Funds.

(a) Funds will be available through the Non-Utility Money Pool from the following sources for use by the Parties from time to time: (i) surplus funds in the treasuries of Parties other than FirstEnergy, (ii) surplus funds in the treasury of FirstEnergy (such funds in clauses (1) and (2) being referred to as "Internal Funds"), and (iii) proceeds from bank borrowings by Parties and the sale by FirstEnergy of commercial paper or other sources ("External Sources"). Funds will be made available from such sources in such order as FirstEnergy Corporate, as administrator of the Non-Utility Money Pool, may determine will result in a lower cost of borrowing to companies borrowing from the Non-Utility Money Pool, consistent with the individual borrowing needs and financial standing of the Parties providing funds to the Non- Utility Money Pool.

(b) Borrowing Parties will borrow pro rata from each lending Party in the proportion that the total amount loaned by such lending Party bears to the total amount then loaned through the Non-Utility Money Pool. On any day when more than one fund source (e.g., Internal Sources and External Sources), with different rates of interest, is used to fund loans through the Non-Utility Money Pool, each borrowing Party will borrow pro rata from each such fund source in the Non-Utility Money Pool in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available to the Non-Utility Money Pool.

Section 1.04 Authorization.

(a) Each loan shall be authorized by the lending Party's chief financial officer or treasurer, or by a designee thereof.

(b) FirstEnergy Corporate, as administrator of the Non-Utility Money Pool, will provide each Party with periodic activity and cash accounting reports that include, among other

things, reports of cash activity, the daily balance of loans outstanding and the calculation of interest charged.

(c) All borrowings from the Non-Utility Money Pool shall be authorized by the borrowing Party's chief financial officer or treasurer, or by a designee thereof. No Party shall be required to effect a borrowing-through the Non-Utility Money Pool if such Party determines that it can (and is authorized to) effect such borrowing at lower cost directly from banks or through the sale of its own commercial paper.

Section 1.05 Interest.

The daily outstanding balance of all loans to any Subsidiary shall accrue interest as follows:

(a) If only Internal Funds comprise the daily outstanding balance of all loans outstanding during a calendar month, the interest rate applicable to such daily balances shall be the greater of the 30 day LIBOR rate as quoted in The Wall Street Journal or the money market rate that a lending Subsidiary could have obtained if it placed its excess cash in such an investment (as calculated monthly, the "Average Composite").

(b) If only External Funds comprise the daily outstanding balance of all loans outstanding during a calendar month, the interest rate applicable to such daily outstanding balances shall be the lender's cost for such External Funds calculated monthly or, if more than one Party had made available External Funds at any time during the month, the applicable interest rate shall be a composite rate, equal to the weighted average of the costs incurred by the respective Parties for such External Funds, calculated monthly.

(c) In cases where the daily outstanding balances of all loans outstanding at any time during the month include both Internal Funds and External Funds, the interest rate applicable to the daily outstanding balances for the month shall be equal to the weighted average of (i) the cost of all Internal Funds contributed by Parties, as determined pursuant to Section 1.05(a) of this Agreement, and (ii) the cost of all such External Funds, as determined pursuant to Section 1.05(b) of this Agreement.

(d) The interest rate applicable to Loans made by a Subsidiary to the Non-Utility Money Pool under Section 1.01 of this Agreement shall be the Average Composite as determined pursuant to Section 1.05(a) of this Agreement.

(e) Loans may be made solely from Internal Funds or solely from External Funds, rather than pursuant to Section 1.05(c), if such practice would result in a lower cost of borrowing.

Section 1.06 Certain Costs. The cost of compensating balances and fees paid to banks to maintain credit lines by Parties lending External Funds to the Non-Utility Money Pool shall initially be paid by the Party maintaining such line. A portion of such costs, or all of such costs if a Party establishes a line of credit solely to lend funds to the Non-Utility Money Pool, shall be retroactively allocated every quarter to the Subsidiaries borrowing such External Funds through

the Non-Utility Money Pool in proportion to their respective daily outstanding borrowings of such External Funds.

