SECURITIES AND EXCHANGE COMMISSION

FORM S-3

Registration statement for specified transactions by certain issuers

Filing Date: **1994-05-17**
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FILER

PENNSYLVANIA ELECTRIC CO

CIK:**77227**| IRS No.: **250718085** | State of Incorp.:**PA** | Fiscal Year End: **1231**
Type: **S-3** | Act: **33** | File No.: **033-53677** | Film No.: **94529149**
SIC: **4911** Electric services

Business Address
1001 BROAD ST
C/O THE TREASURER
JOHNSTOWN PA 15907
8145338111

PENELEC CAPITAL LP

CIK:**923075**| IRS No.: **510355043** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **S-3** | Act: **33** | File No.: **033-53677-01** | Film No.: **94529150**

Mailing Address
MELLON BANK CENTER
TENTH & MARKET STREETS
WILMINGTON DE 19801

Business Address
C/O GPU SERVICE
CORPORATION
100 INTERPACE PARKWAY
PARSIPPANY NJ 07054
201-263-6500

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Registration No. 33-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PENNSYLVANIA ELECTRIC COMPANY (Exact name of registrant as specified in its charter)	PENELEC CAPITAL, L.P. (Exact name of registrant as specified in its charter)
PENNSYLVANIA (State or other jurisdiction of incorporation or organization)	PENNSYLVANIA (State or other jurisdiction of incorporation or organization)
25-071808 (I.R.S. Employer Identification No.)	51-0355043 (I.R.S. Employer Identification No.)
1001 Broad Street Johnstown, Pennsylvania 15907 (814) 533-8111	Mellon Bank Center Tenth and Market Streets Wilmington, Delaware 19801 (302) 654-5893

(Address, including zip code, and telephone number, including area code, of registrant's principal executive office)

DON W. MYERS
Vice President and Treasurer
GPU Service Corporation
100 Interpace Parkway
Parsippany, New Jersey 07054-1149
(201) 263-6500
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Please send copies of all communications to:

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Pennsylvania Electric Company
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DOUGLAS E. DAVIDSON, ESQ.
Berlack, Israels & Liberman
120 West 45th Street
New York, New York 10036-4003
(212) 704-0100

CLIVE D. CONLEY, ESQ.
Reid & Priest
40 West 57th Street
New York, New York 10019
(212) 603-2000

____

Approximate date of commencement of proposed sale to the public; to be determined by market conditions after the effective date of this Registration Statement.

____

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: / /

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box: /X/

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount To Be Registered (1)	Proposed Maximum Offering Price Per Unit (1)(2)(3)(4)	Proposed Maximum Aggregate Offering Price (1)(2)(3)(4)	Amount Of Registration Fee(1)
Penelec Capital, L.P. limited partner interests				

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Pennsylvania Electric Company Subordinated Debentures				
Pennsylvania Electric Company Guarantee with respect to Penelec Capital, L.P. limited partner interests				
Total	$125,000,000	100%	$125,000,000	$43,104

1) There are being registered hereunder limited partner interests of Penelec Capital, L.P. with an aggregate initial offering price not to exceed $125,000,000, plus up to $125,000,000 aggregate principal amount of Subordinated Debentures of Pennsylvania Electric Company which may be distributed upon a dissolution of Penelec Capital, L.P., for which no separate consideration will be received. Pursuant to Rule 457(o) under the Securities Act of 1933 which permits the registration fee to be calculated on the basis of the maximum offering price of all the securities listed, the table does not specify by each class information as to the amount to be registered, proposed maximum offering price per unit or proposed maximum aggregate offering price.

(2) Estimated solely for the purpose of determining the registration fee.

(3) Exclusive of accrued interest and distributions, if any.

(4) No separate consideration will be received for Pennsylvania Electric Company's Guarantee.

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to

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said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED MAY , 1994
PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED MAY , 1994

_________ Preferred Securities

Penelec Capital

__% Cumulative Monthly Income Preferred Securities ("MIPS"*),
Series A

(liquidation preference $25 per Preferred Security)
guaranteed to the extent set forth herein by

PENNSYLVANIA ELECTRIC COMPANY

____

The __% Cumulative Monthly Income Preferred Securities, Series A (the "Series A Preferred Securities"), representing the limited partner interests offered hereby, are being issued by Penelec Capital, L.P., a limited partnership formed under the laws of the State of Delaware ("Penelec Capital"). All of the general partner interests in Penelec Capital are owned by Penelec Preferred Capital, Inc. (the "General Partner"), a Delaware corporation and a wholly owned subsidiary of Pennsylvania Electric Company, a Pennsylvania corporation (the "Company"). Penelec Capital exists for the sole purpose of issuing its partner interests and using the proceeds thereof to purchase the Company's subordinated debentures. The limited partner interests represented by the Series A Preferred Securities will have a preference with respect to cash distributions (hereinafter called "Dividends") and amounts payable on liquidation over the general partner interests in Penelec Capital. See "Description of Preferred Securities" in the accompanying Prospectus.

Holders of the Series A Preferred Securities will be entitled to receive cumulative preferential cash Dividends at an annual rate of __% of the liquidation preference of $25 per Series A Preferred Security, accruing from the date of original issuance and payable monthly in arrears on the last day of each calendar month of each year, commencing ___________, 1994. The payment of Dividends, to the extent that Penelec Capital has sufficient cash on hand to permit such payments and funds legally available therefor, and payments on liquidation or redemption with respect to the Series A

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Preferred Securities are guaranteed by the Company to the extent set forth herein and in the accompanying Prospectus (the "Guarantee"). See "Description of the Guarantee" in the accompanying Prospectus. If the Company fails to make interest payments on the ___% Subordinated Debentures, Series A ("Series A Subordinated Debentures") purchased by Penelec Capital with the proceeds of this offering, Penelec Capital will have insufficient funds to pay Dividends on the Series A Preferred Securities, and the Guarantee does not provide for payment by the Company directly of Dividends for which Penelec Capital does not have sufficient funds available. In such event, the remedy of a holder of Series A Preferred Securities is to enforce Penelec Capital's rights under the Series A Subordinated Debentures.

The Series A Preferred Securities are redeemable at the option of Penelec Capital, in whole or in part, from time to time, on or after ___________, 1999, at $25 per Series A Preferred Security plus any accumulated, unpaid and additional Dividends accrued thereon to the date fixed for redemption (the "Redemption Price"), and will be redeemed at such price from the proceeds of any repayment or redemption of the Series A Subordinated Debentures. See "Description of Preferred Securities-Mandatory Redemption; Optional Redemption" in the accompanying Prospectus.

If at any time Penelec Capital or the Company, due to a change in law or a pronouncement or decision interpreting or applying such law, is or would be required to pay certain additional amounts or to withhold or deduct certain amounts, the Series A Preferred Securities are redeemable in whole or in part at the Redemption Price at the option of Penelec Capital. In addition, upon the occurrence of certain special events arising from a change in law or a pronouncement or decision interpreting or applying such law, the Series A Preferred Securities are redeemable in whole at the Redemption Price at the option of Penelec Capital. Upon the occurrence of such a special event, Penelec Capital may dissolve and cause Series A Subordinated Debentures to be distributed to the holders of the Series A Preferred Securities in liquidation of their interests in Penelec Capital. See "Description of Preferred Securities-Optional Redemption; Special Event Redemption or Distribution" and "Description of Subordinated Debentures" in the accompanying Prospectus. If the Series A Subordinated Debentures are so distributed, the Company will use its best efforts to have them listed on the same exchange on which the Series A Preferred Securities are then listed.

In the event of the dissolution of Penelec Capital, the holders of Series A Preferred Securities will be entitled to a liquidation preference for each Series A Preferred Security of $25

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plus any accumulated, unpaid and additional Dividends accrued thereon to the date of payment, unless, in connection with such dissolution, Series A Subordinated Debentures are distributed to the holders of the Series A Preferred Securities. See "Description of Preferred Securities-Liquidation Distribution" in the accompanying Prospectus.

____

See "Certain Investment Considerations" for certain considerations relevant to an investment in the Series A Preferred Securities, including circumstances under which payment of Dividends on the Series A Preferred Securities may be deferred.

____

Application will be made to list the Series A Preferred Securities on the New York Stock Exchange.

____

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS TO WHICH IT RELATES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

____

	Initial Public Offering Price	Underwriting Commission(1)	Proceeds to Penelec Capital (2)(3)
Per Series A Preferred Security	$	(2)	$
Total	$	(2)	$

____

(1) Penelec Capital and the Company have agreed to indemnify the several Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting".

(2) In view of the fact that the proceeds of the sale of the Series A Preferred Securities will ultimately be used to purchase the Company's Series A Subordinated Debentures, the Company will pay the Underwriters for their services the amount of $____ per Series A Preferred Security (or $____ in the aggregate). See

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"Underwriting".

(3) Expenses of the offering which are payable by the Company are estimated to be $______.

The Series A Preferred Securities offered hereby are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that delivery of certificates for the Series A Preferred Securities will be made only in book-entry form through the facilities of The Depository Trust Company on or about , 1994.

____

* An application has been filed by Goldman, Sachs & Co. with the United States Patent and Trademark Office for the registration of the MIPS servicemark.

Goldman, Sachs & Co.

____

The date of this Prospectus Supplement is , 1994.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus supplement shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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The following information concerning the Series A Preferred Securities, the Guarantee and the Series A Subordinated Debentures supplements and should be read in conjunction with the information contained in the accompanying Prospectus. Capitalized terms used in this Prospectus Supplement have the same meanings as in the accompanying Prospectus.

PENELEC CAPITAL

Penelec Capital is a limited partnership formed under the laws of the State of Delaware, all of the general partner interests in which are owned by the General Partner, a wholly owned special purpose subsidiary of the Company. Penelec Capital exists solely for the purpose of issuing its partner interests and utilizing the proceeds thereof to acquire the Company's Subordinated Debentures. All of the business and affairs of Penelec Capital will be managed by the General Partner, subject to Penelec Capital's Amended and Restated Limited Partnership Agreement, which will be substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus Supplement and the accompanying Prospectus form a part.

PENNSYLVANIA ELECTRIC COMPANY

The Company, a public utility furnishing electric service wholly within the Commonwealth of Pennsylvania, is a subsidiary of General Public Utilities Corporation ("GPU"), a holding company registered under the Public Utility Holding Company Act of 1935. The Company provides electric services within a territory located in western, northern and south central Pennsylvania having a population of about 1,500,000. The Company, as lessee of the property of The Waverly Electric Light and Power Company, a subsidiary, also serves a population of about 13,700 in Waverly, New York. The Company is affiliated with Jersey Central Power & Light Company and Metropolitan Edison Company, which are also wholly owned subsidiaries of GPU.

CERTAIN INVESTMENT CONSIDERATIONS

Prospective purchasers of the Series A Preferred Securities should carefully review the information contained elsewhere in this Prospectus Supplement and in the accompanying Prospectus and should particularly consider the following matters:

Subordinate Obligations Under the Guarantee and the Series A Subordinated Debentures. The Company's obligations under the Guarantee and the Series A Subordinated Debentures are subordinate and junior in right of payment to all present

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and future Senior Indebtedness of the Company. At March 31, 1994, Senior Indebtedness of the Company aggregated approximately $760,000,000. There are no terms in the Series A Preferred Securities, the Series A Subordinated Debentures or the Guarantee that limit the Company's ability to incur additional indebtedness, including indebtedness that ranks senior to the Series A Subordinated Debentures and the Guarantee. See "Description of the Guarantee-Status of the Guarantee" and "Description of the Subordinated Debentures-Subordination" in the accompanying Prospectus.

Option to Extend Interest Payment Period. The Company has the right under the Indenture to extend the interest payment period on the Series A Subordinated Debentures at any time and from time to time to up to 60 consecutive months, and, as a consequence, monthly Dividends on the Series A Preferred Securities can be deferred by Penelec Capital during any such extended interest payment period (but will continue to accumulate, with Dividends accruing thereon at the rate applicable to the Series A Preferred Securities). In the event that the Company exercises its right to extend, the Company may not declare or pay dividends on any shares of its preferred or common stock until deferred interest on the Series A Subordinated Debentures is paid in full. Penelec Capital and the Company currently believe that the extension of an interest payment period on the Series A Subordinated Debentures is unlikely. See "Description of Preferred Securities-Dividends" and "Description of the Subordinated Debentures-Option to Extend Interest Payment Period" in the accompanying Prospectus.

Should an extended interest payment period occur, Penelec Capital will continue to accrue income for United States federal income tax purposes with respect to such deferred interest which income will be allocated, but not distributed, to holders of Series A Preferred Securities. As a result, such a holder will include such interest in gross income for United States federal income tax purposes in advance of the receipt of cash, and will not receive the cash related to such income from Penelec Capital if such a holder disposes of the Series A Preferred Securities prior to the record date for payment of Dividends. See "United States Taxation-Potential Extension of Interest Payment Period" in the accompanying Prospectus.

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Special Event Redemption or Distribution. Upon the occurrence and continuation of a Tax Event arising from a change in law or a pronouncement or decision interpreting or applying such law (see "Description of Preferred Securities - Special Event Redemption or Distribution" in the accompanying Prospectus), the General Partner may elect to either (i) redeem the Series A Preferred Securities in whole (and not in part) or (ii) dissolve Penelec Capital and cause the Series A Subordinated Debentures to be distributed to the holders of the Series A Preferred Securities in liquidation of such holders' interests in Penelec Capital; provided that Penelec Capital shall have received an opinion of counsel (which may be regular tax counsel to the Company or an affiliate but not an employee thereof) to the effect that the holders of the Series A Preferred Securities will not recognize any gain or loss for federal income tax purposes as a result of such dissolution and distribution. Alternatively, Penelec Capital may elect to cause the Series A Preferred Securities to remain outstanding. If an Investment Company Act Event (see "Description of Preferred Securities - Special Event Redemption or Distribution" in the accompanying Prospectus) shall occur and be continuing, Penelec Capital must elect either option (i) or (ii) above.

In April 1994, the Internal Revenue Service ("IRS") issued certain notices generally addressing the characteristics which distinguish debt from equity for various purposes under the federal income tax laws. In these notices, the IRS indicated that transactions involving securities that, like the securities offered hereunder, have both debt and equity characteristics would be reviewed with scrutiny to determine how they would be treated for tax purposes. Based upon advice from Carter, Ledyard & Milburn, the Company's special tax counsel, the Company believes that interest on the Series A Subordinated Debentures will be deductible under the tests referred to in these notices. If, however, the IRS should subsequently issue a further official pronouncement, or should there be a judicial decision, pursuant to which interest on the Series A Subordinated Debentures would not be deductible, Penelec Capital would have the option to redeem the Series A Preferred Securities or to dissolve and cause Series A Subordinated Debentures to be distributed to the holders of the Series A Preferred Securities, as described under "Description of Preferred Securities-Special Event Redemption or Distribution" in the accompanying Prospectus.

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USE OF PROCEEDS

The proceeds to be received by Penelec Capital from the sale of the Series A Preferred Securities will be used to purchase Series A Subordinated Debentures of the Company and will be applied by the Company to the repayment of outstanding short-term debt, for construction purposes and for other general corporate purposes, including the redemption of outstanding senior securities pursuant to the optional redemption provisions thereof, if economical.

CERTAIN TERMS OF THE SERIES A PREFERRED SECURITIES

The following information should be read in conjunction with the statements under "Description of Preferred Securities" in the accompanying Prospectus.

Amount, Dividends, Redemption

An aggregate of _____________ Series A Preferred Securities, having an aggregate stated liquidation preference of $____________, are being offered hereby. Dividends on the Series A Preferred Securities will be cumulative, will accrue from ____________, 1994 and will be payable monthly in arrears on the last day of each calendar month of each year, commencing ______________, 1994, except as otherwise described in the accompanying Prospectus.

The Dividends payable on each Series A Preferred Security will be fixed at a rate per annum of __% of the $25 stated liquidation preference thereof.

The Series A Preferred Securities will be redeemable at the option of Penelec Capital, in whole or in part from time to time, on or after _________________, 1999 at the Redemption Price. In

addition, the Series A Preferred Securities are subject to redemption at the Redemption Price under circumstances described under "Description of Preferred Securities-Mandatory Redemption;Optional Redemption; Special Event Redemption or Distribution" in the accompanying Prospectus.

CERTAIN TERMS OF THE SERIES A SUBORDINATED DEBENTURES

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The following information should be read in conjunction with the statements under "Description of the Subordinated Debentures" in the accompanying Prospectus.

General

The Series A Subordinated Debentures will be issued under the Indenture dated as of _____________, 1994 between the Company and United States Trust Company of New York, as Trustee, and may be distributed to the holders of Series A Preferred Securities upon a dissolution of Penelec Capital under circumstances described under "Description of Preferred Securities-Special Event Redemption or Distribution" in the accompanying Prospectus.

Principal Amount, Interest, Maturity, Redemption

An aggregate of $_________ principal amount of Series A Subordinated Debentures will be issued, such amount being the sum of the aggregate stated liquidation preference of the Series A Preferred Securities and the General Partner's related capital contribution.

Each Series A Subordinated Debenture will bear interest at the rate of __% per annum from the original date of issuance, payable monthly in arrears on the last day of each calendar month of each year, except as otherwise provided in the accompanying Prospectus.

The Series A Subordinated Debentures will mature on __________, 2043 and will be redeemable at the option of the Company at any time on or after _________________, 1999 at a Debenture Redemption Price equal to 100% of their principal amount plus accrued and unpaid interest to the Redemption Date, together with any additional interest accrued thereon. The Series A Subordinated Debentures are also redeemable upon the occurrence of certain events which cause the Series A Preferred Securities to become redeemable. Proceeds from the repayment or redemption of Series A Subordinated Debentures will be applied to redeem the Series A Preferred Securities.

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, Penelec Capital has agreed to sell to each of the several Underwriters named below, and each of the Underwriters, for whom Goldman, Sachs & Co. and _________________ are acting as Representatives, has severally agreed to purchase from Penelec Capital the respective number of Series A Preferred Securities set forth opposite its name below:

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Underwriter	Number of Series A Preferred Securities
Goldman, Sachs & Co....................	
	__________
Total................................	==========

Under the terms and conditions of the Underwriting Agreement, the Underwriters are committed to take and pay for all such Series A Preferred Securities offered hereby, if any are taken.

The Underwriters propose to offer the Series A Preferred Securities in part directly to the public at the initial public offering price set forth on the cover page of this Prospectus Supplement, and in part to certain securities dealers at such price less a concession of $____ per Series A Preferred Security. The Underwriters may allow, and such dealers may reallow, a concession not in excess of $____ per Series A Preferred Security to certain brokers and dealers. After the Series A Preferred Securities are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Representatives.

In view of the fact that the proceeds of the sale of the Series A Preferred Securities will ultimately be used to purchase the Company's Series A Subordinated Debentures, the Company will pay to the Underwriters for their services the amount of $____ per Series A Preferred Security for the accounts of the several Underwriters.

The Company and Penelec Capital have agreed, during the period beginning from the date of the Underwriting Agreement and continuing to and including the earlier of (i) the date, after the closing date, on which the distribution of the Series A Preferred Securities and the Guarantee ceases, as determined by the Underwriters, or (ii) 90 days after the closing date, not to offer, sell, contract to sell, or otherwise dispose of any Series A Preferred Securities, any limited partner interests of Penelec Capital, or any preferred stock or any other securities of Penelec Capital or the Company which are substantially similar to the Series A Preferred Securities or the Guarantee, or any securities

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convertible into or exchangeable for Series A Preferred Securities, limited partner interests, preferred stock or such substantially similar securities of either Penelec Capital or the Company without the prior written consent of the Underwriters.

Prior to this offering, there has been no public market for the Series A Preferred Securities. In order to meet one of the requirements for listing the Series A Preferred Securities on the New York Stock Exchange, the Underwriters will undertake to sell

lots of 100 or more Series A Preferred Securities to a minimum of 400 beneficial holders.

Penelec Capital and the Company have agreed to indemnify the Underwriters against certain civil liabilities, including liabilities under the Securities Act.

