

(x) FirstEnergy and the Nonutility Subsidiaries to make loans to less than wholly-owned Nonutility Subsidiaries;

(xi) Applicants to acquire, directly or indirectly, the equity securities of one or more entities ("Financing Subsidiaries") created specifically for the purpose of facilitating the financing of authorized and exempt activities of the Applicants and to provide guarantees and enter into expense agreements with respect to the securities or other obligations of Financing Subsidiaries;

(xii) Applicants to organize and acquire the securities of one or more first-tier subsidiary companies ("Nonutility Holding Companies") to act as holding companies for nonutility investments and to engage in internal reorganization transactions involving transfers of nonutility assets and Nonutility Subsidiaries to Nonutility Holding Companies;

(xiii) Applicants to change the capitalization of FirstEnergy's 50% or more owned Subsidiaries;

(xiv) FirstEnergy and certain of the Utility Subsidiaries to declare and pay dividends out of capital and unearned surplus and the Nonutility Subsidiaries to declare and pay dividends out of capital and unearned surplus;

(xv) Applicants to acquire, directly or indirectly, the securities of one or more companies ("Intermediate Subsidiaries") to acquire, hold and/or finance the acquisition of securities of or other interests in one or more exempt wholesale generators ("EWGs"), foreign utility companies ("FUCOs"), "exempt telecommunications companies" ("ETCs"), energy-related companies under rule 58 ("Rule 58 Subsidiaries"), and other Nonutility Subsidiaries, and such Intermediate Subsidiaries are authorized to engage in preliminary development activities and administrative activities;

(xvi) Certain Nonutility Subsidiaries (referred to as "Energy Related Companies") to engage in energy management and consulting activities anywhere outside the United States and energy marketing and related activities in Canada and Mexico;

(xvii) FE ServCo, GPU ServCo and the Nonutility Subsidiaries to sell goods and services to associate companies at market prices in certain specified circumstances; and

(xviii) FEFSG to provide maintenance and repair services to FirstEnergy's pre-merger Utility Subsidiaries (i.e., Ohio Edison, Toledo Edison, Cleveland Electric, Penn Power, NONGC and ATSI) at market prices (the "At-Market Service Arrangements").

In addition, by orders dated May 21, 2001 (Holding Co. Act Release No.

27401), May 2, 2001 (Holding Co. Act Release No. 27391), December 15, 2000 (Holding Co. Act Release No. 27302), June 22, 1999 (Holding Co. Act Release No. 26544), December 22, 1997 (Holding Co. Act Release No. 26801) and July 17, 1996 (Holding Co. Act Release No. 26544) in File No. 70-7926 (collectively, the "Prior GPU Order"), JCP&L, Met-Ed and Penelec are currently authorized to issue and sell from time to time through December 31, 2003, commercial paper and other forms of short-term indebtedness having maturities of not more than nine months, and to provide security for such indebtedness.

Applicants state that the authority sought in the Application will supersede and replace the current authorization of the Applicants under the Merger Order and Prior GPU Order to engage in the financing activities and related transaction described above.

IV. Financing Conditions

Applicants' effective cost of money on new long-term debt securities having maturities of one year or more up to fifty years ("Long-term Debt") of any series will not exceed at the time of issuance the greater of: (1) 500 basis points over the yield to maturity of a U.S. Treasury Security having a remaining term approximately equal to the term of such series of Long-term Debt or; (2) a gross spread over a U.S. Treasury Security that is consistent with similar securities of comparable credit quality and maturities issued by other companies. Applicants' dividend or distribution rate on any series of Preferred Stock and other forms of preferred securities (including trust preferred securities) (collectively, "Preferred Securities") will not exceed at the time of issuance the greater of: (1) 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; (2) a rate that is consistent with similar securities of comparable credit quality and maturities (or perpetual preferred stock) issued by other companies. The effective cost of money on commercial paper, promissory notes and other forms of short-term indebtedness having maturities of less than one year ("Short-term Debt") will not exceed the greater of: (1) 500 basis points over the comparable term London Interbank Offered Rate ("LIBOR"); or (2) a gross spread over LIBOR that is consistent with similar securities of comparable credit quality and maturities issued by other companies. All debt issued by FirstEnergy will be unsecured. Debt issued by any Utility Subsidiary in accordance with the authorization

sought in this Application may be secured or unsecured. The maturity of any series of Long-term Debt will not exceed 50 years. All series of Preferred Securities (other than Preferred Stock, which may be perpetual) will be redeemed no later than 50 years after their issuance. The underwriting fees, commissions or other similar remuneration paid in connection with the non-competitive issue, sale or distribution of a security under the Application (not including any original issue discount) will not exceed 5% of the principal or total amount of the security being issued.

The proceeds from the sale of securities in external financing transactions will be used for general corporate purposes, including financing, in part, of the capital expenditures of FirstEnergy and its Subsidiaries, financing of working capital requirements of FirstEnergy and its Subsidiaries, the acquisition, retirement or redemption under rule 42 of securities previously issued by FirstEnergy or its Subsidiaries, and other lawful purposes, including direct or indirect investments in EWGs, FUCOs, ETCs, Rule 58 Subsidiaries, Energy Related Companies or other businesses approved by the Commission.

In addition, financings by each Applicant will be subject to the following conditions: (1) FirstEnergy will maintain common equity as a percentage of consolidated capitalization (as reflected on the balance sheets contained in its most recent Form 10-K or Form 10-Q filed with the Commission pursuant to the Securities Exchange Act of 1934 ("1934 Act"), and including short-term debt and current maturities of long-term debt) at 30% or higher at all times during the Authorization Period; (2) each Primary Utility Subsidiary will maintain common equity as a percentage of consolidated capitalization (determined in the same manner specified above) at 30% or higher during the Authorization Period.

The consequence of failing to maintain 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 Utility Subsidiary, 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. FirstEnergy requests that the Commission reserve jurisdiction over the issuance of securities in those circumstances where FirstEnergy or a