

V. Utility Subsidiary Financing

JCP&L, Penn Power, Penelec, Met-Ed, ATSI and NONGC will rely on rule 52 for all securities issuances except for the issuance of short-term debt securities, which is exempt from approval in the applicable states and therefore is subject to Commission approval under the Act. As previously indicated, JCP&L, Penelec and Met-Ed are currently authorized under the Prior GPU Order to issue and sell short-term indebtedness from time to time through December 31, 2003.¹ In this proceeding, JCP&L, Penelec and Met-Ed are requesting authority to increase and extend their current authorization to issue short-term debt securities through the Authorization Period.

Specifically, JCP&L, Penn Power, Met-Ed, Penelec, ATSI and NONGC propose to issue and sell Short-term Debt in the form of commercial paper, promissory notes and/or other forms of short-term indebtedness in an aggregate principal amount at any time outstanding not to exceed (i) in the case of JCP&L and Penn Power, the limitation on short-term indebtedness contained in their respective charters (\$428 million and \$50 million, respectively, as of December 31, 2002), (ii) \$250 million in the case of each of Penelec and Met-Ed, (iii) \$500 million in the case of ATSI, and (iv) \$20 million in the case of NONGC. Commercial paper may be sold to dealers in established domestic or European commercial paper markets from time to time in the manner described above. In addition, JCP&L, Penn Power, Penelec, Met-Ed, ATSI and NONGC may establish and renew from time to time committed bank lines of credit, and engage in other types of short-term financing, including borrowings under uncommitted lines, generally available to borrowers with comparable credit ratings as they deem appropriate in light of their needs and market conditions at the time of borrowing. All Short-term Debt issued by JCP&L, Penn Power, Penelec, Met-Ed, ATSI and NONGC will comply with the parameters for Short-term Debt set forth above.

To the extent not exempt under rule 52, the Utility Subsidiaries request authority to enter into and perform Hedge Instruments and Anticipatory Hedges subject to the limitations and requirements applicable to FirstEnergy described above.

¹ York Haven and Waverly Electric will continue to 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.

VI. Guarantees and Intrasystem Money Pools

A. Guarantees

FirstEnergy requests a continuation of its current authorization to provide FirstEnergy Guarantees with respect to the obligations of its Subsidiaries as may be appropriate or necessary to enable the Subsidiaries to carry on in the ordinary course of their respective businesses, including guarantees of non-affiliated third-party obligations in the ordinary course of FirstEnergy's business, in an aggregate amount that together with Nonutility Subsidiary Guarantees, shall not exceed \$4.0 billion ("Guarantee Limit") outstanding at any one time, including obligations exempt under rule 45 and guarantees and other forms of credit support provided by FirstEnergy or any Nonutility Subsidiary that are outstanding on the effective date of the order issued in this proceeding. FirstEnergy requests that the Commission reserve jurisdiction over the issuance of guarantees for the benefit of non-affiliated third parties.

In addition to guarantees that may be provided by FirstEnergy, the Nonutility Subsidiaries request authority during the Authorization Period to provide to other Nonutility Subsidiaries guarantees and other forms of credit support ("Nonutility Subsidiary Guarantees"). The Nonutility Subsidiary Guarantees, together with FirstEnergy Guarantees, will not exceed the Guarantee Limit outstanding at any one time. The Nonutility 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. Any guarantees or other credit support arrangements outstanding at the end of the Authorization Period will remain in place and expire or terminate in accordance with their terms.

B. Money Pools

FirstEnergy and the Utility Subsidiaries request authorization to continue to maintain and fund the Utility Money Pool, and the Utility Subsidiaries, to the extent not exempt 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. No loans through the Utility Money Pool may be made to, and no borrowings through the Utility Money Pool may be made by, FirstEnergy.

In addition, FirstEnergy and the remaining Subsidiaries, all of which are Nonutility Subsidiaries, request authorization to continue to maintain and fund the Nonutility Money Pool. Borrowings and extensions of credit under the Nonutility Money Pool by the Nonutility Subsidiaries are exempt from the prior approval requirements of the Act under rules 45(b) and 52. To the extent not exempt under rules 45(b) and 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 Nonutility Subsidiaries through the Nonutility Money Pool.

Under the Utility Money Pool agreement, short-term funds are 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 (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"). 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. ATSI, NONGC, Waverly Electric and York Haven each requests authorization to borrow up to \$50 million at any time outstanding under the Utility Money Pool.

If only Internal Funds make up the funds available in the Utility Money Pool, the interest rate applicable and payable to or by Utility 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 participant could have obtained if it placed its excess cash in such an investment.