Certain of the Underwriters engage in transactions with, and from time to time have performed services for, the Company and its affiliates in the ordinary course of business.

LEGAL OPINIONS

Certain legal matters will be passed upon for the Company and Penelec Capital by Berlack, Israels & Liberman, New York, New York, and Ballard Spahr Andrews & Ingersoll, Philadelphia, Pennsylvania, and for any underwriters by Reid & Priest, New York, New York. Certain matters of Delaware law relating to the validity of the Preferred Securities will be passed upon by Richards, Layton & Finger, P.A., Wilmington, Delaware, special Delaware counsel to Penelec Capital. Berlack, Israels & Liberman and Reid & Priest may rely on the opinion of Ballard Spahr Andrews & Ingersoll as to matters of Pennsylvania law, and Berlack, Israels & Liberman, Ballard Spahr Andrews & Ingersoll and Reid & Priest may rely on the opinion of Richards, Layton & Finger, P.A., as to matters of Delaware law. Members and attorneys of Berlack, Israels & Liberman own an aggregate of 11,931 shares of the Common Stock of the Company's parent, GPU. In addition, one such member holds 986 such shares as custodian for his children.

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SUBJECT TO COMPLETION, DATED MAY , 1994

PROSPECTUS

$125,000,000

PENELEC CAPITAL

Preferred Securities

guaranteed to the extent set forth herein by

PENNSYLVANIA ELECTRIC COMPANY

Penelec Capital, L.P. ("Penelec Capital"), a Delaware limited partnership, all of the general partner interests in which are

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owned by a wholly owned subsidiary of Pennsylvania Electric Company (the "Company"), may offer, from time to time, its preferred securities, representing limited partner interests ("Preferred Securities"), in one or more series. The payment of periodic cash distributions (hereinafter called "Dividends") with respect to Preferred Securities of any series, out of funds held by Penelec Capital and legally available therefor, and payments on liquidation or redemption with respect to the Preferred Securities are guaranteed by the Company to the extent described herein (the "Guarantee"). The Company's obligations under the Guarantee are subordinate and junior in right of payment to all present and future Senior Indebtedness (as defined herein) of the Company but senior in right of payment to the Company's preferred and common stock. Subordinated Debentures of the Company ("Subordinated Debentures") will also be issued and sold from time to time in one or more series by the Company to Penelec Capital in connection with the investment of the proceeds from the offering of Preferred Securities. Subordinated Debentures subsequently may be distributed to holders of Preferred Securities in connection with a dissolution of Penelec Capital upon the occurrence of certain events as described under "Description of Preferred Securities - Special Event Redemption or Distribution". The Subordinated Debentures will be unsecured and subordinate and junior in right of payment to all present and future Senior Indebtedness of the Company. The Preferred Securities may be offered in amounts, at prices and on terms to be determined at the time of offering; provided, however, that the aggregate initial public offering price of all Preferred Securities offered hereby shall not exceed $125,000,000.

The specific designation, Dividend rate (or method of determination thereof), and any other rights, preferences, privileges, limitations and restrictions relating to the Preferred Securities of the particular series in respect of which this Prospectus is being delivered will be set forth in a Prospectus Supplement pertaining to such series (a "Prospectus Supplement").

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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The Preferred Securities may be sold to or through underwriters or dealers as designated from time to time. See "Plan of Distribution". The names of any such underwriters or dealers involved in the sale of the Preferred Securities of the particular series in respect of which this Prospectus is being delivered, the number of Preferred Securities to be purchased by any such underwriters or dealers and any applicable commissions or discounts will be set forth in the Prospectus Supplement. The net proceeds to the Company will also be set forth in the Prospectus Supplement.

The date of this Prospectus is ___________, 1994.

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Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports and other information filed by the Company can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following Regional Offices of the Commission: Seven World Trade Center, New York, New York 10048; and 500 West Madison Street, Chicago, Illinois 60661-2511. Copies of such material can also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Certain of the Company's securities are listed on, and reports and other information concerning the Company may also be inspected at the offices of, the Philadelphia Stock Exchange, Inc.

This Prospectus does not contain all the information set forth in the Registration Statement on Form S-3 (herein, together with all amendments and exhibits thereto, referred to as the "Registration Statement"), which the Company and Penelec Capital have filed with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). Statements contained or incorporated by reference herein concerning the provisions of documents are necessarily summaries of such documents, and each statement is qualified in its entirety by reference to the Registration Statement.

No separate financial statements of Penelec Capital have been included herein. The Company and Penelec Capital do not consider that such financial statements would be material to holders of

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Preferred Securities because Penelec Capital is a newly formed special purpose entity, has no operating history and no independent operations and is not engaged in, and does not propose to engage in, any activity other than as set forth below. See "Penelec Capital".

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents heretofore filed by the Company with the Commission pursuant to the Exchange Act are incorporated herein by reference:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 1993;

2. The Company's Current Reports on Form 8-K dated February 16, 1994 and February 28, 1994; and

3. The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994.

All documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of the offering of the securities offered hereby shall be deemed to be incorporated by reference herein and to be a part

hereof from the date of filing of such documents. Any statement contained herein or in a document all or a portion of which is incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein or in a Prospectus Supplement modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Any person receiving a copy of this Prospectus or any Prospectus Supplement may obtain, without charge, upon written or oral request, a copy of any or all of the documents incorporated herein or therein by reference (not including the exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents). Requests for such copies should be directed to Pennsylvania Electric Company, 1001 Broad Street, Johnstown, Pennsylvania 15907, Attention: Secretary. The Company's telephone number is (814) 533-8111.

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The Company, a public utility furnishing electric service within the Commonwealth of Pennsylvania and a small portion of New York State, is a subsidiary of General Public Utilities Corporation ("GPU"), a holding company registered under the Public Utility Holding Company Act of 1935 (the "Holding Company Act"). The Company provides electric service within a territory located in western, northern and south central Pennsylvania having a population of about 1,500,000. The Company, as lessee of the property of The Waverly Electric Light and Power Company, a subsidiary, also serves a population of about 13,700 in Waverly, New York. The Company's principal executive offices are located at 1001 Broad Street, Johnstown, Pennsylvania 15907, and its telephone number is (814) 533-8111.

For the year 1993, residential sales accounted for about 37% of the Company's operating revenues from customers and 30% of kilowatt-hour sales to customers; commercial sales accounted for about 32% of operating revenues from customers and 30% of kilowatt-hour sales to customers; industrial sales accounted for about 27% of operating revenues from customers and 35% of kilowatt-hour sales to customers; and sales to rural electric cooperatives, municipalities (primarily for street and highway lighting) and others accounted for about 4% of total operating revenues from customers and 5% of kilowatt-hour sales to customers. The revenues derived from the 25 largest customers in the aggregate accounted for approximately 12% of operating revenues from customers for the year 1993.

The electric generating and transmission facilities of the Company and its affiliates, Metropolitan Edison Company and Jersey Central Power & Light Company, are physically interconnected and are operated as a single integrated and coordinated system. The transmission facilities of the integrated system are physically interconnected with neighboring nonaffiliated utilities in Pennsylvania, New Jersey, Maryland, New York and Ohio. The Company

is a member of the Pennsylvania-New Jersey-Maryland Interconnection ("PJM") and the Mid-Atlantic Area Council, an organization providing coordinated review of the planning by utilities in the PJM area. The interconnection facilities are used for substantial capacity and energy interchange and purchased power transactions as well as emergency assistance.

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The Company owns 25% undivided interests in Unit No. 1 and the inactive Unit No. 2 of the Three Mile Island nuclear generating station near Middletown, Pennsylvania. The Company's nuclear generating facilities are operated by GPU Nuclear Corporation, a subsidiary of GPU. The Company and its affiliates are seeking regulatory approvals for GPU Generation Corporation, a newly formed subsidiary of GPU, to operate and maintain their fossil-fueled and hydroelectric generating facilities.

During 1993, the Company successfully negotiated power supply agreements with several existing GPU System wholesale customers in response to offers made by other utilities seeking to provide electric service at rates lower than those of Met-Ed or JCP&L. The Company has made similar offers to certain wholesale customers now being served by other utilities. Although wholesale customers represent a relatively small portion of Company sales, the Company will continue its efforts to retain and add customers.

FINANCING PROGRAM

Depending upon market conditions, during 1994 and 1995 Penelec Capital expects to offer up to $125,000,000 stated liquidation preference of Preferred Securities, the proceeds of which would be used to purchase the Company's Subordinated Debentures. Pursuant to one or more separate offerings, the Company expects to offer during such period up to a maximum aggregate principal amount and stated value of $330,000,000 of first mortgage bonds, which may be in the form of secured medium-term notes, and cumulative preferred stock. The Company also expects to have short-term borrowings outstanding from time to time during such period.

CERTAIN COMPANY CONSOLIDATED FINANCIAL INFORMATION (1)
(Dollars In Thousands)

	Years Ended December 31,			Twelve Months Ended March 31, 1994 (unaudited)
	1991	1992	1993	
Income Summary:				
Operating Revenues	$865,552	$896,337	$908,280	$924,312
Net Income	$106,595	$ 99,744	$ 95,728	$101,481

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	March 31, 1994 (unaudited)			
	Actual		Pro Forma (2)	
	Amount	%	Amount	%
Capital Structure:				
Long-term debt (including unamortized net discount)(3)	$ 646,482	44.9%	$ 646,482	41.6%
Preferred Stock (including premium)	61,842	4.3	61,842	4.0
Preferred Stock of Subsidiary	-	-	125,000	8.0
Common Equity	732,337	50.8	721,761	46.4
Total	$1,440,661	100.0	$1,555,085	100.0%

____

(1) This information should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1993.

(2) Gives effect to the issuance of $125,000,000 aggregate stated liquidation preference of Preferred Securities and the use of the proceeds thereof to purchase the Company's Subordinated Debentures.

(3) Includes obligations due within one year.

COMPANY COVERAGE RATIOS

The Company's Ratio of Earnings to Fixed Charges for each of the periods indicated was as follows:

Years Ended December 31,					Twelve Months Ended March 31, 1994 (unaudited)	
1989	1990	1991	1992	1993	Actual	ProForma(1)
4.03	3.92	3.47	4.21	4.09	4.05	3.38

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The Ratio of Earnings to Fixed Charges represents, on a pre-tax basis, the number of times earnings cover fixed charges. Earnings consist of Income Before Cumulative Effect of Accounting Change, to which has been added fixed charges and taxes based on income. Fixed charges consist of interest on funded indebtedness, other interest, amortization of net discount on debt and the interest portion of all rentals charged to income.

The Company's Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends for each of the periods indicated was as follows:

Years Ended December 31,					Twelve Months Ended March 31, 1994 (unaudited)	
1989	1990	1991	1992	1993	Actual	Pro Forma(1)
3.21	3.17	2.97	3.56	3.52	3.57	3.04

____

(1) Gives effect to the issuance of $125,000,000 aggregate principal amount of Subordinated Debentures at an assumed interest rate of 8 7/8% per annum.

The Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends represents, on a pre-tax basis, the number of times earnings cover fixed charges and preferred stock dividends. Earnings consist of Income Before Cumulative Effect of Accounting Change, to which has been added fixed charges and taxes based on income of the Company. Combined fixed charges and preferred stock dividends consist of interest on funded indebtedness, other interest, amortization of net discount on debt, preferred stock dividends (increased to reflect the pre-tax earnings required to cover such dividend requirements) and the interest portion of all rentals charged to income.

USE OF PROCEEDS

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The proceeds to be received by Penelec Capital from the sale of the Preferred Securities will be used to purchase Subordinated Debentures of the Company and, unless otherwise specified in any Prospectus Supplement, will be applied by the Company to the repayment of outstanding short-term debt, for construction purposes and for other general corporate purposes, including the redemption of outstanding senior securities pursuant to the optional redemption provisions thereof, if economical.

PENELEC CAPITAL

Penelec Capital is a limited partnership formed under the laws of the State of Delaware. All of its general partner interests, which are non-transferable, are owned by Penelec Preferred Capital, Inc. (the "General Partner"), a Delaware corporation and a wholly owned special purpose subsidiary of the Company, which will be the sole general partner of Penelec Capital. Penelec Capital's principal executive offices are located at Mellon Bank Center, Tenth and Market Streets, Wilmington, Delaware 19801, and its telephone number is (302) __________. As a limited partnership, all of the business and affairs of Penelec Capital will be managed by the General Partner. Penelec Capital exists solely for the purpose of issuing its partner interests and utilizing the proceeds thereof to acquire the Company's Subordinated Debentures, which will be issued under and pursuant to the Indenture (the

"Indenture") dated as of ___________________, 1994 between the Company and United States Trust Company of New York, as Trustee (the "Trustee").

Penelec Capital has been advised by its special Delaware counsel that, assuming that a holder of Preferred Securities acts in conformity with the provisions of Penelec Capital's Amended and Restated Limited Partnership Agreement, which will be substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus forms a part (the "Limited Partnership Agreement), a holder of Preferred Securities (other than the General Partner) will not be liable for the debts, obligations and liabilities of Penelec Capital, whether arising in contract, tort or otherwise, solely by reason of being a limited partner of Penelec Capital (subject to the obligation of a limited partner to repay any funds wrongfully distributed to it).

Pursuant to the Limited Partnership Agreement, each holder of Preferred Securities, upon acquisition thereof, will be deemed to

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have appointed the General Partner as such holder's attorney-in-fact to execute, in the name, place and stead of such holder, certain instruments, documents and certificates as may be required from time to time for the purposes contemplated in the Limited Partnership Agreement.

DESCRIPTION OF PREFERRED SECURITIES

General

All of the general partner interests of Penelec Capital will be owned by the General Partner. The Limited Partnership Agreement will authorize the General Partner to establish series of Preferred Securities having such designations, rights, privileges, restrictions, and other terms and provisions, whether in regard to distributions, return of capital or otherwise, as the General Partner may determine. Penelec Capital will therefore be authorized to issue and sell additional Preferred Securities from time to time, pursuant to the Registration Statement of which this Prospectus forms a part or otherwise; provided, however, that all Preferred Securities shall be of equal rank with regard to participation in the profits and the assets of Penelec Capital. The summary of certain terms and provisions of the Preferred Securities set forth below does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Limited Partnership Agreement.

Dividends

Dividends on each series of Preferred Securities will be cumulative, will accrue from the date of issuance thereof and will be payable monthly in arrears on the last day of each calendar month of each year, except as otherwise described below.

The Dividend rate applicable to a series of Preferred Securities shall be specified in a Prospectus Supplement.

The Company has the right under the Indenture to extend the interest payment period on the Subordinated Debentures at any time

and from time to time to up to 60 consecutive months and, as a consequence, monthly Dividends on the Preferred Securities can be deferred (but will continue to accumulate) by Penelec Capital during any such extended interest payment period. Accrued and unpaid Dividends on the Preferred Securities will accrue additional Dividends in respect thereof at the Dividend rate per annum

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applicable to the Preferred Securities. In the event that the Company exercises its right to extend the interest payment period, the Company may not declare or pay dividends on, or redeem, purchase or acquire, any of its preferred or common stock. Penelec Capital and the Company currently believe that an extension of an interest payment period on the Subordinated Debentures and thus on the Preferred Securities is unlikely. See "Voting Rights" and "Description of the Subordinated Debentures-Option to Extend Interest Payment Period".

The amount of the Dividends payable for any period will be computed on the basis of twelve 30-day months and a 360-day year and, for any period shorter than a full monthly Dividend period, will be computed on the basis of the actual number of days elapsed in such period.

Penelec Capital may not pay a Dividend or make a distribution to a partner to the extent that at the time of the Dividend or distribution, after giving effect thereto, all liabilities of Penelec Capital, other than liabilities to partners on account of their partner interests and liabilities for which the recourse of creditors is limited to specified property of Penelec Capital, exceed the fair value of the assets of Penelec Capital, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in the assets of Penelec Capital only to the extent that the fair value of that property exceeds that liability.

Dividends on the Preferred Securities must be paid by Penelec Capital in any calendar year or portion thereof to the extent that Penelec Capital has cash on hand sufficient to permit such payments and funds legally available therefor. It is anticipated that Penelec Capital's earnings will consist only of interest payable by the Company under the Subordinated Debentures. See "Description of the Subordinated Debentures-Interest".

Dividends on the Preferred Securities will be payable to the holders thereof as they appear on the books and records of Penelec Capital on the relevant record dates, which, so long as the Preferred Securities remain in book-entry-only form, will be one Business Day prior to the relevant payment dates. Subject to any applicable laws and regulations and the provisions of the Limited Partnership Agreement, each such payment will be made as described under "Book-Entry-Only Issuance-The Depository Trust Company". In the event that the Preferred Securities do not remain in book-entry-only form, the record dates will be the fifteenth day of each month. In the event that any date on which Dividends are payable on the Preferred Securities is not a Business Day, then payment of the Dividend payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such

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Business Day is in the next succeeding calendar year, such payment

shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. A "Business Day" shall mean any day other than a day on which banking institutions in The City of New York are authorized or required by law to close.

Certain Restrictions on Penelec Capital

If Dividends have not been paid in full on any series of Preferred Securities, Penelec Capital may not:

(i) pay or declare any Dividends on any other series of Preferred Securities unless the amount of any Dividends declared on any Preferred Securities is paid on all Preferred Securities then outstanding on a pro rata basis on the date such Dividends are paid, so that

(x) (a) the aggregate amount of Dividends paid on such series of Preferred Securities bears to (b) the aggregate amount of Dividends paid on all such Preferred Securities outstanding the same ratio as

(y) (a) the aggregate of all accumulated arrears of unpaid Dividends in respect of such series of Preferred Securities bears to (b) the aggregate of all accumulated arrears of unpaid Dividends in respect of all such Preferred Securities outstanding;

(ii) pay or declare any distributions on any of its general partner interests; or

(iii) redeem, purchase or otherwise acquire any Preferred Securities or its general partner interests;

until, in each case, such time as all accumulated and unpaid Dividends on all series of Preferred Securities shall have been paid in full for all prior Dividend periods. As of the date of this Prospectus, there are no Preferred Securities outstanding.

Mandatory Redemption

If the Company pays when due the Subordinated Debentures purchased by Penelec Capital with the proceeds of the sale of a

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series of Preferred Securities or redeems such Subordinated Debentures at any time as described under "Description of the Subordinated Debentures-Optional Redemption", the proceeds will be applied to redeem the related series of Preferred Securities at a redemption price equal to the stated liquidation preference thereof, plus any accumulated, unpaid and additional Dividends accrued thereon to the date fixed for redemption (the "Redemption Price").

Optional Redemption

The Preferred Securities of each series will be redeemable, at the option of Penelec Capital, in whole or in part, at such time or

times as shall be specified in a Prospectus Supplement, at the Redemption Price.

If at any time after the issuance of any Preferred Securities, Penelec Capital is or would be required to pay Additional Amounts or the Company is or would be required to withhold or deduct certain amounts as described under "Additional Amounts" and "Description of the Guarantee-Additional Amounts", then Penelec Capital may, at its option, redeem the Preferred Securities in whole or, if such requirement relates only to certain of the Preferred Securities, the Preferred Securities subject to such requirement, in each case at the Redemption Price.

Special Event Redemption or Distribution

If a Tax Event (as defined below) shall occur and be continuing, Penelec Capital may either (i) redeem the Preferred Securities in whole (but not in part) at the Redemption Price within 90 days following the occurrence of such Special Event (as defined below); provided that, if at the time there is available to the General Partner the opportunity to eliminate, within such 90 day period, the Special Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure, which has no adverse effect on Penelec Capital or the Company, the General Partner will pursue such measure in lieu of redemption, or (ii) dissolve Penelec Capital and cause Subordinated Debentures with an aggregate principal amount equal to the aggregate stated liquidation preference thereof to be distributed to the holders of Preferred Securities in liquidation of such holders' interests in Penelec Capital, within 90 days following the occurrence of such Special Event; provided, however,

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that Penelec Capital shall have received an opinion of counsel (which may be regular tax counsel to the Company or an affiliate but not an employee thereof) to the effect that the holders of the Preferred Securities will not recognize any gain or loss for federal income tax purposes as a result of such dissolution and distribution. Alternatively, Penelec Capital may elect to have the Preferred Securities remain outstanding. If an Investment Company Act Event (as defined below and, collectively with a Tax Event, a "Special Event") shall occur and be continuing, Penelec Capital must elect either option (i) or (ii) above.