Section 1.07 Repayment.

Each Subsidiary receiving a loan from the Non-Utility Money Pool hereunder shall repay the principal amount of such loan, together with all interest accrued thereon, on demand and in any event within 364 days of the date on which such loan was made. All loans made through the Non-Utility Money Pool may be prepaid by the borrower without premium or penalty.

Section 1.08 Form of Loans to Subsidiaries.

Loans to the Subsidiaries from the Non-Utility Money Pool shall be made as open-account advances, pursuant to the terms of this Agreement. A separate promissory note will not be required for each individual transaction. If the Parties deem it necessary or appropriate, a master promissory note evidencing the terms of the transactions may be signed by each borrowing Party. Any such note shall: (a) be dated as of the date of the initial borrowing; (b) mature on demand or on a date agreed by the Parties to the transaction, but in any event not later than one year after the date of the applicable borrowing; and (d) be repayable in whole at any time or in part from time to time, without premium or penalty.

ARTICLE II

OPERATION OF NON-UTILITY MONEY POOL

Section 2.01 Operation. Operation of the Non-Utility Money Pool, including record keeping and coordination of loans, will be handled by FirstEnergy Corporate under the authority of the appropriate officers of the Parties. FirstEnergy Corporate shall be responsible for the determination of all applicable interest rates and charges to be applied to advances outstanding at any time hereunder, shall maintain records of all advances, interest charges and accruals and interest and principal payments for purposes hereof, and shall prepare periodic reports thereof for the Parties. FirstEnergy Corporate will administer the Non-Utility Money Pool on either an "at cost" basis or, in its sole discretion, on a different basis. Separate records shall be kept by FirstEnergy Corporate for the Non-Utility Money Pool established by this Agreement and any other money pool administered by FirstEnergy Corporate.

Section 2.02 Investment of Surplus Funds in the Non-Utility Money Pool.

Funds not required for the Non-Utility Money Pool loans (with the exception of funds required to satisfy the Non-Utility Money Pool's liquidity requirements) will ordinarily be invested in one or more short-term investments, including (i) interest-bearing accounts with banks; (ii) obligations issued or guaranteed by the U.S. government and/or its agencies and instrumentalities, including obligations under repurchase agreements; (iii) obligations issued or guaranteed by any state or political subdivision thereof, provided that such obligations are rated not less than A by a nationally recognized rating agency;
(iv) commercial paper rated not less than A-1 by S&P or P-1 by Moody's, or their equivalent by a nationally recognized rating

agency; (v) money market funds; (vi) bank certificates of deposit; (vii) Eurodollar funds; and (viii) such other investments as are permitted by Section 9(c) of the Act and Rule 40 thereunder.

Section 2.03 Allocation of Investment Earnings.

The interest income and other investment income earned by the Non-Utility Money Pool on loans and on investment of surplus funds will be allocated among the Parties in accordance with the proportion each Party's contribution of funds in the Non-Utility Money Pool bears to the total amount of funds in the Non-Utility Money Pool and the cost of any External Sources provided to the Non-Utility Money Pool by such Party. Interest and other investment earnings will be computed on a daily basis and settled once per month.

Section 2.04 Event of Default.

If any Subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against any Party seeking to adjudicate it bankrupt or insolvent, then FirstEnergy Corporate, on behalf of the Non-Utility Money Pool, may, by notice to the Subsidiary, terminate the Non-Utility Money Pool's commitment to the Subsidiary and/or declare the principal amount then outstanding of, and the accrued interest on, the loans and all other amounts payable to the Non-Utility Money Pool by the Subsidiary hereunder to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by each Subsidiary.

ARTICLE III

MISCELLANEOUS

Section 3.01 Amendments.