"Tax Event" means that Penelec Capital shall have received an opinion of counsel (which may be regular tax counsel to the Company or an affiliate but not an employee thereof) to the effect that, as a result of any amendment to, or change in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein affecting taxation, or as a result of any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective, or which pronouncement or decision has been issued or rendered, on or after the date of issuance of any series of Preferred Securities, there is more than an insubstantial risk that (i) Penelec Capital will be subject to federal income tax with respect to interest received on the Subordinated Debentures or Penelec Capital will otherwise not be taxed as a partnership, (ii) interest payable on the Subordinated Debentures will not be deductible for federal

income tax purposes or (iii) Penelec Capital is subject to more than a de minimis amount of other taxes, duties or other governmental charges.

"Investment Company Act Event" means the occurrence of a change in law or regulation or a change in an official interpretation of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 40 Act Law") to the effect that Penelec Capital is or will be considered an "investment company" required to be registered under the Investment Company Act of 1940, as amended (the "1940 Act"), which Change in 40 Act Law becomes effective on or after the date of issuance of any series of Preferred Securities; provided that no Investment Company Act Event shall be deemed to have occurred if Penelec Capital shall have received an opinion of counsel (which may be regular counsel to the Company or an affiliate but not an employee thereof) to the effect that the Company and/or Penelec Capital have taken reasonable measures, in their discretion, to

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avoid such Change in 40 Act Law so that in the opinion of such counsel, notwithstanding such Change in 40 Act Law, Penelec Capital is not required to be registered as an "investment company" within the meaning of the 1940 Act.

After the date fixed for any such dissolution of Penelec Capital and distribution of Subordinated Debentures, (i) the Preferred Securities will no longer be deemed to be outstanding, (ii) The Depository Trust Company or its nominee, as the record holder of the Preferred Securities, will exchange the global certificate or certificates representing the Preferred Securities for a registered global certificate or certificates representing the Subordinated Debentures to be so delivered and (iii) any certificates representing Preferred Securities not held by The Depository Trust Company or its nominee will be deemed to represent Subordinated Debentures having a principal amount equal to the stated liquidation preference of such Preferred Securities until such certificates are presented to the Company or its agent for replacement.

Redemption Procedures

Penelec Capital may not redeem any outstanding Preferred Securities unless all accumulated and unpaid Dividends have been paid on all Preferred Securities for all monthly Dividend periods terminating on or prior to the date of redemption.

If Penelec Capital gives a notice of redemption in respect of a series of Preferred Securities (which notice will be given not less than 30 nor more than 90 days prior to the redemption date and will be irrevocable), then, on the redemption date, Penelec Capital will irrevocably deposit with The Depository Trust Company or its successor securities depository funds sufficient to pay the applicable Redemption Price and will give The Depository Trust Company or its successor securities depository irrevocable instructions and authority to pay the Redemption Price to the Beneficial Owners (as defined under "Book-Entry-Only Issuance-The Depository Trust Company"). If notice of redemption shall have been given and funds deposited as required, then on the date of such deposit, all rights of holders of such series of Preferred

Securities so called for redemption will cease, except the right of the holders of such series of Preferred Securities to receive the Redemption Price, but without interest. In the event that any date fixed for redemption of such series of Preferred Securities is not a Business Day, then payment of the Redemption Price payable on

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such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that if such Business Day falls in the next succeeding calendar year, such payment will be made on the immediately preceding Business Day. In the event that payment of the Redemption Price in respect of any Preferred Securities is not made either by Penelec Capital or by the Company pursuant to the Guarantee described under "Description of the Guarantee", Dividends on such Preferred Securities will continue to accrue at the then applicable rate, from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price.

In the event that less than all of a series of outstanding Preferred Securities are to be so redeemed, the Preferred Securities to be redeemed will be selected as described under "Book-Entry-Only Issuance-The Depository Trust Company". In the case of a partial redemption of a series of Preferred Securities resulting from a requirement that Penelec Capital pay Additional Amounts or the Company withhold or deduct certain amounts (see "Optional Redemption"), Penelec Capital will (i) cause the global certificates representing all of such series of Preferred Securities to be withdrawn from The Depository Trust Company or its successor securities depository (see "Book-Entry-Only Issuance-The Depository Trust Company"), (ii) issue certificates in definitive form representing such series of Preferred Securities, and (iii) redeem the Preferred Securities subject to such requirement to withhold or deduct Additional Amounts.

Subject to applicable law, the Company or its subsidiaries may at any time and from time to time purchase outstanding Preferred Securities by tender, in the open market or by private agreement.

If a partial redemption or a purchase of outstanding Preferred Securities by tender, in the open market or by private agreement would result in a delisting of such series of Preferred Securities from any national securities exchange on which such series of Preferred Securities is then listed, Penelec Capital may then only redeem or purchase such series of Preferred Securities in whole.

Liquidation Distribution

In the event of any voluntary or involuntary dissolution and winding up of Penelec Capital, other than in connection with the distribution of Subordinated Debentures in liquidation of all of the interests of the holders of Preferred Securities, as described under "Special Event Redemption or Distribution" ("Distribution Event"), the holders of a series of Preferred Securities at the time outstanding will be entitled to receive out of the assets of Penelec Capital, after satisfaction of liabilities to creditors as

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required by Delaware law, before any distribution of assets is made to holders of its general partner interests, but together with the

holders of every other series of Preferred Securities outstanding, an amount equal to the aggregate of the stated liquidation preference thereof and any accumulated, unpaid and additional Dividends accrued thereon to the date of payment and any accrued and unpaid Additional Amounts (the "Liquidation Distribution").

If, upon such liquidation, the Liquidation Distribution can be paid only in part because Penelec Capital has insufficient assets available to pay in full the aggregate Liquidation Distribution and the aggregate liquidation distributions on all other Preferred Securities then outstanding, then the amounts payable directly by Penelec Capital on such series of Preferred Securities and on all other Preferred Securities then outstanding shall be paid on a pro rata basis, so that

(i) (x) the aggregate amount paid in respect of the Liquidation Distribution bears to (y) the aggregate amount paid as liquidation distributions on all other Preferred Securities then outstanding the same ratio as

(ii) (x) the aggregate Liquidation Distribution bears to (y) the aggregate liquidation distributions on all other Preferred Securities then outstanding.

Pursuant to the Limited Partnership Agreement, Penelec Capital shall be dissolved and its affairs shall be wound up: (i) upon the expiration of the term of Penelec Capital, (ii) upon the bankruptcy, liquidation, dissolution or winding up of the Company, (iii) upon the occurrence of an event that causes the General Partner to cease being the general partner of Penelec Capital (provided that Penelec Capital will not be so dissolved under certain circumstances, including, without limitation, a transfer of the general partner interest to a permitted successor of the General Partner as set forth in the Limited Partnership Agreement), (iv) upon the entry of a decree of judicial dissolution, (v) in connection with a Distribution Event, or (vi) upon the written consent of the General Partner and all of the holders of the Preferred Securities.

Merger, Consolidation, Amalgamation, etc. of Penelec Capital

Penelec Capital may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its

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properties and assets substantially as an entirety to any corporation or other entity, except with the prior approval of the holders of not less than 66-2/3% of the aggregate stated liquidation preference of the outstanding Preferred Securities or except as described below. The General Partner may, without the consent of the holders of the Preferred Securities, cause Penelec Capital to consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, a corporation, a limited liability company, a limited partnership, a trust or other entity organized as such under the laws of the United States or any state thereof or the District of Columbia, provided that (i) such successor entity either (x) expressly assumes all of the terms and provisions of the Preferred Securities by which Penelec Capital is bound and the other obligations of Penelec Capital or (y) substitutes for the

Preferred Securities other securities having substantially the same terms as the Preferred Securities (the "Successor Securities") so long as the Successor Securities rank, with regard to participation in the profits or the assets of the successor entity, at least as high as the Preferred Securities rank, with regard to participation in the profits or the assets of Penelec Capital, (ii) the Company confirms its obligation under the Guarantee with regard to the Preferred Securities or Successor Securities, if any, (iii) such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease does not cause any series of Preferred Securities or Successor Securities, if any, to be delisted by any national securities exchange on which such series of Preferred Securities or Successor Securities, if any, is then listed, (iv) such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease does not cause the Preferred Securities or Successor Securities, if any, to be downgraded by any "nationally recognized statistical rating organization", as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Securities Act, (v) such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease does not adversely affect the powers, preferences and other special rights of holders of Preferred Securities or Successor Securities, if any, in any material respect, (vi) such successor entity has a purpose substantially identical to that of Penelec Capital and (vii) prior to such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease, Penelec Capital shall have received an opinion of counsel (which may be regular tax or other counsel to the Company or an affiliate but not an employee thereof) to the effect that (w) the holders of outstanding Preferred Securities will not recognize any gain or loss for federal income tax purposes

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as a result of the consolidation, amalgamation, merger, replacement, conveyance, transfer or lease, (x) such successor entity will be treated as a partnership for federal income tax purposes, (y) following such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease, the Company and such successor entity will be in compliance with the 1940 Act without registering thereunder as an investment company, and (z) such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease will not adversely affect the limited liability of the holders of Preferred Securities.

Voting Rights

Except as provided below and under "Merger, Consolidation, Amalgamation, etc. of Penelec Capital", "Description of the Guarantee-Amendments and Assignment" and "Description of the Subordinated Debentures-Modification of the Indenture" and as otherwise required by law and the Limited Partnership Agreement, the holders of the Preferred Securities will have no voting rights.

If (i) Penelec Capital fails to pay Dividends in full on the Preferred Securities for 18 consecutive monthly Dividend periods, or (ii) an Event of Default (as defined in the Indenture) occurs and is continuing, or (iii) the Company is in default on any of its payment or other obligations under the Guarantee (as described under "Description of the Guarantee-Certain Covenants of the Company"), then the holders of all Preferred Securities, acting as a single class, will be entitled, by a vote of the holders of a

majority of the aggregate stated liquidation preference thereof, to appoint and authorize a special representative of Penelec Capital and the holders of Preferred Securities (a "Special Representative") to enforce Penelec Capital's rights against the Company under the Indenture, including, after failure to pay interest for 60 consecutive monthly interest periods, the payment of interest on the Subordinated Debentures, and to enforce the obligations of the Company under the Guarantee. The Special Representative shall not be admitted as a partner in Penelec Capital or otherwise be deemed to be a partner in Penelec Capital and shall have no liability for the debts, obligations or liabilities of Penelec Capital.

For purposes of determining whether Penelec Capital has failed to pay Dividends in full for 18 consecutive monthly Dividend periods, Dividends shall be deemed to remain in arrears, notwithstanding any payments in respect thereof, until full

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cumulative Dividends have been or contemporaneously are paid with respect to all monthly Dividend periods terminating on or prior to the date of payment of such full cumulative Dividends. Subject to requirements of applicable law, not later than 30 days after such right to appoint a Special Representative arises, the General Partner will convene a general meeting for the above purpose. If the General Partner fails to convene such meeting within such 30-day period, the holders of 10% of the aggregate stated liquidation preference of such series of Preferred Securities will be entitled to convene such meeting. The provisions of the Limited Partnership Agreement relating to the convening and conduct of the general meetings of partners will apply with respect to any such meeting. Any Special Representative so appointed shall cease to act in such capacity immediately if Penelec Capital (or the Company pursuant to the Guarantee) shall have paid in full all accumulated and unpaid Dividends on the Preferred Securities or such default or breach, as the case may be, shall have been cured. Notwithstanding the appointment of any such Special Representative, the Company shall retain all rights under the Indenture, including the right to extend the interest payment period on the Subordinated Debentures as provided under "Description of the Subordinated Debentures-Option to Extend Interest Payment Period".

If any proposed amendment to the Limited Partnership Agreement provides for, or the General Partner otherwise proposes to effect, any action which would materially adversely affect the powers, preferences or special rights of any series of Preferred Securities, then the holders of such series of Preferred Securities will be entitled to vote on such amendment or action of the General Partner (but not on any other amendment or action) and, in the case of an amendment or action which would equally materially adversely affect the powers, preferences or special rights of any other series of Preferred Securities outstanding, all such series of Preferred Securities will be entitled to vote together as a class on such amendment or action of the General Partner (but not on any other amendment or action), and such amendment or action shall not be effective except with the approval of the holders of not less than 66-2/3% of the aggregate stated liquidation preference of such Preferred Securities. Except in certain circumstances described under "Liquidation Distribution", which include a dissolution in connection with a Distribution Event, Penelec Capital will be

dissolved and wound up only with the consent of the holders of all Preferred Securities then outstanding.

The rights attached to any Preferred Securities will be deemed

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not to be adversely affected by the creation or issue of, and no vote will be required for the creation or issue of, any further series of Preferred Securities, any other securities which are pari passu with the Preferred Securities or any general partner interests of Penelec Capital. Holders of Preferred Securities have no preemptive rights.

The Limited Partnership Agreement provides that the General Partner will not permit or cause Penelec Capital to file a voluntary petition in bankruptcy without the approval of the holders of not less than 66-2/3% of the aggregate stated liquidation preference of the outstanding Preferred Securities.

So long as any Subordinated Debentures are held by Penelec Capital, the General Partner shall not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or executing any trust or power conferred on the Trustee with respect to such series, (ii) waive any past default which is available under the Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Subordinated Debentures shall be due and payable, or (iv) consent to any amendment, modification or termination of the Indenture, where such consent shall be required, without, in each case, obtaining the prior approval of the holders of not less than 66-2/3% of the aggregate stated liquidation preference of all Preferred Securities affected thereby, acting as a single class; provided, however, that where a consent under the Indenture would require the consent of each holder affected thereby, no such consent shall be given by the General Partner without the prior consent of each holder of Preferred Securities affected thereby. The General Partner shall not revoke any action previously authorized or approved by a vote of any holders of Preferred Securities. The General Partner shall notify all holders of Preferred Securities of any notice of default received from the Trustee with respect to the Subordinated Debentures.

Any required approval of holders of Preferred Securities may be given at a separate meeting of such holders convened for such purposes, at a general meeting of holders of Penelec Capital's partner interests or pursuant to written consent. Penelec Capital will cause a notice of any meeting at which holders of any series of Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be mailed to each holder of record of such series of Preferred Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any matter to be voted on at such meeting or upon which written consent is sought, and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the holders of the Preferred Securities

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will be required for Penelec Capital to redeem and cancel Preferred Securities in accordance with the Limited Partnership Agreement.

Notwithstanding that holders of Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Preferred Securities that are owned by the Company or any entity owned more than 50% by the Company, either directly or indirectly, shall not be entitled to vote or consent and shall, for the purposes of such vote or consent, be treated as if they were not outstanding.

Holders of Preferred Securities will have no rights to remove or replace the General Partner.

Additional Amounts

All payments in respect of the Preferred Securities by Penelec Capital will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied upon or as a result of such payment by or on behalf of the United States, any state thereof or any other jurisdiction through which or from which such payment is made, or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event that any such withholding or deduction is required as a consequence of (i) the Subordinated Debentures not being treated as indebtedness for United States federal income tax purposes or (ii) Penelec Capital not being treated as a partnership for United States federal income tax purposes, Penelec Capital will pay as a Dividend such additional amounts as may be necessary in order that the net amounts received by the holders of the Preferred Securities after such withholding or deduction will equal the amounts which would have been receivable in respect of such Preferred Securities in the absence of such withholding or deduction ("Additional Amounts"), except that no such Additional Amounts will be payable to a holder of Preferred Securities (or a third party on such holder's behalf) with respect to Preferred Securities if:

(a) such holder is liable for such taxes, duties, assessments or governmental charges in respect of such Preferred Securities by reason of such holder's having a connection with the United States, any state thereof or any other jurisdiction through which or from which such

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payment is made, or in which such holder resides, conducts business or has other contacts, other than being a holder of Preferred Securities, or

(b) Penelec Capital has notified such holder of the obligation to withhold or deduct taxes and requested but not received from such holder a declaration of non-residence, a valid taxpayer identification number or other claim for exemption, and such withholding or deduction would not have been required had such declaration, taxpayer identification number or claim been received.

Book-Entry-Only Issuance-The Depository Trust Company

The Depository Trust Company ("DTC") will act as securities depository for the Preferred Securities. Each series of Preferred Securities will be issued only as fully-registered securities registered in the name of Cede & Co. (DTC's nominee). One or more fully-registered global Preferred Security certificates will be issued, representing in the aggregate the total number of Preferred Securities of each series, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies

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that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Commission.

Purchases of Preferred Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Preferred Securities on DTC's records. The ownership interest of each actual purchaser of each Preferred Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners purchased Preferred Securities. Transfers of ownership interests in the Preferred Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Preferred Securities, except in the event that use of the book-entry system for the Preferred Securities is discontinued.

DTC has no knowledge of the actual Beneficial Owners of the Preferred Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Preferred Securities are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If less than all of a series of Preferred Securities are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series to be redeemed.

Although voting with respect to the Preferred Securities is limited, in those cases where a vote is required, neither DTC nor Cede & Co. will consent or vote with respect to Preferred

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Securities. Under its usual procedure, DTC would mail an Omnibus Proxy to Penelec Capital as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Preferred Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Dividend payments on the Preferred Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the relevant payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customer practices and will be the responsibility of such Participants and not of DTC, Penelec Capital, the General Partner or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of Dividends to DTC is the responsibility of Penelec Capital, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Penelec Capital and the Company believe to be reliable, but neither Penelec Capital nor the Company takes any responsibility for the accuracy thereof.

DTC may discontinue providing its services as securities depository with respect to the Preferred Securities at any time by giving reasonable notice to Penelec Capital. Under such circumstances, in the event that a successor securities depository is not obtained, Preferred Security certificates are required to be printed and delivered. Additionally, Penelec Capital (with the consent of the General Partner) may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository). In that event, certificates for the Preferred Securities will be printed and delivered. Additionally, in the event that Penelec Capital exercises its option to redeem only a portion of a series of Preferred Securities because Penelec Capital or the Company is or would be required to withhold or deduct Additional Amounts in regard to such Preferred Securities to be

redeemed, Penelec Capital will cause the global certificates representing all of such series of Preferred Securities to be withdrawn from DTC (or a successor depository) and will issue

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certificates in definitive form representing such series of Preferred Securities. Thereafter, the Preferred Securities subject to such requirement to withhold or deduct Additional Amounts will be redeemed.

Registrar, Transfer Agent and Paying Agent

In the event that the Preferred Securities do not remain in book-entry-only form, the following provisions would apply:

Mellon Bank, N.A. will act as registrar, transfer agent and paying agent for the Preferred Securities, but the Company may designate an additional or substitute registrar, transfer agent and paying agent at any time.

Registration of transfers of Preferred Securities will be effected without charge by or on behalf of Penelec Capital, but upon payment (with the giving of such indemnity as Penelec Capital or the transfer agent may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

Penelec Capital will not be required to register or cause to be registered the transfer of Preferred Securities after such Preferred Securities have been called for redemption.

Miscellaneous

The General Partner is authorized and directed to use its best efforts to conduct the affairs of, and to operate, Penelec Capital in such a way that Penelec Capital would not be deemed to be an "investment company" required to be registered under the 1940 Act or taxed as a corporation for federal income tax purposes and so that the Subordinated Debentures will be treated as indebtedness of the Company for federal income tax purposes. In this connection, the General Partner is authorized to take any action not inconsistent with applicable law, the Certificate of Limited Partnership of Penelec Capital or the Limited Partnership Agreement, that does not materially adversely affect the interests of holders of Preferred Securities, that the General Partner determines in its discretion to be necessary or desirable for such purposes.

DESCRIPTION OF THE GUARANTEE

Set forth below is a summary of information concerning the Guarantee which will be executed and delivered by the Company in connection with each series of Preferred Securities for the benefit of the holders from time to time of the series of Preferred Securities to which it relates. This summary describes certain terms and provisions of the Guarantee, but does not purport to be

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complete. References to provisions of the Guarantee are qualified in their entirety by reference to the text of the Guarantee, which will be substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus forms a part.

General

The Company will irrevocably and unconditionally agree, to the extent set forth therein, to pay in full, to the holders of the Preferred Securities, the Guarantee Payments (as defined below) (except to the extent paid by Penelec Capital), as and when due, regardless of any defense, right of set-off or counterclaim which the Company or Penelec Capital may have or assert. The following payments to the extent not paid by Penelec Capital (the "Guarantee Payments") will be subject to the Guarantee (without duplication): (i) any accumulated and unpaid monthly Dividends on the Preferred Securities (except for monthly Dividends which are not paid during an Extension Period (as defined under "Description of the Subordinated Debentures-Option to Extend Interest Payment Period")) to the extent that Penelec Capital has sufficient cash on hand to permit such payments and funds legally available therefor, (ii) the Redemption Price with respect to any Preferred Securities called for redemption by Penelec Capital to the extent that Penelec Capital has sufficient cash on hand to permit such payments and funds legally available therefor, (iii) upon a liquidation of Penelec Capital other than in connection with a Distribution Event, the lesser of (a) the Liquidation Distribution and (b) the amount of assets of Penelec Capital available for distribution to holders of Preferred Securities in liquidation of Penelec Capital, and (iv) any Additional Amounts payable by Penelec Capital in respect of the Preferred Securities. The Company's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Company to the holders of Preferred Securities or by payment of such amounts by Penelec Capital to such holders.

Certain Covenants of the Company

So long as any Preferred Securities remain outstanding, neither the Company, nor any majority owned subsidiary of the Company, will declare or pay any dividend on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its preferred or common stock (other than dividends to the Company by a wholly owned subsidiary of the Company) (i) during an Extension Period (as defined under "Description of the Subordinated Debentures-Option to Extend Interest Payment Period") or (ii) if at

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such time the Company shall be in default with respect to its payment or other obligations under the Guarantee or there shall have occurred any event that, with the giving of notice or the lapse of time or both, would constitute an Event of Default under the Indenture.

In addition, so long as any Preferred Securities remain outstanding, the Company will (i) maintain direct or indirect 100% ownership of the general partner interests in Penelec Capital; (ii) cause at least 3% of the total value of Penelec Capital and at least 3% of all interests in the capital, income, gain, loss, deduction and credit of Penelec Capital to be represented by general partner interests; (iii) not cause Penelec Capital to be voluntarily dissolved and wound-up except upon the entry of a decree of judicial dissolution, in connection with a Distribution Event or certain mergers, consolidations or similar transactions permitted by the Limited Partnership Agreement or as otherwise

described under "Description of Preferred Securities-Liquidation Distribution"; (iv) cause the General Partner to remain the general partner of Penelec Capital and timely perform all of its duties as general partner of Penelec Capital (including the duty to pay Dividends on the Preferred Securities out of cash on hand and funds legally available therefor) in all material respects, provided that any permitted successor of the Company under the Indenture may directly or indirectly succeed to the duties as general partner of Penelec Capital; and (v) use its reasonable efforts to cause Penelec Capital to remain a limited partnership and otherwise continue to be treated as a partnership for United States federal income tax purposes.

Additional Amounts

All Guarantee Payments will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied upon or as a result of such payment by or on behalf of the United States, any state thereof or any other jurisdiction through which or from which such payment is made, or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event that any such withholding or deduction is required as a consequence of (i) the Subordinated Debentures not being treated as indebtedness for United States federal income tax purposes or (ii) Penelec Capital not being treated as a partnership for United States federal income tax

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purposes, the Company will pay such additional amounts as may be necessary in order that the net amounts received by the holders of the Preferred Securities after such withholding or deduction will equal the amount which would have been receivable in respect of the Preferred Securities in the absence of such withholding or deduction, except that no such additional amounts will be payable to a holder of Preferred Securities (or a third party on such holder's behalf) if:

(a) such holder is liable for such taxes, duties, assessments or governmental charges in respect of the Preferred Securities by reason of such holder's having a connection with the United States, any state thereof or any other jurisdiction through which or from which such payment is made, or in which such holder resides, conducts business or has other contacts, other than being a holder of Preferred Securities, or

(b) Penelec Capital or the Company has notified such holder of the obligation to withhold or deduct taxes and requested but not received from such holder a declaration of non-residence, a valid taxpayer identification number or other claim for exemption, and such withholding or deduction would not have been required had such declaration, taxpayer identification number or claim been received.

Amendments and Assignment

The Guarantee may only be amended by a written instrument executed by the Company; provided that, so long as any of the Preferred Securities remain outstanding, any such amendment that materially adversely affects the holders of the related series of Preferred Securities, any termination of the Guarantee and any waiver of compliance with any covenant thereunder shall be effected only with the prior approval of the holders of not less than 66-2/3% of the aggregate stated liquidation preference of the affected series of Preferred Securities. Except in connection with an assignment, merger, sale, transfer or lease involving the Company as may be permitted under the Indenture (see "Description of the Subordinated Debentures-Consolidation, Merger, Sale or Conveyance; Assignment"), the Company may not assign its obligations under the Guarantee without the approval of the holders of not less than 66-2/3% of the aggregate stated liquidation

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preference of the related series of Preferred Securities. See "Description of Preferred Securities-Voting Rights". All guarantees and agreements contained in the Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the holders of the Preferred Securities.

Termination of the Guarantee

The Guarantee will terminate and be of no further force and effect upon full payment of the Redemption Price of all of the related series of Preferred Securities or upon full payment of the amounts payable upon liquidation of Penelec Capital or upon consummation of a Distribution Event. The Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of such series of Preferred Securities must restore payment of any sums paid under such Preferred Securities or the Guarantee.

Status of the Guarantee

The Guarantee will constitute an unsecured obligation of the Company and will rank (i) subordinate and junior in right of payment to all present and future Senior Indebtedness of the Company, and (ii) senior in right of payment to the Company's preferred and common stock. The Limited Partnership Agreement provides that each holder of Preferred Securities by acceptance thereof agrees to the subordination provisions and other terms of the Guarantee.

The Guarantee will constitute a guarantee of payment and not of collection. The Guarantee will be held for the benefit of the holders of the related series of Preferred Securities. If appointed, a Special Representative may enforce the Guarantee. If no Special Representative has been appointed to enforce the Guarantee, the General Partner has the right to enforce the Guarantee on behalf of the holders of the Preferred Securities. If the General Partner or the Special Representative fails to enforce the Guarantee, any holder of Preferred Securities may institute a legal proceeding directly against the Company to enforce its rights under the Guarantee, without first instituting a legal proceeding against Penelec Capital or any other person or entity.

DESCRIPTION OF THE SUBORDINATED DEBENTURES

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Set forth below is a description of the Subordinated Debentures which will be purchased by Penelec Capital with the proceeds of the sale of the Preferred Securities and the General Partner's related capital contribution. This description is a brief summary of certain provisions contained in the Indenture, does not purport to be complete and is qualified in its entirety by reference to the text of the Indenture, including the definition therein of certain capitalized terms, a copy of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part.

Under certain circumstances following the occurrence of a Special Event, Penelec Capital may dissolve and cause Subordinated Debentures to be distributed to the holders of the Preferred Securities in liquidation of their interests in Penelec Capital. See "Description of Preferred Securities-Special Event Redemption or Distribution".

General

Subordinated Debentures will be issued in series under the Indenture. Each series of Subordinated Debentures will be limited in aggregate principal amount to the amount of the aggregate stated liquidation preference of the related series of Preferred Securities together with any related capital contribution from the General Partner.

So long as any Preferred Securities remain outstanding, any Special Representative appointed by the holders of Preferred Securities, as described under "Description of Preferred Securities-Voting Rights", will be entitled to enforce the Company's obligations under the Indenture and the Subordinated Debentures directly against the Company.

The Subordinated Debentures will become due and payable, together with (i) all accrued and unpaid interest to the date of payment, including Additional Interest (as defined under "Additional Interest"), if any, and (ii) any accrued interest thereon, on the 49th anniversary of the date of issuance thereof.

Mandatory Prepayment

If Penelec Capital redeems Preferred Securities in accordance with their terms, the related Subordinated Debentures will become due and payable in a principal amount equal to the aggregate stated liquidation preference of the Preferred Securities so redeemed, together with (i) all accrued and unpaid interest to the date of payment, including Additional Interest, if any, and (ii) any accrued interest thereon.

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Optional Redemption

The Company will have the right to redeem the Subordinated Debentures, without premium or penalty, at a price equal to 100% of their principal amount, together with (i) all accrued and unpaid

interest on the Subordinated Debentures being redeemed to the Redemption Date, including Additional Interest, if any, and (ii) any accrued interest thereon (collectively, the "Debenture Redemption Price")

(x) in whole or in part at such time or times as shall be specified in a Prospectus Supplement; and

(y) in whole at any time if the Company is or would be required to pay Additional Interest on the Subordinated Debentures or in part at any time if the Company is or would be required to pay Additional Interest with respect to only a portion of the Subordinated Debentures, provided that if a partial redemption would, through the corresponding partial redemption required under the terms of the related series of Preferred Securities, result in a delisting of the related series of Preferred Securities from any national securities exchange on which such series of Preferred Securities is then listed, the Company may only redeem the Subordinated Debentures in whole. In no event, however, shall the Company have the right to redeem the Subordinated Debentures, or a portion thereof, under this clause (ii) based on a de minimis obligation to pay Additional Interest. For purposes of the foregoing, in the event that the Company is advised by counsel (which may be regular tax counsel to the Company or an affiliate but not an employee thereof) that more than an insubstantial risk exists that Penelec Capital will incur penalties, interest or tax under the Internal Revenue Code of 1986, as amended, or other applicable law if it does not withhold or deduct certain amounts as may be required in connection with monthly Dividends or other payments made by it with respect to the Preferred Securities, or that the Company will incur such penalties, interest or tax if it does not withhold or deduct in connection with payments made by it under the Subordinated Debentures, the Company shall have the right to redeem the Subordinated Debentures, or a portion thereof, under this clause (ii) unless the obligation to

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pay Additional Interest, if Penelec Capital or the Company does so withhold, is a de minimis obligation.

Redemption Procedures

If the Company gives a notice of redemption in respect of a series of Subordinated Debentures (which notice will be given not less than 30 nor more than 90 days prior to the redemption date and will be irrevocable), then, on the redemption date, the Company will irrevocably deposit with the Trustee funds sufficient to pay the applicable Debenture Redemption Price. If notice of redemption shall have been given and funds deposited as required, then on the date of such deposit, all rights of holders of such Subordinated Debentures so called for redemption will cease, except the right of the holders of such Subordinated Debentures to receive the Debenture Redemption Price, but without interest. In the event that any date fixed for redemption of Subordinated Debentures is not a Business Day, then payment of the Debenture Redemption Price

payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that if such Business Day falls in the next succeeding calendar year, such payment will be made on the immediately preceding Business Day.

In the event that less than all of a series of outstanding Subordinated Debentures are to be so redeemed following a Distribution Event, the Subordinated Debentures to be redeemed will be selected as described under "Description of Preferred Securities-Book-Entry-Only Issuance-The Depository Trust Company."

Subject to applicable law, after a Distribution Event the Company or its subsidiaries may at any time and from time to time purchase outstanding Subordinated Debentures by tender, in the open market or by private agreement.

If a partial redemption or a purchase of outstanding Subordinated Debentures by tender, in the open market or by private agreement would result in a delisting of such series of Subordinated Debentures from any national securities exchange on which such series of Subordinated Debentures is then listed, the Company may then only redeem or purchase such series of Subordinated Debentures in whole.

Interest

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Each Subordinated Debenture will bear interest at a rate per annum equal to the Dividend rate on the related series of Preferred Securities, payable monthly in arrears on the last day of each calendar month of each year (each an "Interest Payment Date"), to the person in whose name such Subordinated Debenture is registered, subject to certain exceptions, at the close of business on the Business Day next preceding such Interest Payment Date (the "Regular Record Date"). In the event that the Subordinated Debentures do not remain in book-entry-only form, the record dates will be the fifteenth day of each month.

The amount of interest payable for any period will be computed on the basis of twelve 30-day months and a 360-day year and, for any period shorter than a full monthly interest period, on the basis of the actual number of days elapsed. In the event that any date on which interest is payable on the Subordinated Debentures is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

Option to Extend Interest Payment Period

The Company will have the right at any time and from time to time during the term of the Subordinated Debentures, so long as the Company is not in default in the payment of interest on the Subordinated Debentures, to extend the interest payment period on the Subordinated Debentures to up to 60 consecutive months,

provided that at the end of each such period (an "Extension Period") the Company shall pay all interest then accrued and unpaid (together with interest thereon at the rate specified for the Subordinated Debentures to the extent permitted by applicable law). During any such Extension Period, neither the Company, nor any majority owned subsidiary of the Company, may declare or pay any dividends on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock (other than dividends to the Company by a wholly owned subsidiary of the Company). No interest shall be due and payable during an Extension Period, except at the end thereof. If Penelec Capital shall be the sole holder of the Subordinated Debentures, the Company shall give Penelec Capital notice of its selection of such extended interest payment period one Business Day prior to the earlier of (i) the

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date the Dividends on Preferred Securities are payable or (ii) the date Penelec Capital is required to give notice to any national securities exchange on which the Preferred Securities are listed or other applicable self-regulatory organization or to the holders of the Preferred Securities of the record date or the date such Dividend is payable, but in any event not less than one Business Day prior to such record date. The Company shall cause Penelec Capital to give notice of the Company's selection of such extended interest payment period to the holders of the Preferred Securities. If Penelec Capital shall not be the sole holder of the Subordinated Debentures, the Company will give the holders of the Subordinated Debentures notice of its selection of such extended interest payment period ten Business Days prior to the earlier of (i) the Interest Payment Date or (ii) the date the Company is required to give notice of the record or payment date of such related interest payment to any national securities exchange on which the Subordinated Debentures are then listed or other applicable self-regulatory organization or to holders of the Subordinated Debentures, but in any event not less than two Business Days prior to such record date.

Additional Interest

If at any time Penelec Capital is required to pay any Additional Amounts in respect of the Preferred Securities pursuant to the terms thereof, then the Company will pay as interest ("Additional Interest") on the Subordinated Debentures an amount equal to such Additional Amounts. In addition, if Penelec Capital would be required to pay any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States, or any other taxing authority, then, in any such case, the Company will also pay as Additional Interest such amounts as shall be required so that the net amounts received and retained by Penelec Capital after paying any such taxes, duties, assessments or governmental charges will be not less than the amounts Penelec Capital would have received had no such taxes, duties, assessments or governmental charges been imposed.

Credit

Prior to a Distribution Event, the Company shall receive a credit against any payment it is otherwise required to make under the Subordinated Debentures to the extent it has theretofore made, or is concurrently making, a payment under the Guarantee.

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Subordination

All payments by the Company in respect of the Subordinated Debentures shall be subordinated to the prior payment in full of all amounts payable on Senior Indebtedness. "Senior Indebtedness" consists of (i) the principal of and premium (if any) in respect of (A) indebtedness of the Company for money borrowed and (B) indebtedness evidenced by securities, debentures, bonds or other similar instruments (including purchase money obligations) for payment of which the Company is responsible or liable; (ii) all capital lease obligations of the Company; (iii) all obligations of the Company issued or assumed as the deferred purchase price of property or services, all conditional sale obligations of the Company and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business); (iv) certain obligations of the Company for the reimbursement of any obligor on any letter of credit, banker's acceptance, security purchase facility or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) of other persons for the payment of which the Company is responsible or liable as obligor, guarantor or otherwise; and (vi) all obligations of the type referred to in clauses (i) through (v) of other persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company), except for any such indebtedness that is by its terms subordinated to or pari passu with the Subordinated Debentures.

Upon any payment or distribution of assets or securities of the Company or upon any dissolution or winding up or total or partial liquidation or reorganization of the Company, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings, all amounts payable on Senior Indebtedness (including any interest accruing on such Senior Indebtedness subsequent to the commencement of a bankruptcy, insolvency or similar proceeding) shall first be paid in full before the Trustee or the holders of Preferred Securities or Subordinated Debentures (or the Special Representative) will be entitled to receive from the Company any payment of principal of, or interest on, or any other amounts in respect of, the Subordinated Debentures.

No direct or indirect payment by or on behalf of the Company of principal of or interest on the Subordinated Debentures whether pursuant to the terms of the Subordinated Debentures or upon acceleration or otherwise may be made if, at the time of such payment, there exists, (i) a default in the payment of all or any portion of any Senior Indebtedness or (ii) any other default (other than a default of the nature described in clause (i) above) affecting Senior Indebtedness permitting its acceleration, as the result of which the maturity of Senior Indebtedness has been

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accelerated, and in either case requisite notice has been given to the Company and the Trustee and such default shall not have been cured or waived by or on behalf of the holders of such Senior Indebtedness.

If the Trustee or any holder of Preferred Securities or Subordinated Debentures (or the Special Representative) has received any payment on account of the principal of or interest on the Subordinated Debentures when such payment is prohibited and before all amounts payable on Senior Indebtedness are paid in full, then and in such event such payment or distribution shall be received and held in trust for the holders of Senior Indebtedness and shall be paid over or delivered first to the holders of the Senior Indebtedness remaining unpaid to the extent necessary to pay such Senior Indebtedness in full.

Upon the payment in full of all Senior Indebtedness, the Trustee and the holders of Preferred Securities or Subordinated Debentures (and the Special Representative) shall be subrogated to the rights of the holders of such Senior Indebtedness to receive payments or distributions of assets of the Company made on such Senior Indebtedness until the Subordinated Debentures are paid in full.

Certain Covenants of the Company

Neither the Company nor any majority owned subsidiary shall declare or pay any dividend on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its preferred or common stock (other than dividends to the Company by a wholly owned subsidiary of the Company) (i) during an Extension Period, (ii) if there shall have occurred and is continuing any event that, with the giving of notice or the lapse of time or both, would constitute an Event of Default under the Indenture or (iii) so long as any Preferred Securities remain outstanding, if the Company shall be in default with respect to its payment or other obligations under the Guarantee.

Book-Entry and Settlement

If Subordinated Debentures are distributed to holders of Preferred Securities, the Subordinated Debentures will be issued in book-entry-only form to DTC. For a description of DTC and the specific terms of the depository arrangements, see "Description of

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Preferred Securities-Book-Entry-Only Issuance-The Depository Trust Company", which would also apply to the Subordinated Debentures in book-entry-only form.

Neither the Company, the Trustee, any paying agent nor any other agent of the Company or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global security for such Subordinated Debentures or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Discontinuance of the Depository's Services. A global security will be exchangeable for Subordinated Debentures registered in the names of persons other than the depository or its nominee only if (i) the depository notifies the Company that it is unwilling or unable to continue as depository for such global security or if at any time the depository ceases to be a clearing agency registered under the Exchange Act at a time when the

depository is required to be so registered to act as such depository, (ii) the Company in its sole discretion determines that such global security shall be so exchangeable or (iii) there shall have occurred and be continuing a default in the payment of principal of, or interest on, such Subordinated Debentures or an Event of Default or an event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default with respect to such Subordinated Debentures. Any global security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Subordinated Debentures registered in such names as the depository shall direct. It is expected that such instructions will be based upon directions received by the depository from its Participants with respect to ownership of beneficial interests in such global security.

Payment; Registration and Transfer

In the event that the Subordinated Debentures do not remain in book-entry-only form, the following provisions would apply:

Payment of principal of any Subordinated Debenture will be made only against surrender to the Trustee or the Paying Agent appointed by the Company, if not the Trustee, of such Subordinated Debenture. Principal of, and interest on, Subordinated Debentures will be payable, subject to any applicable laws and regulations, at the office of the Trustee or such Paying Agent as the Company may

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designate from time to time, except that at the option of the Company payment of any interest may be made by check mailed to the address of the person entitled thereto as such address shall appear in the security Register with respect to such Subordinated Debentures. Payment of interest on a Subordinated Debenture on any Interest Payment Date will be made to the person in whose name such Subordinated Debenture is registered at the close of business on the Regular Record Date for such interest, with certain exceptions.