No amendment to this Agreement shall be adopted except in a writing executed by a duly authorized officer of each Party. Any direct or indirect non-utility subsidiary of FirstEnergy may be added as a Party hereto upon execution by FirstEnergy Corporate and such subsidiary of an instrument whereby such subsidiary will agree to be bound by the terms hereof.

Section 3.02 Legal Responsibility.

Nothing herein contained shall render any Party liable for the obligations of any other Party hereunder and the rights, obligations and liabilities of the Parties are several in accordance with their respective obligations, and not joint.

Section 3.03 Rules for Implementation.

The Parties may develop a set of guidelines for implementing the provisions of this Agreement, provided that the guidelines are consistent with all of the provisions of this Agreement.

Section 3.04 Governing Law.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Ohio.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officer of each Party hereto as of the date first above written.

FirstEnergy Corp.

By:

Name:

Title:

FirstEnergy Corporate Group, Inc.

By:

Name:

Title:

[INCLUDE SIGNATURES FOR MAJOR NON-UTILITY SUBSIDIARIES.]

Date: _____, 2001

EXHIBIT N-5

IDENTIFICATION AND DESCRIPTION OF SERVICE ARRANGEMENTS

BETWEEN FIRSTENERGY CORP. AND ASSOCIATE COMPANIES

PART A - SERVICES PROVIDED BY FIRSTENERGY AT COST

FirstEnergy currently provides various services to its subsidiary companies. As described in Item 3.R.1 of the Application/Declaration on Form U-1, these services will be moved to a new "service company" as soon as practical consistent with continued efficient operation of the FirstEnergy system. The first table below lists the FirstEnergy department or function providing services, the recipients, the approximate number of employees involved and estimated expenses for the year ending December 31, 2001 regarding these services. These services are generally provided without a specific written agreement except in certain circumstances regarding services to ATSI.

The estimated aggregate amount of services to be provided by FirstEnergy to the FirstEnergy utility subsidiaries in 2001 is: Ohio Edison, $80 million, Cleveland Electric, $67 million, Toledo Edison, $31 million, Penn Power, $12 million and ATSI, $10 million. FirstEnergy anticipates that the dollar amounts of services described below will remain relatively constant subject to reductions resulting from merger synergies and consolidation of service company functions with GPUS increased by the expansion of services necessary to accommodate the GPU Subsidiaries as client companies. FirstEnergy and GPU have appointed transition teams who are working to identify best practices and outline the organization of the service function to be in place following the interim period. FirstEnergy has not yet identified which of the functions listed below will be migrated to a new service company or in what time frame. That information will be developed in the interim period. In general, FirstEnergy expects that the new service company will provide all or most of the services listed below but generally will not engage in "utility operating" functions as has been the case at GPUS.

FirstEnergy has a cost allocation manual and policies and guidelines for affiliated company transactions as required by the PUCO in connection with the Corporate Separation Plan. (See Case No. 99-2422-EL-ORD, January 20, 2000). These documents identify what companies provide services to associate companies, define "cost" as fully allocated cost including direct and actual costs plus indirect costs and other appropriate overheads. Cost is substantially the same as "cost" as defined in Rules 90 and 91. FirstEnergy has an automated accounting system to allow for separation of costs among its various business units. A valid responsibility area must be associated with all transactions before any entries can be made in the accounting system.

Whenever appropriate, costs specifically attributable to an entity are charged directly to that entity. When services are provided by one entity to another, charges are billed through the

Value Based Management (VBM) system. Pricing is at cost unless a market price is allowed. Costs that cannot be directly billed are allocated. Whenever possible costs of services that can be directly assignable are assigned to the entity to whom such costs are attributable. Costs which have a joint benefit are allocated by an appropriate cost causation method (for example, employee benefit costs incurred by corporate support services are allocated based on labor dollars). Costs which have a joint benefit but cannot be allocated on a cost causative basis are allocated through general allocation factors such as revenues. "Corporate sustaining costs" are unattributable costs which jointly benefit all units, such as corporate governance activities such as shareholder services, investor relations, financial reporting, general corporate legal services, risk management and similar areas. These costs are allocated by general allocation factors. Finally, "unallocable" costs are captured at FirstEnergy and are not allocated to any subsidiary. These include FirstEnergy business diversification, political and philanthropic activities.