The Corporate Trust Office of the Trustee in The City of New York shall initially be designated as the Company's sole Paying Agent for payments with respect to Subordinated Debentures of each series. The Company may at any time designate other or additional Paying Agents or rescind the designation of any Paying Agent or approve a change in the office through which any Paying Agent acts.

Subordinated Debentures may be presented for registration of transfer (with the form of transfer endorsed thereon duly executed), at the office of the Registrar appointed by the Company without service charge and upon payment of any taxes and other governmental charges as described in the Indenture. The Company has initially appointed the Trustee as Registrar with respect to the Subordinated Debentures. The Company shall not be required to make, and the Registrar need not register, the transfer or exchange of (i) any Subordinated Debenture during a period beginning at the opening of business five days before the mailing of a notice of redemption of Subordinated Debentures, and ending at the close of business on the day of such mailing, (ii) any Subordinated Debenture selected, called or being called for redemption, in whole or in part, except in the case of any Subordinated Debenture to be redeemed in part, the portion thereof not to be redeemed or (iii)

any Subordinated Debenture between a Regular Record Date and the next succeeding Interest Payment Date.

Amendment of the Indenture

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than a majority in principal amount of the Subordinated Debentures which are affected by the amendment or waiver, to amend the Indenture or the Subordinated Debentures or to waive compliance by the Company with any provision of the Indenture or the Subordinated Debentures; provided that no such amendment or waiver may, without the consent of the holder of each outstanding Subordinated Debenture affected

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thereby, (a) reduce the principal amount of the Subordinated Debentures, (b) reduce the percentage of principal amount of outstanding Subordinated Debentures of any series, the consent of holders of which is required for amendment of the Indenture or for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults, (c) change the stated maturity date of the principal of, or the interest or the rate of interest on, the Subordinated Debentures, (d) change the redemption provisions applicable to the Subordinated Debentures adversely to the holders thereof, (e) impair the right to institute suit for the enforcement of any payment with respect to the Subordinated Debentures, (f) change the currency in which payments with respect to the Subordinated Debentures are to be made, (g) change the subordination provisions applicable to the Subordinated Debentures adversely to the holders thereof, or (h) waive a default in the payment of the principal of, or interest on, any Subordinated Debenture. The Indenture or the Subordinated Debentures may be amended, without the consent of the holders of the Subordinated Debentures, to cure any ambiguity, defect or inconsistency or to make other changes that do not adversely affect the rights of such holders.

Events of Default

The following are Events of Default under the Indenture: (i) default for 15 days in payment of any interest (including Additional Interest, if any) on Subordinated Debentures (whether by virtue of the provisions described above under "Subordination" or otherwise); provided that an extension of the interest payment period by the Company as described under "Option to Extend Interest Payment Period" shall not constitute a default in the payment of interest for this purpose; (ii) default in payment of principal of Subordinated Debentures when due (whether by virtue of the provisions described above under "Subordination" or otherwise); (iii) default for 30 days after notice in the performance of any other covenant in the Indenture; or (iv) certain events of bankruptcy, insolvency or reorganization of the Company. If an Event of Default shall occur and be continuing, the Trustee or the holders of not less than a majority in principal amount of the Subordinated Debentures then outstanding may declare the principal of, and all accrued and unpaid interest (including Additional Interest, if any, and any interest accrued but not paid during an Extension Period) on, the Subordinated Debentures to be due and payable; provided that, upon certain events of bankruptcy, insolvency or reorganization of the Company, such amounts shall

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immediately become due and payable without any declaration or other action by the Trustee or such holders. The Company is required to furnish to the Trustee annually a statement as to the performance by the Company of its obligations under the Indenture and as to any default in such performance. Under certain circumstances, any declaration of acceleration with respect to the Subordinated Debentures may be rescinded and past defaults (except, unless theretofore cured, a default in the payment of principal of, or interest on, the Subordinated Debentures) may be waived by the holders of a majority in principal amount of the Subordinated Debentures then outstanding. The Indenture provides that the Trustee may withhold notice to the holders of the Subordinated Debentures of any continuing default (except in the payment of the principal of, or interest on, the Subordinated Debentures) if the Trustee considers it in the interests of holders of Subordinated Debentures to do so. So long as any Subordinated Debentures are held by Penelec Capital, the holders of any outstanding Preferred Securities will have the rights referred to under "Description of Preferred Securities-Voting Rights", including the right to appoint a Special Representative authorized to exercise Penelec Capital's right, as the holder of Subordinated Debentures, to accelerate the principal amount of the Subordinated Debentures and to enforce Penelec Capital's other rights under the Indenture.

Consolidation, Merger, Sale or Conveyance

The Indenture provides that the Company may not consolidate with or merge into any other Person or sell, convey, transfer or lease all or substantially all of its properties and assets to any Person, unless (i) the successor Person shall be organized and existing under the laws of the United States or any state thereof or the District of Columbia; (ii) the successor Person shall expressly assume (x) by a supplemental indenture, all of the Company's obligations under the Subordinated Debentures and the Indenture and (y) so long as any Preferred Securities remain outstanding, the Company's obligations under the Guarantee; (iii) so long as any Preferred Securities remain outstanding, the successor Person becomes or acquires the General Partner; and (iv) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, conveyance, transfer or lease and such supplemental indenture comply with the Indenture. In case of any such consolidation, merger, sale, conveyance, transfer or lease, such successor Person will succeed to and be substituted for the Company as obligor on the Subordinated Debentures, with the same effect as if it had been named in the Indenture as the issuer in place of the Company.

The Indenture does not contain any other covenant which restricts the Company's ability to consolidate or merge with, or sell, convey, transfer or lease all or substantially all of its

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assets to, any Person, firm or corporation or otherwise engage in restructuring transactions.

Title

The Company, the Trustee and any agent of the Company or the Trustee may treat the registered owner of any Subordinated

Debenture as the absolute owner thereof (whether or not such Subordinated Debenture shall be overdue and notwithstanding any notice to the contrary) for the purpose of making payment and for all other purposes.

Defeasance and Discharge

Under the terms of the Indenture, the Company will be discharged from any and all obligations in respect of the Subordinated Debentures of any series (except in each case for certain obligations to register the transfer or exchange of Subordinated Debentures, replace stolen, lost or mutilated Subordinated Debentures, maintain paying agencies and hold monies for payment in trust) if the Company deposits with the Trustee, in trust, (i) money and/or (ii) U. S. Government Obligations (as defined in the Indenture) sufficient to pay all the principal of, and interest on, the Subordinated Debentures of such series on the dates such payments are due; provided that no Event of Default has occurred and is continuing. In connection with such a defeasance and discharge, the Company, among other things, will deliver to the Trustee an Opinion of Counsel to the effect that (i) the deposit and related defeasance would not cause the holders of the Subordinated Debentures of such series to recognize income, gain or loss for federal income tax purposes, or a copy of a ruling or other formal statement or action to such effect received from or published by the Internal Revenue Service; and (ii) the trust resulting from the defeasance is a valid trust and will not constitute a regulated investment company under the 1940 Act.

Replacement of Subordinated Debentures

Any mutilated Subordinated Debenture will be replaced by the Company at the expense of the holder upon its surrender to the Trustee. Subordinated Debentures that become destroyed, lost or stolen will be replaced by the Company at the expense of the holder upon delivery to the Trustee of evidence of the destruction, loss or theft thereof satisfactory to the Company and the Trustee. In the case of a destroyed, lost or stolen Subordinated Debenture, an

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indemnity satisfactory to the Trustee and the Company may be required at the expense of the holder of such Subordinated Debenture before a replacement Subordinated Debenture will be issued.

Governing Law

The Indenture and the Subordinated Debentures will be governed by and construed in accordance with the laws of the State of New York.

Information Concerning the Trustee

Subject to the provisions of the Indenture relating to its duties, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the holders thereunder, unless such holders shall have offered to the Trustee reasonable indemnity. Subject to such provision for indemnification, the holders of a majority in principal amount of the Subordinated Debentures then outstanding

thereunder will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee thereunder, or exercising any trust or power conferred on the Trustee.

The Indenture contains limitations on the right of the Trustee, as a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. In addition, the Trustee may be deemed to have a conflicting interest and may be required to resign as Trustee if at the time of default under the Indenture it is a creditor of the Company.

United States Trust Company of New York, the Trustee under the Indenture, has from time to time engaged in transactions with, or performed services for, the Company and its affiliates in the ordinary course of business.

Miscellaneous

For restrictions on certain actions of the General Partner with respect to Subordinated Debentures held by Penelec Capital, see "Description of Preferred Securities-Voting Rights".

UNITED STATES TAXATION

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General

This section is a summary of certain United States federal income tax considerations that may be relevant to prospective purchasers of Preferred Securities and represents the opinion of Carter, Ledyard & Milburn, special tax counsel to the Company and Penelec Capital, insofar as it relates to matters of law and legal conclusions. This section is based upon current provisions of the Internal Revenue Code of 1986, as amended ("Code"), existing and proposed regulations thereunder and current administrative rulings and court decisions, all of which are subject to change. Subsequent changes may cause tax consequences to vary substantially from the consequences described below.

No attempt has been made in the following discussion to comment on all United States federal income tax matters affecting purchasers of Preferred Securities. Moreover, the discussion focuses on holders of Preferred Securities who are individual citizens or residents of the United States and has only limited application to corporations, estates, trusts or non-resident aliens. Accordingly, each prospective purchaser of Preferred Securities should consult, and should depend on, his or her own tax advisor in analyzing the federal, state, local and foreign tax consequences of the purchase, ownership or disposition of Preferred Securities.

Income from Preferred Securities

In the opinion of Carter, Ledyard & Milburn, Penelec Capital will be treated as a partnership for federal income tax purposes. Accordingly, each holder of Preferred Securities (a "Preferred Securityholder") will be required to include in gross income such

holder's distributive share of the income of Penelec Capital. Such income will not exceed Dividends received on such Preferred Securities, except in limited circumstances as described below under "Potential Extension of Interest Payment Period". No portion of such income will be eligible for the dividends received deduction.

Disposition of Preferred Securities

Gain or loss will be recognized on a sale (including a redemption for cash) of Preferred Securities in an amount equal to the difference between the amount realized and the Preferred

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Securityholder's tax basis for the Preferred Securities sold. Gain or loss recognized by a Preferred Securityholder on the sale or exchange of a Preferred Security held for more than one year will generally be taxable as long-term capital gain or loss.

Receipt of Subordinated Debentures Upon Liquidation of Penelec Capital

Under certain circumstances described under the caption "Description of Preferred Securities-Special Event Redemption or Distribution", Penelec Capital may dissolve and cause Subordinated Debentures to be distributed to the holders of Preferred Securities in liquidation of such holders' interests in Penelec Capital. As described in "Description of Preferred Securities-Special Event Redemption or Distribution", in the case of a Special Event, Subordinated Debentures may not be distributed to the holders of Preferred Securities in connection with a dissolution of Penelec Capital unless Penelec Capital receives an opinion of counsel to the effect that the holders of the Preferred Securities will not recognize any gain or loss for federal income tax purposes as a result of such dissolution and distribution. Such a tax-free transaction would result in the holder of Preferred Securities receiving an aggregate tax basis in the Subordinated Debentures equal to such holder's aggregate tax basis in the holder's Preferred Securities. A holder's holding period in such Subordinated Debentures would include the period for which the Preferred Securities were held by such holder.

Penelec Capital Information Returns and Audit Procedures

The General Partner will furnish each Preferred Securityholder with a Schedule K-1 each year setting forth such Preferred Securityholder's allocable share of income for the prior calendar year. The General Partner is required to furnish such schedules as soon as practicable following the end of the year, but in any event prior to March 31.

Any person who holds Preferred Securities as a nominee for another person is required to furnish to Penelec Capital (a) the name, address and taxpayer identification number of the beneficial owner and the nominee; (b) information as to whether the beneficial owner is (i) a person that is not a United States person, (ii) a foreign government, an international organization or any wholly owned agency or instrumentality of either of the foregoing, or (iii) a tax-exempt entity; (c) the amount and description of Preferred Securities held, acquired or transferred for the

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beneficial owner; and (d) certain information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales. Brokers and financial institutions are required to furnish additional information, including whether they are United States persons and certain information on Preferred Securities they acquire, hold or transfer for their own accounts. A penalty of $50 per failure (up to a maximum of $100,000 per calendar year) is imposed by the Code for failure to report such information to Penelec Capital. The nominee is required to supply the beneficial owners of Preferred Securities with the information furnished to Penelec Capital.

Potential Extension of Interest Payment Period

Under the terms of the Indenture, the Company has the right to extend from time to time the interest payment period on the Subordinated Debentures to a period not exceeding 60 consecutive months. In the event that the Company exercises this right, the Company may not, among other things, declare dividends on any of its capital stock. Penelec Capital and the Company currently believe that the extension of an interest payment period is unlikely. In the event that the interest payment period is extended, Penelec Capital will continue to accrue income, on an economic accrual basis, generally equal to the amount of the interest payment due at the end of the extended interest payment period, over the length of the extended interest payment period.

Accrued income will be allocated, but not distributed, to holders of record on the Business Day preceding the last day of each calendar month. As a result, holders of record during an extended interest payment period will include interest in gross income in advance of the receipt of cash, and any such holders who dispose of Preferred Securities prior to the record date for the payment of Dividends following such extended interest payment period will include interest in gross income but will not receive any cash related thereto. The tax basis of a Preferred Security will be increased by the amount of any interest that is included in income without a receipt of cash, and will be decreased when and if such cash is subsequently received from Penelec Capital. The subsequent receipt of such cash will not be includible in gross income.

United States Alien Holders

For purposes of this discussion, a "United States Alien Holder" is any holder who or which is (i) a nonresident alien individual or (ii) a foreign corporation, partnership or estate or trust, in either case not subject to United States federal income tax on a net income basis in respect of a Preferred Security.

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Under current United States federal income tax law, subject to the discussion below with respect to backup withholding, and assuming satisfaction by the Company of its withholding tax obligations, if any:

(i) payments by Penelec Capital or any of its paying agents to any holder of a Preferred Security who or which

is a United States Alien Holder will not be subject to United States federal withholding tax provided that (a) the beneficial owner of the Preferred Security does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Company or 10% or more of the Preferred Securities entitled to vote, (b) the beneficial owner of the Preferred Security is not a controlled foreign corporation that is related to the Company or Penelec Capital through stock ownership, and (c) either: (x) the beneficial owner of the Preferred Security certifies to Penelec Capital or its agent, under penalties of perjury, that it is a United States Alien Holder and provides its name and address or (y) the holder of the Preferred Security is a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a "financial institution"), and such holder certifies to Penelec Capital or its agent, under penalties of perjury, that such statement has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner and furnishes Penelec Capital or its agent with a copy thereof; and

(ii) a United States Alien Holder of a Preferred Security will generally not be subject to United States federal withholding tax on any gain realized on the sale or exchange of a Preferred Security unless such holder is present in the United States for 183 days or more in the taxable year of sale and either has a "tax home" in the United States or certain other requirements are met.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to payments of the proceeds of the sale of Preferred Securities within

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the United States to noncorporate United States holders, and "backup withholding" at a rate of 31% will apply to such payments if the United States holder fails to provide an accurate taxpayer identification number.

Payments of the proceeds from the sale by a United States Alien Holder of Preferred Securities made to or through a foreign office of a broker will not be subject to information reporting or backup withholding, except that, if the broker is a United States person, a controlled foreign corporation for United States tax purposes or a foreign person 50% or more of whose gross income is effectively connected with a United States trade or business for a specified three-year period, information reporting may apply to such payments. Payments of the proceeds from the sale of Preferred Securities to or through the United States office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner certifies as to its non-United States status or otherwise establishes an exemption from information reporting and backup withholding.

PLAN OF DISTRIBUTION

Penelec Capital may offer or sell Preferred Securities to one or more underwriters for public offering and sale by them. Penelec Capital may sell Preferred Securities as soon as practicable after effectiveness of the Registration Statement, provided that favorable market conditions exist. Any such underwriter involved in the offer and sale of the Preferred Securities will be named in an applicable Prospectus Supplement.

Underwriters may offer and sell the Preferred Securities at a fixed price or prices, which may be changed, or from time to time at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. In connection with the sale of Preferred Securities, underwriters may be deemed to have received compensation from the Company and/or Penelec Capital in the form of underwriting discounts or commissions. Underwriters may sell Preferred Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters.

Any underwriting compensation paid by the Company and/or Penelec Capital to underwriters in connection with the offering of

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Preferred Securities, and any discounts, concessions or commissions allowed by underwriters to participating dealers, will be set forth in an applicable Prospectus Supplement. Underwriters and dealers participating in the distribution of the Preferred Securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the Preferred Securities may be deemed to be underwriting discounts and commissions, under the Securities Act. Underwriters and dealers may be entitled, under agreement with the Company and/or Penelec Capital, to indemnification against and contribution toward certain civil liabilities, including liabilities under the Securities Act, and to reimbursement by the Company and/or Penelec Capital for certain expenses.

Underwriters and dealers may engage in transactions with, or perform services for, the Company and/or Penelec Capital and/or any of their affiliates in the ordinary course of business.

Each series of Preferred Securities will be a new issue of securities and will have no established trading market. Any underwriters to whom Preferred Securities are sold by Penelec Capital for public offering and sale may make a market in such Preferred Securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The Preferred Securities may or may not be listed on a national securities exchange. No assurance can be given as to the liquidity of or the trading markets for any Preferred Securities.

LEGAL OPINIONS

Certain legal matters will be passed upon for the Company and Penelec Capital by Berlack, Israels & Liberman, New York, New York, and Ballard Spahr Andrews & Ingersoll, Philadelphia, Pennsylvania, and for any underwriters by Reid & Priest, New York, New York. Certain matters of Delaware law relating to the validity of the Preferred Securities will be passed upon by Richards, Layton & Finger, P.A., Wilmington, Delaware, special Delaware counsel to Penelec Capital. Berlack, Israels & Liberman and Reid & Priest may rely on the opinion of Ballard Spahr Andrews & Ingersoll as to

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matters of Pennsylvania law, and Berlack, Israels & Liberman, Ballard Spahr Andrews & Ingersoll and Reid & Priest may rely on the opinion of Richards, Layton & Finger, P.A., as to matters of Delaware law. Members and attorneys of Berlack, Israels & Liberman own an aggregate of 11,931 shares of the Common Stock of the Company's parent, GPU. In addition, one such member holds 986 such shares as custodian for his children.

EXPERTS

The financial statements and financial statement schedules included in the Company's Annual Report on Form 10-K for the year ended December 31, 1993 are incorporated herein by reference in reliance on the report of Coopers & Lybrand, independent accountants, given on the authority of said firm as experts in auditing and accounting. The report of Coopers & Lybrand, included in the Company's Annual Report on Form 10-K for the year ended December 31, 1993 incorporated herein by reference, contains explanatory paragraphs related to a contingency which has resulted from the accident at Unit 2 of the Three Mile Island nuclear generating station and the change in the method of accounting for unbilled revenues in 1991.

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No person has been authorized to give any information or to make any representations other than those contained in this Prospectus Supplement or the Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized. Neither the delivery of this Prospectus Supplement or the Prospectus nor any sale made hereunder or thereunder shall, under any circumstances, create any implication that the information contained herein or therein is correct as of any time subsequent to the date of such information. This Prospectus Supplement and the Prospectus do not constitute an offer to sell or a solicitation of an offer to buy any securities other than the securities described in this Prospectus Supplement or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful.

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_________Preferred Securities

Penelec Capital

guaranteed to the extent set forth herein by

PENNSYLVANIA ELECTRIC COMPANY

% Cumulative Monthly Income Preferred Securities, Series A

PROSPECTUS SUPPLEMENT

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GOLDMAN, SACHS & CO.

Representatives of the Underwriters

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

Filing fees - Securities and Exchange Commission	$ 45,104
Printing and engraving	10,000*
New York Stock Exchange listing fee	15,000*
Legal fees:	
Berlack, Israels & Liberman	85,000*
Ballard Spahr Andrews & Ingersoll	85,000*
Carter, Ledyard & Milburn	55,000*
Richards, Layton & Finger, P.A.	12,500*
Blue Sky fees and expenses	15,000*
Accounting fees:	
Coopers & Lybrand	15,000*
Indenture Trustee fees and expenses	20,000*
Rating agencies fees and expenses	48,125*
Miscellaneous	24,271*
Total	$425,000*

____
*Estimated

Item 15. Indemnification of Directors and Officers.

The By-Laws of the Company provide, in part, as follows:

"32. (a) A director shall not be personally liable for monetary damages as such for any action taken, or any failure to take any action, on or after January 27, 1987 unless the

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director has breached or failed to perform the duties of his office under Section 1721 of the Pennsylvania Business Corporation Law, and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The provisions of this subsection (a) shall not apply to the responsibility or liability of a director pursuant to any criminal statute, or the liability of a director for the payment of taxes pursuant to local, State or Federal law.

(b) The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the corporation or otherwise, by reason of the fact that he was a director, officer or employee of the corporation (and may indemnify any person who was an agent of the corporation), or a person serving at the request of the corporation as a director, officer, partner, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise to the fullest extent permitted by law, including without limitation indemnification against expenses (including attorneys' fees and disbursements), damages, punitive damages, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such proceeding unless the act or failure to act giving rise to the claim for indemnification is finally determined by a court to have constituted willful misconduct or recklessness.

(c) The corporation shall pay the expenses (including attorneys' fees and disbursements) actually and reasonably incurred in defending a civil or criminal action, suit or proceeding on behalf of any person entitled to indemnification under subsection (b) in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation, and may pay such expenses in advance on behalf of any agent on receipt of a similar undertaking. The financial ability of such person to make such repayment shall not be a prerequisite to the making of an advance.

(d) For purposes of this Section: (i) the corporation shall be deemed to have requested an officer, director, employee or agent to serve as fiduciary with respect to an employee benefit plan where the performance by such person of

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duties to the corporation also imposes duties on, or otherwise involves services by, such person as a fiduciary with respect to the plan; (ii) excise taxes assessed with respect to any transaction with an employee benefit plan shall be deemed "fines"; and (iii) action taken or omitted by such person with respect to an employee benefit plan in the performance of duties for a purpose reasonably believed to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of the corporation.

(e) To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the corporation may maintain insurance, obtain a letter of credit, act as self-insurer, create a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, pledge or grant a security interest in any assets or properties of the corporation, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the Board of Directors shall deem appropriate.

(f) All rights of indemnification under this Section shall be deemed a contract between the corporation and the person entitled to indemnification under this Section pursuant to which the corporation and each such person intend to be legally bound. Any repeal, amendment or modification hereof shall be prospective only and shall not limit, but may expand, any rights or obligations in respect of any proceeding whether commenced prior to or after such change to the extent such proceeding pertains to actions or failures to act occurring prior to such change.

(g) The indemnification, as authorized by this Section, shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may

be entitled under any statute, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in any official capacity and as to action in any other capacity while holding such office. The indemnification and advancement of expenses provided by, or granted pursuant to, this Section shall continue as to a person who has ceased to be an officer, director, employee or agent in respect of matters arising prior to such time, and shall inure to the benefit of the heirs, executors and administrators of such

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person."

The Limited Partnership Agreement provides, in part, as follows:

"Section 9.03 Indemnification. To the fullest extent permitted by applicable law, an Indemnified Person shall be entitled to indemnification from the Partnership for any loss, damage or claim incurred by such Indemnified Person by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Partnership and in a manner reasonably believed to be within the scope of authority conferred on such Indemnified Person by this Agreement, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of willful misconduct, gross negligence or fraud with respect to such acts or omissions; provided, however, that any indemnity under this Section 9.03 shall be provided out of and to the extent of Partnership assets only, and except as otherwise expressly provided in Section 9.01(a) or by the Delaware Act, no Covered Person shall have any personal liability on account thereof. To the fullest extent permitted by applicable law, expenses (including legal fees) incurred by an Indemnified Person in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of an undertaking by or on behalf of the Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified as authorized in this Section 9.03."

In addition, applicable Delaware partnership law provides authority for limited partnerships to indemnify under certain circumstances any partner or other person from and against any and all claims and demands.

Section 1741 of the Pennsylvania Business Corporation Law authorizes a corporation to provide in its by-laws for indemnification to be granted under certain circumstances to its officers, directors and other agents against expenses and liabilities incurred in connection with proceedings arising out of such persons having taken action or failed to take action on behalf of the corporation.

The foregoing rights of indemnification shall apply to any liability of any director or officer, partner or other person (or his legal representatives) arising under any of the provisions of the Securities Act of 1933, as amended, only to the extent that

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such rights of indemnification may be determined to be valid by a court of competent jurisdiction.

Item 16. Exhibits:

Exhibit No.		Description
1-A	-	Form of Underwriting Agreement relating to Preferred Securities - to be filed by amendment.
3-A	-	Restated Articles of Incorporation of the Company - Incorporated by reference to Exhibit 3A to the Company's Annual Report on Form 10-K for the year 1991 ("1991 10-K"), SEC File No. 1-3522.
3-B	-	Amended By-Laws - Incorporated by reference to Exhibit 3B to the 1991 10-K.
3-C	-	Certificate of Incorporation of Penelec Preferred Capital, Inc.
3-D	-	By-Laws of Penelec Preferred Capital, Inc. - to be filed by amendment.
3-E	-	Certificate of Limited Partnership of Penelec Capital.
3-F	-	Form of Limited Partnership Agreement of Penelec Capital.
3-G	-	Form of Amended and Restated Limited Partnership Agreement of Penelec Capital.
3-H	-	Form of Action Creating Series A Preferred Securities.
4-A	-	Form of Subordinated Debenture Indenture - to be filed by amendment.
4-A(1)	-	Cross-reference sheet showing location in the Subordinated Debenture Indenture of provisions of Sections 310(a) through 318(a) of the Trust Indenture Act of 1939 - to be filed by amendment.
4-B	-	Form of Preferred Security Certificate -

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		Incorporated by reference to Exhibit A to Exhibit 3-G hereto.
4-C	-	Form of Subordinated Debenture - Incorporated by reference to form of Subordinated Debenture contained in Exhibit 4-A.
4-D	-	Form of Payment and Guarantee Agreement.

5-A	-	Opinion of Berlack, Israels & Liberman - to be filed by amendment.
5-B	-	Opinion of Ballard Spahr Andrews & Ingersoll - to be filed by amendment.
5-C	-	Opinion of Richards, Layton & Finger, P.A. - to be filed by amendment.
8	-	Opinion of Carter, Ledyard & Milburn - to be filed by amendment.
12-A	-	Statement Showing Computation of Ratio of Earnings to Fixed Charges and Statement Showing Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
23-A	-	Consent of Berlack, Israels & Liberman (to be included in their opinion filed as Exhibit 5-A).
23-B	-	Consent of Ballard Spahr Andrews & Ingersoll (to be included in their opinion filed as Exhibit 5-B).
23-C	-	Consent of Richards, Layton & Finger, P.A. (to be included in their opinion filed as Exhibit 5-C).
23-D	-	Consent of Carter, Ledyard & Milburn (to be included in their opinion filed as Exhibit 8).
23-E	-	Consent of Coopers & Lybrand.
24	-	Power of Attorney-included in signature page.

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25 - Statement of Eligibility of Trustee under the Trust Indenture Act of 1939.

____

The Exhibits listed above which have heretofore been filed with the Securities and Exchange Commission and which are designated in prior filings as noted above, are hereby incorporated by reference and made a part hereof with the same effect as if filed herewith.

Item 17. Undertakings.

The undersigned registrants hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement (i) to include any prospectus required by section 10(a)(3) of the Securities Act of 1933; (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most

recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; provided, however, that clauses (i) and (ii) above do not apply if the information required to be included in a post-effective amendment by those clauses is contained in periodic reports filed by a registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-

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effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining any liability under the Securities Act of 1933, each filing of a registrant's annual report pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by a registrant of expenses incurred or paid by any such persons in the successful defense of any action, suit or proceeding) is asserted by any such person in connection with the securities being registered, the registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by them is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Reading, Commonwealth of Pennsylvania, on the 17th day of May, 1994.

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PENNSYLVANIA ELECTRIC COMPANY

By:
F.D. Hafer, President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that Pennsylvania Electric Company and each of its undersigned officers and directors hereby constitute and appoint each of John G. Graham, Don W. Myers and Ira H. Jolles his/its true and lawful attorney-in-fact and agent with full power of substitution and resubstitution for him/it and in his/its name, place and stead, in any and all capacities, to sign all or any amendments (including post-effective amendments) of and supplements to this Registration Statement on Form S-3 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, to all intents and purposes and as fully as said corporation itself and each said officer or director might or could do in person, hereby ratifying and confirming all that each such attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities with respect to Pennsylvania Electric Company and on the dates indicated.

Signature	Title	Date
(J.R. Leva)	Chairman (Principal Executive Officer) and Director	May 17, 1994
(F.D. Hafer)	President and Director	May 17, 1994
(R.C. Arnold)	Director	May 17, 1994

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(J.G. Graham)	Vice President (Principal Financial Officer) and Director	May 17, 1994
(J.G. Herbein)	Vice President and Director	May 17, 1994
(G.R. Repko)	Vice President and Director	May 17, 1994
(W.R. Stinson)	Vice President, Comptroller (Principal Accounting Officer) and Director	May 17, 1994

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Reading, Commonwealth of Pennsylvania on the 17th day of May, 1994.

PENELEC CAPITAL, L.P.
By: Penelec Preferred Capital, Inc.
its general partner

By:________________________________
F.D. Hafer, President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that Penelec Capital, L.P. and the undersigned director of Penelec Preferred Capital, Inc. hereby constitute and appoint each of Ira H. Jolles, John G. Graham and Don W. Myers its/his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution for it/him and in its/his name, place and stead, in any and all capacities, to sign all or any amendments (including post-effective amendments) of and supplements to this registration statement on Form S-3 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, to

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all intents and purposes and as fully as said limited partnership itself and said director might or could do in person, hereby ratifying and confirming all that each such attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following person in the capacity on behalf of Penelec Preferred Capital, Inc., as the general partner of Penelec Capital, L.P., and on the date indicated.

Signature	Title	Date
(F.D. Hafer)	Sole Director	May 17, 1994

EXHIBIT INDEX

Exhibit No.		Description
1-A	-	Form of Underwriting Agreement relating to Preferred Securities - to be filed by amendment.
3-A	-	Restated Articles of Incorporation of the Company - Incorporated by reference to Exhibit 3A to the Company's Annual Report on Form 10-K for the year 1991 ("1991 10-K"), SEC File No. 1-3522.
3-B	-	Amended By-Laws - Incorporated by reference to Exhibit 3B to the 1991 10-K.
3-C	-	Certificate of Incorporation of Penelec Preferred Capital, Inc.
3-D	-	By-Laws of Penelec Preferred Capital, Inc. - to be filed by amendment.

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3-E	-	Certificate of Limited Partnership of Penelec Capital.
3-F	-	Form of Limited Partnership Agreement of Penelec Capital.
3-G	-	Form of Amended and Restated Limited Partnership Agreement of Penelec Capital.
3-H	-	Form of Action Creating Series A Preferred Securities.
4-A	-	Form of Subordinated Debenture Indenture - to be filed by amendment - to be filed by amendment.
4-A(1)	-	Cross-reference sheet showing location in the Subordinated Debenture Indenture of provisions of Sections 310(a) through 318(a) of the Trust Indenture Act of 1939.
4-B	-	Form of Preferred Security Certificate - Incorporated by reference to Exhibit A to Exhibit 3-G hereto.
4-C	-	Form of Subordinated Debenture - Incorporated by reference to form of Subordinated Debenture contained in Exhibit 4-A.
4-D	-	Form of Payment and Guarantee Agreement.
5-A	-	Opinion of Berlack, Israels & Liberman - to be filed by amendment.

5-B	-	Opinion of Ballard Spahr Andrews & Ingersoll - to be filed by amendment.
5-C	-	Opinion of Richards, Layton & Finger, P.A. - to be filed by amendment.
8	-	Opinion of Carter, Ledyard & Milburn - to be filed by amendment.

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12-A	-	Statement Showing Computation of Ratio of Earnings to Fixed Charges and Statement Showing Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
23-A	-	Consent of Berlack, Israels & Liberman (to be included in their opinion filed as Exhibit 5-A).
23-B	-	Consent of Ballard Spahr Andrews & Ingersoll (to be included in their opinion filed as Exhibit 5-B).
23-C	-	Consent of Richards, Layton & Finger, P.A. (to be included in their opinion filed as Exhibit 5-C).
23-D	-	Consent of Carter, Ledyard & Milburn (to be included in their opinion filed as Exhibit 8).
23-E	-	Consent of Coopers & Lybrand.
24	-	Power of Attorney-included in signature page.
25	-	Statement of Eligibility of Trustee under the Trust Indenture Act of 1939.

The Exhibits listed above which have heretofore been filed with the Securities and Exchange Commission and which are designated in prior filings as noted above, are hereby incorporated by reference and made a part hereof with the same effect as if filed herewith.

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STATEMENT OF DIFFERENCES

Difference		Description
1.	The statements on page 2 of each Prospectus will be in the left-hand margin on the cover pages printed vertically.	A statement that the registration statement has been filed and has not become effective.
2.	The page numbers in the electronic document do not correspond to the pages in the printed document.	The printed and distributed document will have fewer pages than the filed document because there is more material on each page of the printed document and Part II is not part of the printed document.

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(EXHIBITS TO BE FILED BY EDGAR)

Exhibits:

3-C	-	Certificate of Incorporation of Penelec Preferred Capital, Inc.
3-E	-	Certificate of Limited Partnership of Penelec Capital.
3-F	-	Form of Limited Partnership Agreement of Penelec Capital.
3-G	-	Form of Amended and Restated Limited Partnership Agreement of Penelec Capital.
3-H	-	Form of Action Creating Series A Preferred Securities.
4-D	-	Form of Payment and Guarantee Agreement.
12-A	-	Statement Showing Computation of Ratio of Earnings to Fixed Charges and Statement Showing Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
23-E	-	Consent of Coopers & Lybrand.
25	-	Statement of Eligibility of Trustee under the Trust Indenture Act of 1939.

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EXHIBIT 3-C

CERTIFICATE OF INCORPORATION

OF

PENELEC PREFERRED CAPITAL, INC.

It is hereby certified that:

FIRST: The name of the corporation (hereinafter called the "corporation") is Penelec Preferred Capital, Inc.

SECOND: The address, including street, number, city and county, of the registered office of the corporation in the State of Delaware is 32 Loockerman Square, Suite L-100, City of Dover, County of Kent; and the name of the registered agent of the corporation in the State of Delaware at such address is The Prentice-Hall Corporation System, Inc.

THIRD: The nature of the business or purposes to be conducted or promoted by the corporation are as follows:

(1) To subscribe for and be a holder of general partner interests of Penelec Capital, L.P., a limited partnership formed under the laws of the State of Delaware ("Penelec Capital"), to be a general partner of Penelec Capital and to discharge such duties and take any and all such actions as may be necessary, appropriate or desirable in such capacity as may from time to time be provided in Penelec Capital's limited partnership agreement and applicable provisions of law.

(2) To issue and sell its capital stock in exchange for cash or other consideration to fund its acquisition of such general partner interests and to enable it to have sufficient net worth for Penelec Capital to be treated as a partnership for federal income tax purposes, and/or to lend such cash or other consideration to the entity which acquires such capital stock.

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(3) The corporation shall not conduct any other business except with respect to and incident to the activities provided for in clauses (1) and (2) of this Article THIRD.

FOURTH: The total number of shares of stock which the corporation shall have authority to issue is one hundred (100) shares, all of which are without par value. All such shares are of one class and are shares of Common Stock.

FIFTH: The name and the mailing address of the incorporator are as follows:

NAME	MAILING ADDRESS
Don W. Myers	c/o GPU Service Corporation 100 Interpace Parkway Parsippany, New Jersey 07054

SIXTH: The corporation is to have perpetual existence.

SEVENTH: The personal liability of the directors of the corporation is hereby eliminated to the fullest extent permitted by paragraph (7) of subsection (b) of Section 102 of the General Corporation Law of the State of Delaware, as the same may be amended and supplemented.

EIGHTH: Notwithstanding any other provision of law that may otherwise so empower the corporation, the corporation shall not, without the prior written consent of Pennsylvania Electric Company, a Pennsylvania corporation, do any of the following:

(1) dissolve or liquidate, in whole or in part;

(2) merge or consolidate with, or sell all or substantially all of its assets to, any person, firm, corporation, partnership or other entity unless, in the case of a merger or consolidation, the surviving corporation in such merger or the corporation resulting from such consolidation shall have a certificate of incorporation containing provisions substantially identical to the

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provisions of Article THIRD and this Article EIGHTH and, in the case of a sale of assets, the acquiring corporation shall have assumed all of the liabilities and obligations of this corporation and shall have a certificate of incorporation containing provisions substantially identical to the provisions of Article THIRD and this Article EIGHTH;

(3) to the extent permitted by law, file or consent to or acquiesce in a petition seeking an order under the Federal Bankruptcy Code, as amended, make an assignment for the benefit of creditors or consent to or fail to contest the appointment of a custodian or receiver of all or any substantial part of its property, or file a petition or answer seeking, consenting to or acquiescing in the granting of relief under any other applicable bankruptcy, insolvency or similar law or statute of the United States of America or any state thereof;

(4) amend this Certificate of Incorporation to alter in any manner or delete Article THIRD or this Article EIGHTH; or

(5) incur any indebtedness.

NINTH: From time to time any of the provisions of this Certificate of Incorporation may, subject to the provisions of paragraph (4) of Article EIGHTH, be amended, altered or repealed, and other provisions authorized by the laws of the State of

Delaware at the time in force may be added or inserted in the manner and at the time prescribed by said laws, and all rights at any time conferred upon the stockholders of the corporation by this Certificate of Incorporation are granted subject to the provisions of this Article NINTH.

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of May, 1994.

/s/ Don W. Myers
Don W. Myers
Sole Incorporator

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EXHIBIT 3-E

CERTIFICATE OF LIMITED PARTNERSHIP

OF

PENELEC CAPITAL, L.P.

This Certificate of Limited Partnership of Penelec Capital, L.P. (the "Partnership") is being duly executed and filed by the undersigned general partner of the Partnership for the purpose of forming a limited partnership pursuant to the Delaware Revised Uniform Limited Partnership Act.

1. The name of the Partnership is Penelec Capital, L.P.

2. The address of the registered office of the Partnership in the State of Delaware is 32 Loockerman Square, Suite L-100, Dover, Kent County, Delaware 19901. The Partnership's registered agent at that address is The Prentice-Hall Corporation System, Inc.

3. The name and mailing address of the sole general partner of the Partnership is:

NAME	ADDRESS
Penelec Preferred Capital, Inc.	Mellon Bank Center Tenth and Market Streets Wilmington, Delaware 19801

IN WITNESS WHEREOF, the undersigned, constituting the sole general partner of the Partnership, has caused this Certificate of Limited Partnership to be duly executed as of the

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10th day of May, 1994.

PENELEC PREFERRED CAPITAL, INC.,
as General Partner

By: /s/ Fred D. Hafer
Name: Fred D. Hafer
Its President

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EXHIBIT 3-F

LIMITED PARTNERSHIP
AGREEMENT
OF
PENELEC CAPITAL, L.P.