Services currently provided by FirstEnergy are as follows:

PROVIDING DEPARTMENT	RECIPIENTS*	APPROXIMATE NUMBER OF EMPLOYEES	APPROXIMATE FY 2001 AMOUNT ($ IN THOUSANDS)
Administrative Services	All	116	30,443
Advanced Technologies	All	12	13,019
Business Planning	All	13	509
Claims	All	7	475
Communications	All	19	14,355
Consolidated Call Center	FirstEnergy Utility Subsidiaries	157	11,882
Controller's	All	96	22,833
Corporate	All	23	6,562
Corporate Administrative Group Admin	All	2	793
Corporate Affairs	All	7	13,574
Customer Account Services	FirstEnergy Utility Subsidiaries	83	19,726
Enterprise Risk Management	All	8	2,727
Federal Government Affairs	All	2	1,188
Finance Admin	All	14	2,676
Government Affairs	All	4	1,283
Human Resources	All	93	6,929
Industrial Relations	All	27	6,228

PROVIDING DEPARTMENT	RECIPIENTS*	APPROXIMATE NUMBER OF EMPLOYEES	APPROXIMATE FY 2001 AMOUNT ($ IN THOUSANDS)
Information Services	All	414	57,995
Internal Auditing	All	16	1,701
Legal	All	18	20,848
Project & Support Services	All	34	3,113
Rate	All	23	5,241
Real Estate	All	28	12,546
Supply Chain	All	222	28,625
T&D Technical Services	All	113	11,955
Treasury	All	24	6,832
Workforce Development	FirstEnergy Utility Subsidiaries	44	4,784
Allocated FE Executive and Staff Costs	FirstEnergy Utility Subsidiaries, FES, Marbel, FEFSG, FE Generation, FENOC	10	5,602
Totals		1,718	314,444

* "All" meaning all associate companies including utility and non-utility

PART B - SERVICES PROVIDED BY SUBSIDIARIES AT COST

Certain Subsidiaries of FirstEnergy provide services to associate companies at cost as defined in Rules 90 and 91. As noted in Item 3.R.4 of the Application/Declaration on Form U-1, FirstEnegy is seeking approval under Rule 87 for the providing entity to continue to provide these services.

PROVIDING DEPARTMENT	RECIPIENTS*	NATURE OF SERVICE	APPROXIMATE NUMBER OF EMPLOYEES	APPROXIMATE FY 2001 AMOUNT ($ IN THOUSANDS)
ATSI Transmission	FirstEnergy Utility Subsidiaries; Non-Utility Subsidiaries	Transmission Services at Tariff Rates and Misc Technical Services at Cost	89	172,592 Transmission At Tariff and 1,690 Misc Services at Cost

PROVIDING DEPARTMENT	RECIPIENTS*	NATURE OF SERVICE	APPROXIMATE NUMBER OF EMPLOYEES	APPROXIMATE FY 2001 AMOUNT ($ IN THOUSANDS)
FENOC	ATSI	Maintenance at Davis Besse Plant	3	67
FES	ATSI	Pass Through Ancillary Services To Third Parties	--	10,546
FES	FirstEnergy Utility Subsidiaries	Administrative Services	1	36
Genco	ATSI	Maintenance at Burger Plant	88	32
Genco	FirstEnergy Utility Subsidiaries; Non-Utility Subsidiaries	Environmental Services	30	1,021
Genco	FirstEnergy Utility Subsidiaries, FENOC	Generation Technical Services, Maintenance	293	5,018
Genco	ATSI	Maintenance at Sammis Plant	2	50
Northern Region (CEI)	FENOC, ATSI, Genco, FES	Maintenance & Construction	909	8,741
Central Region (OE)	FENOC, ATSI, Genco, FES, FE	Maintenance & Construction	613	15,685
Southern Region (OE)	ATSI, Genco	Maintenance & Construction	264	8,721
Western Region (TE, OE)	FENOC, ATSI, Genco, FES, FE	Maintenance & Construction	551	10,946
Eastern Region (OE, CEI, PP)	FENOC, ATSI, Genco, FES	Maintenance & Construction	688	19,023