The undersigned General Partner and Initial Limited Partner (jointly, the "Partners") hereby form a limited partnership pursuant to and in accordance with the Delaware Revised Uniform Limited Partnership Act (6 Del. C. Section 17-101, et seq.) (the "Delaware Act"), and hereby agree as follows:

1. Name. The name of the limited partnership formed hereby is PENELEC CAPITAL, L.P. (the "Partnership").

2. Purpose. The purpose and business of the Partnership shall be to engage in any lawful activity for which limited partnerships may be organized under the Delaware Act.

3. Registered Office. The registered office of the Partnership in the State of Delaware is 32 Loockerman Square, Suite L-100, City of Dover, County of Kent.

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4. Registered Agent. The name and address of the registered agent of the Partnership for service of process on the Partnership in the State of Delaware is The Prentice-Hall Corporation System, Inc., 32 Loockerman Square, Suite L-100, City of Dover, County of Kent, Delaware.

5. Partners. The names and mailing addresses of the General Partner and the Initial Limited Partner are as follows:

General Partner:	Penelec Preferred Capital, Inc. Mellon Bank Center Tenth and Market Streets Wilmington, Delaware 19801
Initial Limited Partner:	Don W. Myers c/o GPU Service Corporation 100 Interpace Parkway Parsippany, New Jersey 07054

6. Powers. The powers of the General Partner include all powers, statutory and otherwise, possessed by general partners under the laws of the State of Delaware.

7. Dissolution. The Partnership shall dissolve, and its affairs shall be wound up, on May 1, 2060 or at such earlier time as (a) all of the partners of the Partnership approve in writing, (b) an event of withdrawal of a general partner has occurred under the Delaware Act, or (c) an entry of a decree of judicial dissolution has occurred under Section 17-802 of the Delaware Act;

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provided, however, the Partnership shall not be dissolved or required to be wound up upon an event of withdrawal of a general partner described in Section 7(b) if (i) at the time of such event of withdrawal, there is at least one (1) other general partner of the Partnership who carries on the business of the Partnership (any remaining general partner being hereby authorized to carry on the business of the Partnership), or (ii) within ninety (90) days after the occurrence of such event of withdrawal, all remaining partners agree in writing to continue the business of the Partnership and to the appointment, effective as of the date of the event of withdrawal, of one (1) or more additional general partners of the Partnership.

8. Capital Contributions. The Partners have contributed the following amounts, in cash, property or services rendered, or in a

promissory note or other obligation to contribute cash or to perform services:

General Partner $99.00

Initial Limited Partner . . . . $ 1.00

9. Allocations of Profit and Losses. The Partnership's profits and losses shall be allocated in proportion to the capital contributions of the Partners which shall be reflected in a capital account for each of the Partners.

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10. Distributions. Distributions to the Partners shall be in the same proportion as their then capital account balances.

11. Assignments.

(a) The Initial Limited Partner may transfer all or any part of his or its partnership interest only with the consent of the General Partner, and any transferee may be admitted as a substitute limited partner of the Partnership only with the consent of the General Partner, whose consent in either case may be withheld in the sole discretion of the General Partner.

(b) The General Partner may transfer all or any part of his or its partnership interest without the consent of the Initial Limited Partner, and such transferee shall have all the rights and powers of the General Partner.

12. Withdrawal. Except as provided in Sections 11 and 13, no right is given to the Initial Limited Partner to withdraw from the Partnership. The General Partner may withdraw from the Partnership without the consent of the Initial Limited Partner, but no such withdrawal shall be effective until the filing with the Secretary of State of the State of Delaware of an amendment to the

Partnership's Certificate of Limited Partnership naming a successor

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general partner of the Partnership.

13. Additional Partners.

(a) The General Partner may admit additional limited partners of the Partnership. Immediately following the admission of one or more additional limited partners of the Partnership, the Initial Limited Partner shall withdraw from the Partnership and shall be entitled to receive forthwith the return of its capital contribution, without interest or deduction.

(b) The Partnership shall continue as a limited partnership under the Delaware Act after the admission of any additional limited partners of the Partnership pursuant to this Section 13.

(c) The admission of additional limited partners of the Partnership pursuant to this Section 13 may be accomplished by the amendment and restatement of this Limited Partnership Agreement and, if required by the Delaware Act, the filing of an amendment and/or restatement to the Partnership's Certificate of Limited Partnership with the Secretary of State of the State of Delaware.

14. Merger. The approval of the Initial Limited Partner shall not be required with respect to any merger of an entity into the Partnership.

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IN WITNESS WHEREOF, the undersigned have duly executed this Limited Partnership Agreement as of May __, 1994.

GENERAL PARTNER:

PENELEC PREFERRED CAPITAL, INC.,
a Delaware corporation

By:___________________________
President

INITIAL LIMITED PARTNER:

____
DON W. MYERS

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Exhibit 3-G

AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT
OF PENELEC CAPITAL, L.P.

This AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT, dated as of __________, 1994, of Penelec Capital, L.P., a Delaware limited partnership (the "Partnership") is made by and among Penelec Preferred Capital, Inc. as General Partner, Don W. Myers, as Class A Limited Partner and the Persons (as defined below) who become limited partners of the Partnership in accordance with the provisions hereof.

WHEREAS, Penelec Preferred Capital, Inc. and Don W. Myers have heretofore formed a limited partnership pursuant to the Delaware Act (as defined below), by filing a Certificate of Limited Partnership (as defined below) with the Secretary of State of the State of Delaware on May __, 1994, and entering into a Limited Partnership Agreement of the Partnership dated as of May __, 1994 (the "Limited Partnership Agreement"); and

WHEREAS, the parties hereto desire to continue the Partnership as a limited partnership under the Delaware Act and to amend and restate the original Limited Partnership Agreement in its entirety.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree to amend and restate the Limited Partnership Agreement in its entirety as follows:

ARTICLE I - Definitions

For purposes of this Agreement, each of the following terms shall have the meaning set forth below (such meaning to be equally applicable to both singular and plural forms of the terms so defined).

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"Action" shall have the meaning set forth in Section 13.01.(b).

"Additional Amounts" shall have the meaning set forth in Section 13.01(b)(ix).

"Affiliate" shall mean, with respect to the Person to which it refers, a Person that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, such subject Person.

"Agreement" shall mean this Amended and Restated Limited Partnership Agreement, as amended, modified, supplemented or

restated from time to time, including, without limitation, by any Action establishing a series of Preferred Partner Interests.

"Book Entry Interests" shall mean a beneficial interest in the Certificates, ownership and transfers of which shall be made through book entries by a Clearing Agency as described in Section 14.04.

"Business Day" shall mean any day other than a day on which banking institutions in The City of New York are authorized or required by law to close.

"Capital Account" shall have the meaning set forth in Section 4.01. For purposes of determining the Capital Accounts as set forth in Article IV, partnership items shall be computed in the same manner as the Partnership computes its income for Federal income tax purposes, rather than generally accepted accounting principles, except that (1) a distribution in kind of Partnership property shall be treated as a taxable disposition of such property for its fair market value (taking into account Section 7701(g) of the Code) on the date of distribution, and (2) adjustments shall be made in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv), which adjustments shall include any income which is exempt from United States Federal income tax, all Partnership losses and all expenses properly chargeable to the Partnership, whether deductible or non-deductible and whether described in Section 705(a)(2)(B) of the Code, treated as so described pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(i), or otherwise.

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"Certificate" shall mean a certificate substantially in the form attached hereto as Exhibit A, evidencing a Preferred Partner Interest.

"Certificate of Limited Partnership" shall mean the Certificate of Limited Partnership of the Partnership and any and all amendments thereto and restatements thereof filed with the Secretary of State of the State of Delaware.

"Class A Limited Partner" shall mean Don Myers in his capacity as a limited partner of the Partnership.

"Clearing Agency" shall mean an organization registered as a "Clearing Agency" pursuant to Section 17A of the Exchange Act.

"Clearing Agency Participant" shall mean a broker dealer, bank, other financial institution or other Person for whom from time to time a Clearing Agency effects book entry transfers and pledges of securities deposited with the Clearing Agency.

"Code" shall mean the United States Internal Revenue Code of 1986 and (unless the context requires otherwise) the rules and regulations promulgated thereunder, as amended from time to time.

"Commission" shall mean the Securities and Exchange Commission.

"Covered Person" shall mean any Partner, any Affiliate of a Partner or any officers, directors, shareholders, partners, members, employees, representatives or agents of a Partner or their respective Affiliates, or any employee or agent of the Partnership or its Affiliates.

"Definitive Certificate" shall have the meaning set forth in Section 14.04.

"Delaware Act" shall mean the Delaware Revised Uniform Limited Partnership Act, 6 Del. C. Section 17-101, et seq., as amended from time to time or any successor statute thereto.

"Economic Risk of Loss" shall mean the "economic risk of

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loss" that any Partner is treated as bearing under Treasury Regulation Section 1.752-2 with respect to any Partnership liability.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Fiscal Year" shall have the meaning set forth in Section 7.01.

"General Partner" shall mean Penelec Preferred, in its capacity as general partner of the Partnership, together with any successor thereto that becomes a general partner of the Partnership pursuant to the terms of this Agreement.

"Guarantee" shall mean the Payment and Guarantee Agreement dated as of ______, 1994 of Penelec, as amended or supplemented from time to time, and any additional Payment and Guarantee Agreements entered into by Penelec for the benefit of the Preferred Partners.

"Indenture" shall mean the Indenture dated as of __________, 1994, as amended or supplemented from time to time, between Penelec and United States Trust Company of New York as Trustee and any additional Indentures entered into by Penelec pursuant to which Subordinated Debentures of Penelec are to be issued.

"Indemnified Person" shall mean the General Partner, any Affiliate of the General Partner or any officers, directors, shareholders, partners, members, employees, representatives or agents of the General Partner, or any employee or agent of the Partnership or its Affiliates.

"Interest" shall mean the entire partnership interest of a Partner in the Partnership at any particular time, including the right of such Partner to any and all benefits to which a Partner may be entitled as provided in this Agreement, together with the obligations of such Partner to comply with all of the terms and provisions of this Agreement.

"Investment Company Act Event" shall mean the occurrence

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of a change in law or regulation or a change in official interpretation of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 40 Act Law") to the effect that the Partnership is or will be considered an "investment company" required to be registered under the 1940 Act, which Change in 40 Act Law becomes effective on or after the date of issuance of any series of Preferred Partner Interests; provided that no Investment Company Act Event shall be deemed to have occurred if the Partnership shall have received an opinion of counsel (which may be regular counsel to Penelec or an Affiliate, but not an employee thereof), to the effect that Penelec and/or the Partnership have taken reasonable measures, in their discretion, to avoid such Change in 40 Act Law so that in the opinion of such counsel, notwithstanding such Change in 40 Act Law, the Partnership is not required to be registered as an "investment company" within the meaning of the 1940 Act.

"Limited Partners" shall mean the Class A Limited Partner, if any, and the Preferred Partners.

"Liquidating Distributions" shall mean distributions of Partnership property made upon a liquidation and dissolution of the Partnership as provided in Article XII.

"Liquidation Distribution" shall mean the liquidation preference of each series of Preferred Partner Interests as set forth in the Action for such series.

"Liquidating Trustee" shall have the meaning set forth in Section 12.01.

"1940 Act" shall mean the Investment Company Act of 1940, as amended.

"Partners" shall mean the General Partner and the Limited Partners.

"Partnership" shall mean Penelec Capital, L.P., a limited partnership formed under the laws of the State of Delaware.

"Penelec" shall mean Pennsylvania Electric Company and its successors.

"Penelec Preferred" shall mean Penelec Preferred Capital, Inc. and its successors.

"Person" shall mean any individual, general partnership, limited partnership, corporation, limited liability company, joint venture, trust, business trust, cooperative or association and the heirs, executors, administrators, legal representatives, successors and assigns of such Person where the context so admits.

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"Preferred Partner" shall mean a limited partner of the Partnership who holds one or more Preferred Partner Interests.

"Preferred Partner Interest Owner" shall mean, with respect to a Book Entry Interest, a Person who is the beneficial owner of such Book Entry Interest, as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly as a Clearing Agency Participant or as an indirect participant, in each case in accordance with the rules of such Clearing Agency).

"Preferred Partner Interests" shall mean the Interests described in Article XIII.

"Purchase Price" shall mean the amount paid for each Preferred Partner Interest.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Special Event" shall mean a Tax Event or an Investment Company Act Event.

"Special Representative" shall have the meaning set forth in Section 13.02(d).

"Subordinated Debentures" shall mean the Subordinated Debentures of Penelec issued under the Indenture.

"Tax Event" shall mean that the Partnership shall have obtained an opinion of counsel (which may be regular tax counsel to Penelec or an Affiliate, but not an employee thereof) to the effect that, as a result of any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein affecting taxation, or as a result of any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective, or which pronouncement or decision has been issued or rendered, on or after the date of

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issuance of any series of Preferred Partner Interests, there is more than an insubstantial risk that (i) the Partnership will be subject to Federal income tax with respect to interest received on the related Subordinated Debentures or the Partnership will otherwise not be taxed as a partnership or (ii) interest payable by Penelec to the Partnership on the related Subordinated Debentures will not be deductible for Federal income tax purposes, or (iii) the Partnership is subject to more than a de minimus amount of other taxes, duties or other governmental charges.

"Tax Matters Partner" shall have the meaning set forth in Section 7.05.

"Transfer" shall mean any transfer, sale, assignment, gift, pledge, hypothecation or other disposition or encumbrance of an interest in the Partnership.

"Treasury Regulations" shall mean the final and temporary income tax regulations, as well as the procedural and administrative regulations, promulgated by the United States Department of the Treasury under the Code, as amended from time to time.

"Trustee" shall mean United States Trust Company of New York or any other trustee under the Indenture.

"Underwriting Agreement" shall mean the Underwriting Agreement entered into on _____________, 1994 among the Partnership, Penelec and the underwriters named therein with regard to the sale of Preferred Partner Interests and related securities, and any additional Underwriting Agreements entered into by the Partnership and Penelec with regard to the sale of additional Preferred Partner Interests and related securities.

ARTICLE II - Continuation; Name; Purposes; Term; Definitions

Section 2.01. Formation. The parties hereto hereby join together to continue the heretofore formed limited partnership which shall exist under and be governed by the Delaware Act. The

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Partnership shall make any and all filings or disclosures required under the laws of Delaware or otherwise with respect to its continuation as a limited partnership, its use of a fictitious name or otherwise as may be required. The Partnership shall be a limited partnership among the Partners solely for the purposes specified in Section 2.03 hereof, and this Agreement shall not be deemed to create a partnership among the Partners with respect to any activities whatsoever other than the activities within the business purposes of the Partnership as specified in Section 2.03. No Partner shall have any power to bind any other Partner with respect to any matter except as specifically provided in this Agreement. No Partner shall be responsible or liable for any indebtedness or obligation of any other Partner incurred either before or after the execution of this Agreement. The assets of the Partnership shall be owned by the Partnership as an entity, and no Partner individually shall own any direct interest in the assets of the Partnership.

Section 2.02. Name and Place of Business. The name of the Partnership is "Penelec Capital, L.P." The Partnership may operate under the name of "Penelec Capital" and such name shall be used for no purposes other than those set forth herein. The principal place of business of the Partnership shall be Mellon Bank Center, Tenth and Market Streets, Wilmington, Delaware, or at such other place as may be selected by the General Partner in its sole and absolute discretion.

Section 2.03. Purposes. The sole purposes of the Partnership are to issue and sell Interests in the Partnership, including, without limitation, Preferred Partner Interests, and to use the proceeds of all sales of Interests in the Partnership to purchase Subordinated Debentures issued by Penelec pursuant to the Indenture and to effect other similar arrangements permitted by this Agreement, and to engage in any and all activities necessary, convenient, advisable or incidental thereto. The Partnership shall not incur debt for borrowed money.

Section 2.04. Term. The Partnership was formed on __________, 1994 and shall continue without dissolution through June 30, 2060, unless sooner dissolved as provided in Article XI hereof.

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Section 2.05. Qualification in Other Jurisdictions. The General Partner shall cause the Partnership to be qualified or registered under assumed or fictitious name statutes or similar laws in any jurisdiction in which the Partnership transacts business. The General Partner shall execute, deliver and file any certificates (and any amendments and/or restatements thereof) necessary for the Partnership to qualify to do business in a jurisdiction in which the Partnership may wish to conduct business.

Section 2.06. Admission of Preferred Partners. Without execution of this Agreement, upon receipt by a Person of a Certificate and payment for the Preferred Partner Interest being acquired by such Person, which shall be deemed to constitute a request by such Person that the books and records of the Partnership reflect its admission as a Preferred Partner, such Person shall be admitted to the Partnership as a Preferred Partner and shall become bound by this Agreement.

Section 2.07. Records. The name and mailing address of each Partner and the amount contributed to the capital of the Partnership shall be listed on the books and records of the Partnership. The Partnership shall keep such other records as are required by Section 17-305 of the Delaware Act. The General Partner shall update the books and records from time to time as necessary to accurately reflect the information therein.

ARTICLE III - Capital Contributions

Section 3.01. Capital Contributions. As of the date of this Agreement, the General Partner has contributed the amount of $___________ to the capital of the Partnership and shall make any further contributions required to satisfy its obligations under Section 3.04. Each Preferred Partner, or its predecessor in interest, will contribute to the capital of the Partnership the amount of the Purchase Price for the Preferred Partner Interests held by it.

Section 3.02. Additional Capital Contributions. No Partner shall be required to make any additional contributions or

advances to the Partnership except as provided in Section 3.04. or

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by law.

Section 3.03. No Interest or Withdrawals. No interest shall accrue on any capital contribution made by a Partner, and no Partner shall have the right to withdraw or to be repaid any portions of its capital contributions so made, except as specifically provided in this Agreement.

Section 3.04. Minimum Capital Contribution of General Partner. Whenever any Limited Partner makes a capital contribution, the General Partner shall immediately make a capital contribution sufficient to cause the aggregate capital contribution of the General Partner to equal 3% of the aggregate capital contributed by all Partners at such time. Any such additional contributions shall constitute additional capital contributions made by the General Partner.

Section 3.05. Partnership Interests. Unless otherwise provided herein, the percentage interests of the Partners shall be determined in proportion to the capital contributions of the Partners.

Section 3.06. Interests. Each Preferred Partner's respective Preferred Partner Interests shall be set forth on the books and records of the Partnership. Each Partner hereby agrees that its Interests shall for all purposes be personal property. No Partner has an interest in specific Partnership property. The Partnership shall not issue any additional interest in the Partnership after the date hereof other than General Partner Interests or Preferred Partner Interests.

ARTICLE IV - Capital Accounts

Section 4.01. Capital Accounts. There shall be established on the books of the Partnership a capital account ("Capital Account") for each Partner that shall consist of the initial capital contribution to the Partnership made by such Partner (or such Partner's predecessor in interest), increased by: (a) any additional capital contributions made by such Partner, (b) the agreed value of any property subsequently contributed to the capital of the Partnership by such Partner; and (c) items of income and gain allocated to any Partner (or predecessor thereof). A Partner's Capital Account shall be decreased by: (a) items of loss and deduction allocated to any Partner (or predecessor thereof); and (b) any distributions made to such Partner. In addition to and notwithstanding the foregoing, Capital Accounts shall be otherwise adjusted in accordance with the tax accounting principles set forth in Treasury Regulation Section 1.704-1(b)(2)(iv).

Section 4.02. Compliance With Treasury Regulations. The

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foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Section 704(b) of the Code and Treasury Regulation

Section 1.704-1(b) and shall be interpreted and applied in a manner consistent with such regulations. In the event that the General Partner shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto, are determined in order to comply with such regulations, the General Partner may make such modification.