PART C - SERVICES PROVIDED AT MARKET PRICES

Certain Subsidiaries of FirstEnergy provide services to associate companies at prices other than cost as defined in Rules 90 and 91. As noted in Item 3.R.4 of the Application/Declaration on Form U-1, FirstEnegy requests authorization to allow the arrangements identified in this Part C, as well as extensions, additions and replacements thereof in the ordinary course of business (the "At Market Service Arrangements"), to remain in place for a period ending not later than December 31, 2002 and requests an exemption or waiver under Section 13 from the cost standards of Rules 90 and 91, as applicable, for such At Market Service Arrangements.

PROVIDING DEPARTMENT	RECIPIENTS*	NATURE OF SERVICE	APPROXIMATE NUMBER OF EMPLOYEES	APPROXIMATE FY 2001 AMOUNT ($ IN THOUSANDS)
FEFSG	FirstEnergy; Ohio Edison; Toledo Edison	Maintenance, repair and modifications of real property	N/A	10,000 to 12,000
First Communications; FirstEnergy (Administrative Services Department)	ATSI	Outgoing long distance, incoming toll free service	N/A	N/A
First Communications, FirstEnergy (Administrative Services Department)	ATSI	Tele-communications services other than long distance or toll free services such as point to point data circuits	N/A	N/A
Advanced Tech. Development Corp.	FE Corp (Administrative Services), FE Telecom	Fiber-Optics	N/A	1,000

Exhibit N-6

PROCEDURE FOR IDENTIFYING AND MITIGATING RISKS OF INVESTMENTS

FirstEnergy has established comprehensive procedures to identify and eliminate or mitigate risks associated with new investments. This procedure will remain in place following the Merger with GPU.

This Exhibit N-6 is provided in support of FirstEnergy's request for approval to have an aggregate investment in EWGs and FUCOs of up to $5 billion. The existing EWG and FUCO investments of GPU will become part of the FirstEnergy system upon completion of the Merger. FirstEnergy currently has one EWG - FirstEnergy Generation Corp ("GenCo.") - which owns certain generating facilities and operates certain other generating facilities owned by the FirstEnergy Utility Subsidiaries.

FirstEnergy's business plan calls for its generation business to be focused through its GenCo subsidiary. This unregulated generation business will be regional in scope and concentrated in the United States. Although GPU's FUCOs will become part of the FirstEnergy system, FirstEnergy currently has no plans to acquire additional FUCOs. Consequently, the procedure described below concentrates on EWG investments. Following the Merger, FirstEnergy will continually monitor its FUCO investments to ensure that risks continue to be identified and mitigated for those existing investments.

FirstEnergy will conduct its competitive power marketing business through FirstEnergy Services Corp. The power marketing business is an integral part of the generation business, and provides significant risk mitigation. The power business includes commitments for sales of power and purchases of power. These commitments are met by a balanced portfolio of physical assets (owned generation) and contractual means - power purchase and sales agreements, output agreements, tolling arrangements and other methods. The integration of all these aspects of the power business is one of the chief means of mitigating risks in the business.

Experience with EWGs and FUCOs. Both the Commission and the electric utility industry have had significant and extensive experience with EWGs and FUCOs since these entities were created under the Energy Policy Act of 1992. Most of the uncertainties evident in the Commission's earliest dealings with these new entities about the possible impact EWGs and FUCOs could have on registered holding companies and their regulated utility subsidiaries have dissipated with the passage of time and experience. In the Commission's discussion of the adoption of Rule 53, for example, it noted that it was adopting a very conservative approach given the novel questions presented by EWGs and FUCOs.(1)

(1) Adoption of Rules, Forms and Form Amendments Relating to Exempt Wholesale Generators and Foreign Utility Companies, Holding Co. Act Release No. 35-25886 (Sept. 23, 1993).

The growth in nonutility generators(2) has been rapid since the enactment of the Energy Policy Act of 1992. The nonutility share of total electric industry capacity increased 73% from 1992 to 1998. In 1992, nonutility generators provided about 7% of total generation while that figure was 12% in 1998. Furthermore, the number of nonutility entities has increased dramatically. In 1998, nonutilities constituted 38% of all electric generating entities (investor owned, co-operative, state and federal public agencies and nonutilities). The Commission is aware of the number of EWGs owned by registered holding companies by virtue of the annual reports filed by those companies. Even more dramatic than the increasing market share of nonutility generators is the fact that the vast majority of all new electric capacity additions - 82% in 1998 - have been made by nonutility generators. Capacity additions in 1992 and 1998 were as follows:

Year	Nonutility additions (MW)	Utility additions (MW)
1992	4,800	2,000
1998	5,000	800

It is clear that the country's future electricity needs are likely to be met largely by nonutility generators which in no small part will consist of EWGs owned by registered holding companies.

In Rule 53 the Commission determined, as required by Section 32 of the Act, that financings for the purpose of investing in EWGs and FUCOs would not have a "substantial adverse impact" if the aggregate investment in EWGs and FUCOs did not exceed 50% of the holding company's retained earnings. Since adoption of the Rule, the Commission has determined in several cases that aggregate investments in excess of the Rule's safe harbor would not have a "substantial adverse impact." In part, the willingness to allow greater levels of investment stem from the eight years of experience with EWGs and FUCOs. The registered holding companies seeking greater levels of EWG and FUCO investments have demonstrated that EWGs and FUCOs have contributed positively to revenues and earnings of the holding company system and have not posed any unusual risks that cannot be reasonably mitigated. The current EWG and FUCO investments of GPU have contributed positively to revenues and earnings. FirstEnergy's EWG activities, in place only since January 1, 2001, do not yet have any significant operating history.

Project Review Process. While the earliest development of EWG projects usually involved development and construction of new facilities, with the maturity of the market investments now can also involve acquisition of existing projects or groups of projects including generating assets previously owned by regulated utilities. Every FirstEnergy project investment opportunity whether of new facilities or existing facilities is initiated, reviewed and completed

(2) The information in this paragraph is taken from "The Changing Structure of the Electric Power Industry 2000: An Update," Energy Information Administration, Department of Energy which can be found at http://www.eia.doe.gov/cneaf/electricity/chg_stru_update/toc.html. For purposes of the report, nonutility generator means entities generating electricity other than investor owned utilities, co-operatives and state or federal public agencies. Most nonutility generators are EWGs or "qualifying facilities" under the Public Utility Regulatory Policies Act.

through a series of steps to ensure the project's ultimate compliance with FirstEnergy's investment criteria. The FirstEnergy board of directors has direct involvement with this review and evaluation process at several points during the process. All EWG investments will be submitted to and reviewed and approved by the Board of Directors.

The first step towards a new project investment is the preparation and approval of the FirstEnergy corporate strategic plan. This plan, revised annually, provides the overall direction for FirstEnergy. The plan is finalized and approved by the FirstEnergy Board of directors at a special meeting held each year.

Potential investments are first identified through a number of channels. Generally, opportunities are recognized through requests for proposals, through discussions within on-going business relationships, through strategic customer development activities, and through extensions of existing products and services. All potential investments are measured against several key strategic and financial objectives or considerations to determine initially whether they might further the corporate strategic plan, including:

- industry segment fit

- size worth consideration

- regional industrial customer base

- market leadership

- strong service orientation

- brand equity

- profitability

Other factors are also considered in the initial phase of evaluation. Consideration is given to whether the potential investment will provide opportunities for other FirstEnergy business units. An evaluation is made of the capital requirements related to the investment. Finally, other factors including management skills and cultural barriers are evaluated.

Potential investments that appear to be significant opportunities are rigorously analyzed in a number of ways, not all of which are quantitative. The analyses include present value calculations with sensitivities. In addition to financial analysis as to suitability, FirstEnergy will conduct extensive due diligence reviews to identify and quantify any risks associated with a particular project. This review process is described in more detail below.

After management responsible for assessing new investment opportunities has completed the initial reviews and screening, promising potential candidates are presented to the Board of Directors. Management describes the potential investment and indicates how it may support the corporate strategic plan. Consideration is given to the impact of the proposed project on FirstEnergy's overall diversification of risks with the purpose of keeping FirstEnergy's overall portfolio risk within acceptable limits. If preliminary approval is given by the Board of Directors at this stage, further analysis and evaluation is conducted to further screen potential investments.

Potential projects are ranked based on various criteria including the industry involved, size of the investment, its markets and products, market leadership, investment risk and other factors. Information is gathered regarding the investment including publicly available data and

information gathered from interviews with the contacts at the investment. Data is entered into financial and related models to assist in analysis and evaluation and determine if financial targets could be met.

Potential investments which remain viable after the initial screening and approvals are subjected to further consideration. The process includes further financial review, meetings with principals, preparation of letters of intent and potential terms of a transaction, due diligence, negotiation of definitive agreements and final closing. The due diligence process is designed to identify risks associated with a particular project and lead to strategies to mitigate those risks to the extent reasonably possible.

The First Energy Board of Directors will be informed from time to time regarding the progress of evaluation and negotiation. Formal approval of a project by the Board of Directors will be requested only after all appropriate steps have been completed. No investment will be made until all the steps listed above are completed and the Board of Directors has given its approval.

The major areas of risk, FirstEnergy's method of determining the risks and examples of steps taken to mitigate those risks are described in the following paragraphs:

Operating Risks. FirstEnergy will only invest in those projects where it has technical and operational competency. Within the FirstEnergy system there is extensive experience with many technologies supporting electric generation. One of the largest operating expenses of EWG and generating FUCO projects is fuel. Fuel requirements, including commodity fuels and the necessary transportation, are carefully reviewed. Electric transmission availability and costs are analyzed. The operational requirements of the asset for sulfur dioxide emission allowances or nitrogen oxide credits are analyzed. FirstEnergy has a number of professionals who are responsible for the procurement of fuel supply; arrangements for fuel transportation by pipeline, barge, rail, or truck; management of the various emissions from fossil plant combustion; and other services relating to the fuel supply of the plants. FirstEnergy will apply that expertise to each project to make informed decisions regarding fuel supply and, where appropriate, fuel mix. Transportation contracts or arrangements will be entered into or reviewed to ensure adequate fuel supplies at costs which are fixed or subject to variables that can be controlled, hedged or mitigated.

Where FirstEnergy personnel do not have the skill sets required to review a potential investment, FirstEnergy will use outside consulting firms, investment banks, accounting firms and others to obtain the necessary expertise.

New Construction Risks. With respect to investments involving the development of new facilities, FirstEnergy has employees with extensive experience in the planning, design, construction, and operations of the major investments it makes. FirstEnergy mitigates the risks of construction delays by providing incentives and penalties in its contracts and will enforce the on-time performance of work by its contractors and counterparties. Other contractual provisions, such as fixed price contracts, will be used as appropriate to shift risk to contractors or other parties. FirstEnergy will seek to engage construction contractors and others who are experienced in the field and have demonstrated an ability to successfully complete similar projects.

Insurable Risks. Potential investments are reviewed to consider insurable risks, and to assign the responsibility for these to either FirstEnergy or the counterparty by the contractual arrangements entered into for the project. Any risk which can be economically insured (e.g., casualty insurance) will be considered for insurance. FirstEnergy will also rely on product warranties and similar undertakings by its vendors and contractors as appropriate and when economically available.

Commercial Risks. To the extent that the FirstEnergy Utility Subsidiaries have demand for output and appropriate contracts are in place for GenCo and FirstEnergy Services to meet that demand, the commercial risk of new projects is mitigated. Electricity prices are determined by supply and demand. FirstEnergy has extensive knowledge of the electricity markets in its region and can determine the market requirements that may be satisfied by new projects. FirstEnergy will seek out projects that will allow it to be a competitive supplier in its markets.

Financial Risks. FirstEnergy will seek to mitigate its financial risk to new EWG investments by using financing which is non-recourse to FirstEnergy to the fullest extent possible consistent with FirstEnergy's overall corporate goals and objectives. FirstEnergy expects, however, to make significant equity investments in EWGs and may be required to guarantee certain obligations of its project subsidiaries. Such investments and guarantees will be within the limits approved by the Commission in this proceeding. FirstEnergy will mitigate its financial exposure by its strict process for review of new projects as described herein to ensure to the fullest extent possible that its selected projects will be successful and contribute positively to revenues and earnings and fully cover their debt cost and provide a return to FirstEnergy.

Legal Risks - Due Diligence. All potential investments will receive legal and due diligence review. Face-to-face meetings among the transactional staffs, lawyers, risk management, and others help to ensure full understanding of the complexities of the investment. Existing contracts including power sales agreements and other relevant arrangements are carefully reviewed by legal and business personnel. Historic reports and filings are reviewed. Site visits and inspections are made.

Portfolio Diversification. Apart from the detailed and comprehensive approach to the specific risks described above, FirstEnergy believes that a major component of its corporate investment strategy is to diversify both the type and the location of projects. FirstEnergy plans to diversity its geographic exposure within its regional focus. Another method of diversification is to engage in new construction projects and acquisitions of existing facilities and power systems. New construction (or "greenfields") projects are those that involve completely new development and construction of electric facilities, principally generating stations. Greenfield projects involve a higher degree of risk and consequently a higher expectation of return because they entail a lengthy process of development and construction. To balance these greenfield project development efforts, FirstEnergy also expects to purchase assets that are already in operation, consisting of generation assets with established power markets and market access.

Risks of Investing in Non-U.S. Projects and in FUCOs. FirstEnergy does not currently have any investments in EWGs outside the United States or in FUCOs. Other than existing GPU FUCO investments, FirstEnergy does not currently contemplate making FUCO investments. In the event this business strategy changes, FirstEnergy will develop additional procedures designed

to assess and mitigate the risks unique to new FUCO investments. Following the Merger, FirstEnergy will monitor its FUCO investments, as it will monitor all investments, to ensure that risks caused by changing circumstances are identified and appropriate action taken, which could include divestiture of investments.

De-regulation Reducing Risk. The markets in which FirstEnergy operates are in the process of being de-regulated by major state and Federal regulatory agencies. These activities are causing the development of a fully competitive, liquid market for power generated by FirstEnergy's assets.

Regulation of nuclear operation, financial operations and reporting, and environmental regulation continue to ensure the public health and safety, and protect the interests of investors. FirstEnergy will participate in regulatory forums to help the continuing progress of energy market deregulation.

On-going Monitoring. After investments are made or projects acquired, FirstEnergy will monitor these investments and projects to ensure that corporate goals continue to be met. Thus, investments will be monitored for continued favorable performance and under-performing investments will be considered for corrective action or divestiture.

End of Filing

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