ARTICLE V - Allocations

Section 5.01. Profits and Losses. Each fiscal period, items of income, gain, loss, deduction or credit of the Partnership shall be allocated (i) first, items of income of the Partnership to the Preferred Partners, pro rata in proportion to the number of Preferred Partner Interests held by each Preferred Partner and at the distribution rate specified in the Action for each series of Preferred Partner Interests, in an amount equal to the excess of (a) the distributions accrued on such Preferred Partner Interests (other than Additional Amounts) since their date of issuance through and including the close of the current fiscal period (whether or not paid) over (b) the items of income of the Partnership allocated to the Preferred Partners pursuant to this Section 5.01(i) in all prior fiscal periods; (ii) second, items of income of the Partnership to each Preferred Partner to whom Additional Amounts were paid during a fiscal period, in an amount equal to such Additional Amounts; and (iii) thereafter, all remaining items of income, gain, loss, deduction or credit to the General Partner; provided however, that the percentage of items of income, gain, loss, deduction or credit of the Partnership allocated to the General Partner for any fiscal period shall at least equal three percent.

Section 5.02. Allocation Rules. For purposes of determining the profits, losses or any other items allocable to any period, profits, losses and any such other items shall be determined on a daily, monthly or other basis, as determined by the General Partner in its sole and absolute discretion using any method that is permissible under Section 706 of the Code and the Treasury Regulations thereunder. The Partners are aware of the

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income tax consequences of the allocations made by this Article V and hereby agree to be bound by the provisions of this Article V in reporting their shares of Partnership income and loss for income tax purposes.

Section 5.03. Adjustments to Reflect Changes in Interests. Notwithstanding the foregoing, with respect to any Fiscal Year during which any Partner's percentage interest in the Partnership changes, whether by reason of the admission of a Partner, the withdrawal of a Partner, a non-pro rata contribution of capital to the Partnership or any other event described in Section 706(d)(1) of the Code and the Treasury Regulations issued thereunder, allocations of the items of income, gain, loss, deduction or credit of the Partnership shall be adjusted appropriately to take into account the varying interests of the Partners during such Fiscal Year. The General Partner shall

consult with the Partnership's accountants and other advisors and shall select the method of making such adjustments, which method shall be used consistently thereafter.

Section 5.04. Tax Allocations. For purposes of Article V and Federal, state and local income tax purposes, Partnership income, gain, loss, deduction or credit (or any item thereof) for each Fiscal Year shall be determined in accordance with Federal tax accounting principles rather than generally accepted accounting principles and shall be allocated to and among the Partners in order to reflect the allocations made pursuant to the provisions of this Article V for such Fiscal Year (other than allocations of items which are not deductible or are excluded from taxable income), taking into account any variation between the adjusted tax basis and book value of Partnership property in accordance with the principles of Section 704(c) of the Code.

Section 5.05. Qualified Income Offset. Notwithstanding any other provision hereof, if any Partner unexpectedly receives an adjustment, allocation or distribution described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5), and (6) which creates or increases a deficit in the Capital Account of such Partner (and, for this purpose, the existence of a deficit shall be determined by reducing the Partner's Capital Account by the items described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5), and (6)), the next available gross income of the Partnership

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shall be allocated to the Partners having such deficit balances, in proportion to the deficit balances, until such deficit balances are eliminated as quickly as possible. The provisions of this Section 5.05 are intended to constitute a "qualified income offset" within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted and implemented as therein provided.

ARTICLE VI - Distributions

Section 6.01. Distributions. Preferred Partners shall receive periodic distributions, if any, in accordance with the applicable terms of the Preferred Partner Interests, as and when declared by the General Partner. Subject to the rights of the holders of the Preferred Partner Interests, the General Partner shall receive such distributions, if any, as may be declared from time to time by the General Partner.

Section 6.02. Certain Distributions Prohibited. Notwithstanding anything in this Agreement to the contrary, all Partnership distributions shall be subject to the following limitations:

(a) No distribution shall be made to any Partner if, and to the extent that, such distribution would not be permitted under Section 17-607 of the Delaware Act or other applicable law.

(b) No distribution shall be made to any Partner to the extent that such distribution, if made, would create or increase a deficit balance in the Capital Account of such Partner.

(c) Other than Liquidating Distributions, no distribution of Partnership property shall be made in kind. Notwithstanding anything in the Delaware Act or this Agreement to the contrary, in the event of a Liquidating Distribution, a Partner may be compelled in accordance with Section 12.01 to accept a distribution of Subordinated Debentures, cash or of any other asset in kind from the Partnership even if the percentage of the asset distributed to it exceeds a percentage of that asset which is equal to the percentage in which such Partner shares in distributions

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from the Partnership.

ARTICLE VII - Accounting Matters; Banking

Section 7.01. Fiscal Year. The fiscal year ("Fiscal Year") of the Partnership shall be the calendar year, or such other year as is required by the Code.

Section 7.02. Certain Accounting Matters. (a) At all times during the existence of the Partnership, the General Partner shall keep, or cause to be kept, full books of account, records and supporting documents, which shall reflect in reasonable detail, each transaction of the Partnership. The books of account shall be maintained on the accrual method of accounting, in accordance with generally accepted accounting principles, consistently applied. The Partnership shall use the accrual method of accounting for United States Federal income tax purposes. The books of account and the records of the Partnership shall be examined by and reported upon as of the end of each Fiscal Year by a firm of independent certified public accountants selected by the General Partner.

(b) The General Partner shall cause to be prepared and delivered to each of the Partners, within 90 days after the end of each Fiscal Year of the Partnership, annual financial statements of the Partnership, including a balance sheet of the Partnership as of the end of such Fiscal Year and the related statements of income or loss and a statement indicating such Partner's share of each item of Partnership income, gain, loss, deduction or credit for such Fiscal Year for income tax purposes.

(c) Notwithstanding anything in this Agreement to the contrary, the General Partner may, to the maximum extent permitted by applicable law, keep confidential from the Partners for such period of time as the General Partner deems reasonable any information which the General Partner reasonably believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interest of the Partnership or could damage the Partnership or its business or which the Partnership is required by law or by an agreement with a third party to keep confidential.

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(d) The General Partner may make, or revoke, in its sole and absolute discretion, any elections for the Partnership that are permitted under tax or other applicable laws, including elections under Section 704(c) of the Code, provided that the General Partner shall not make any elections pursuant to Section 754 of the Code.

Section 7.03. Banking. The Partnership shall maintain one or more bank accounts in the name and for the sole benefit of the Partnership. The signatories for such accounts shall be designated by the General Partner. Reserve cash, cash held pending the expenditure of funds for the business of the Partnership or cash held pending a distribution to one or more of the Partners may be invested in any manner at the sole and absolute discretion of the General Partner.

Section 7.04. Right to Rely on Authority of General Partner. No Person that is not a Partner, in dealing with the General Partner, shall be required to determine such General Partner's authority to make any commitment or engage in any undertaking on behalf of the Partnership, or to determine any fact or circumstance bearing upon the existence of the authority of the General Partner.

Section 7.05. Tax Matters Partner. The "tax matters partner," as defined in Section 6231 of the Code, of the Partnership shall be the General Partner (the "Tax Matters Partner"). The Tax Matters Partner shall receive no compensation from the Partnership for its services in that capacity. The Tax Matters Partner is authorized to employ such accountants, attorneys and agents as it, in its sole and absolute discretion, deems necessary or appropriate. Any Person who serves as Tax Matters Partner shall not be liable to the Partnership or to any Partner for any action it takes or fails to take as Tax Matters Partner with respect to any administrative or judicial proceeding involving "partnership items" (as defined in Section 6231 of the Code) of the Partnership.

ARTICLE VIII - Management

Section 8.01. Management. (a) The General Partner shall have full and exclusive authority with respect to all matters concerning the conduct of the business and affairs of the Partnership, including (without limitation) the power, without the consent of the Limited Partners, to make all decisions it deems necessary, advisable, convenient or appropriate to accomplish the purposes of the Partnership. The acts of the General Partner acting alone shall serve to bind the Partnership and shall constitute the acts of the Partners.

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(b) The Limited Partners, in their capacity as such, shall not take part in the management, operation or control of the business of the Partnership or transact any business in the name of the Partnership. In addition, the Limited Partners, in their

capacity as such, shall not be agents of the Partnership and shall not have the power to sign or bind the Partnership to any agreement or document. The Limited Partners shall have the right to vote only with respect to those matters specifically provided for in this Agreement. Notwithstanding anything herein to the contrary, the Preferred Partners may exercise all rights provided to them, if any, under the Indenture and the Guarantee.

(c) The General Partner is authorized and directed to use its best efforts to conduct the affairs of, and to operate, the Partnership in such a way that the Partnership would not be deemed to be an "investment company" required to be registered under the 1940 Act or taxed as a corporation for Federal income tax purposes and so that the Subordinated Debentures will be treated as indebtedness of Penelec for Federal income tax purposes. In this connection, the General Partner is authorized to take any action not inconsistent with applicable law, the Certificate of Limited Partnership or this Agreement that does not materially adversely affect the interests of holders of Preferred Partner Interests that the General Partner determines in its sole and absolute discretion to be necessary, advisable or desirable for such purposes.

Section 8.02. Fiduciary Duty. (a) To the extent that, at law or in equity, an Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to any other Covered Person, an Indemnified Person acting under this Agreement shall not be liable to the Partnership or to any other Covered Person for its good faith reliance on the provisions of this Agreement or the advice of counsel selected by the Indemnified Person in good faith. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of an Indemnified Person otherwise existing at law or in equity, are agreed by the parties hereto to replace such other duties and liabilities of such Indemnified Person.

(b) Unless otherwise expressly provided herein, (i) whenever a conflict of interest exists or arises between Covered Persons, or (ii) whenever this Agreement or any other

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agreement contemplated herein or therein provides that an Indemnified Person shall act in a manner that is, or provides terms that are, fair and reasonable to the Partnership or any Partner, the Indemnified Person shall resolve such conflict of interest, taking such action or providing such terms, considering in each case the relative interest of each party (including its own interest) to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, the advice of counsel selected by the Indemnified Person in good faith, and any applicable generally accepted accounting practices or principles. In the absence of bad faith by the Indemnified Person, the resolution, action or term so made, taken or provided by the Indemnified Person shall not constitute a breach of this Agreement or any other agreement contemplated herein or of any duty or obligation of the Indemnified Person at law or in equity or otherwise.

(c) Whenever in this Agreement an Indemnified Person is permitted or required to make a decision (i) in its "discretion" or under a grant of similar authority or latitude, the Indemnified Person shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Partnership or any other Person, or (ii) in its "good faith" or under another express standard, the Indemnified Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement or other applicable law.

Section 8.03. Specific Obligations of the General Partner. The General Partner hereby undertakes:

(a) to devote to the affairs of the Partnership so much of its time as shall be necessary to carry on properly the Partnership's business and its responsibilities hereunder;

(b) to cause the Partnership to do or refrain from doing such acts as shall be required by Delaware law in order to preserve the valid existence of the Partnership as a Delaware limited partnership and to preserve the limited liability of the Limited Partners; and,

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(c) the General Partner shall pay directly all, and the Partnership shall not be obligated to pay, directly or indirectly, any, of the costs and expenses of the Partnership (including, without limitation, costs and expenses relating to the organization of, and offering of Preferred Partner Interests in, the Partnership and costs and expenses relating to the operation of the Partnership, including without limitation, costs and expenses of accountants, attorneys, statistical or bookkeeping services and computing or accounting equipment, paying agent(s), registrar(s), transfer agent(s), duplicating, travel and telephone and costs and expenses incurred in connection with the acquisition, financing, and disposition of Partnership assets).

Section 8.04. Powers of the General Partner. The General Partner shall have the right, power and authority, in the management of the business and affairs of the Partnership, to do or cause to be done any and all acts deemed by the General Partner to be necessary or appropriate to effectuate the business, purposes and objectives of the Partnership. Without limiting the generality of the foregoing, the General Partner shall have the power and authority without any further act, approval or vote of any Partner to:

(a) issue Interests, including Preferred Partner Interests, and classes and series thereof, in accordance with this Agreement;

(b) act as, or appoint another Person to act as, registrar and transfer agent for the Preferred Partner Interests;

(c) establish a record date with respect to all actions to be taken hereunder that require a record date to be established, including with respect to allocations, distributions and voting rights and declare distributions and make all other required payments on General Partner, Class A Limited Partner and Preferred Partner Interests as the Partnership's paying agent;

(d) enter into and perform one or more Underwriting Agreements and use the proceeds from the issuance of the Interests to purchase the Subordinated Debentures, in each case on behalf of the Partnership;

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(e) bring and defend on behalf of the Partnership actions and proceedings at law or in equity before any court or governmental, administrative or other regulatory agency, body or commission or otherwise;

(f) employ or otherwise engage employees and agents (who may be designated as officers with titles) and managers, contractors, advisors and consultants and pay reasonable compensation for such services;

(g) redeem each series of Preferred Partner Interests (which shall constitute a return of capital and not a distribution of income) in accordance with its terms and/or to the extent that the related series of Subordinated Debentures is redeemed or reaches maturity; and,

(h) execute all documents or instruments, perform all duties and powers and do all things for and on behalf of the Partnership in all matters necessary, convenient, advisable or incidental to the foregoing.

The expression of any power or authority of the General Partner in this Agreement shall not in any way limit or exclude any other power or authority which is not specifically or expressly set forth in, or precluded by, this Agreement.

Section 8.05. Independent Affairs. Any Partner or Affiliate thereof may engage in or possess an interest in any other business venture of whatever nature and description, independently or with others, wherever located and whether or not comparable to or in competition with the Partnership or the General Partner, or any Affiliate thereof, and neither the Partnership nor any of the Partners shall, by virtue of this Agreement, have any rights with respect to, or interests in, such independent ventures or the income, profits or losses derived therefrom. No Partner or Affiliate thereof shall be obligated to present any particular investment opportunity to the Partnership even if such opportunity is of a character that, if presented to the Partnership, could be taken by the Partnership, and any Partner or Affiliate thereof shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment opportunity.

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Section 8.06. Meetings of the Partners. Meetings of the Partners of any class or series or of all classes or series of the Partnership's Interests may be called at any time by the Partners holding 10% in liquidation preference of such class or series of Interests, or of all classes or series of Interests, as the case may be, or as provided in any Action establishing a series of Preferred Partner Interests. Except to the extent otherwise provided in any such Action, the following provisions shall apply to meetings of Partners.

(a) Notice of any meeting shall be given to all Partners not less than ten (10) business days nor more than sixty (60) days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Whenever a vote, consent or approval of Partners is permitted or required under this Agreement, such vote, consent or approval may be given at a meeting of Partners or by written consent.

(b) Each Partner may authorize any Person to act for it by proxy on all matters in which a Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Partner or its attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Partner executing it.

(c) Each meeting of Partners shall be conducted by the General Partner or by such other Person that the General Partner may designate.

(d) Subject to the provisions of this Section 8.06, the General Partner, in its sole and absolute discretion, shall establish all other provisions relating to meetings of Partners, including notice of the time, place or purpose of any meeting at which any matter is to be voted on by any Partners, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote; provided, however, that unless the General Partner has established a lower percentage, a majority of the Partners entitled to vote thereat shall constitute a quorum at all meetings of the Partners.

Section 8.07. Net Worth of General Partner. By execution of this Agreement, the General Partner represents and covenants that (a) as of the date hereof and at all times during the existence of the Partnership it will maintain a fair market value net worth (determined in accordance with generally accepted accounting principles) of at least ten percent (10%) of the total

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contributions to the Partnership less any redemptions, throughout the life of the Partnership, in accordance with Rev. Proc. 89-12, 1989-1 C.B. 798, or such other amount as may be required from time to time pursuant to any amendment, modification or successor to Rev. Proc. 89-12 (such net worth being computed excluding any

interest in, or receivable due from, the Partnership and including any income tax liabilities that would become due by the General Partner upon disposition by the General Partner of all assets included in determining such net worth), and (b) it will not make any voluntary dispositions of assets which would reduce the net worth below the amount described in (a).

Section 8.08. Restrictions on General Partner. So long as any series of Subordinated Debentures are held by the Partnership, the General Partner shall not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or executing any trust or power conferred on the Trustee with respect to such series, (ii) waive any past default which is waivable under the Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all of a series of Subordinated Debentures shall be due and payable or (iv) consent to any amendment, modification or termination of the Indenture, where such consent shall be required, without, in each case, obtaining the prior approval of the holders of not less than 66 2/3% of the aggregate stated liquidation preference of all series of Preferred Partner Interests affected thereby, acting as a single class; provided, however, that where a consent under the Indenture would require the consent of each holder affected thereby, no such consent shall be given by the General Partner without the prior consent of each holder of all series of Preferred Partner Interests affected thereby. The General Partner shall not revoke any action previously authorized or approved by a vote of any series of Preferred Partner Interests. The General Partner shall notify all holders of such Preferred Partner Interests of any notice of default received from the Trustee with respect to such series of Subordinated Debentures. In addition, the General Partner will not permit or cause the Partnership to file a voluntary petition in bankruptcy without the approval of the holders of not less than 66 2/3% of the aggregate stated liquidation preference of the outstanding Preferred Partner Interests.

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ARTICLE IX - Liability and Indemnification

Section 9.01. Partnership Expenses and Liabilities.

(a) Except as provided in the Delaware Act, the General Partner shall have the liabilities of a partner in a partnership without limited partners to Persons other than the Partnership and the other Partners. Except as provided in the Delaware Act or this Agreement, the General Partner shall have the liabilities of a partner in a partnership without limited partners to the Partnership and to the other Partners.

(b) Except as otherwise expressly required by law, a Limited Partner, in its capacity as such, shall have no liability in excess of (i) the amount of its capital contributions to the Partnership, (ii) its share of any assets and undistributed profits

of the Partnership, and (iii) the amount of any distributions wrongfully distributed to it.

Section 9.02. No Liability. Except as otherwise expressly provided by the Delaware Act or in Section 9.01(a), no Covered Person shall be liable to the Partnership or to any other Partner for any act or omission performed or omitted pursuant to the authority granted to it hereunder or by law, or from a loss resulting from any mistake or error in judgment on its part or from the negligence, dishonesty, fraud or bad faith of any employee, independent contractor, broker or other agent of the Partnership, provided that such act or omission, such mistake or error in judgment or the selection of such employee, independent contractor, broker or other agent, as the case may be, did not result from the willful misconduct, gross negligence or fraud of such Covered Person. Any Covered Person shall be fully protected in relying in good faith upon the records of the Partnership and upon such information, opinions, reports or statements presented to the Partnership by any Person as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Partnership, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the

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existence and amount of assets from which distributions to Partners might properly be paid.

Section 9.03. Indemnification. To the fullest extent permitted by applicable law, except as set forth in Section 8.03(c), an Indemnified Person shall be entitled to indemnification from the Partnership for any loss, damage or claim incurred by such Indemnified Person by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Partnership and in a manner reasonably believed to be within the scope of authority conferred on such Indemnified Person by this Agreement, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of willful misconduct, gross negligence or fraud with respect to such acts or omissions; provided, however, that any indemnity under this Section 9.03 shall be provided out of and to the extent of Partnership assets only, and except as otherwise expressly provided in Section 9.01(a) or by the Delaware Act, no Covered Person shall have any personal liability on account thereof. To the fullest extent permitted by applicable law, expenses (including legal fees) incurred by an Indemnified Person in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of an undertaking by or on behalf of the Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified as authorized in this Section 9.03.

ARTICLE X - Withdrawal; Transfer Restrictions

Section 10.01. Transfer by General Partner; Admission of Substituted General Partner. The General Partner may not Transfer its Interest (in whole or in part) to any Person without the consent of all other Partners, provided that the General Partner may, without the consent of any Partner, Transfer its Interest to Penelec or any direct or indirect wholly owned subsidiary of Penelec. Notwithstanding anything else herein, the General Partner may merge with or into another Person, may permit another Person to merge with or into the General Partner and may Transfer all or

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substantially all of its assets to another Person if the General Partner is the survivor of such merger or the Person into which the General Partner is merged or to which the General Partner's assets are transferred is a Person organized under the laws of the United States or any state thereof or the District of Columbia. The General Partner shall have the right to admit the assignee or transferee of its Interest which is permitted hereunder as a substituted or additional general partner of the Partnership, with or without the consent of the Limited Partners. Any such assignee or transferee of all or a part of the Interest of a General Partner shall be deemed admitted to the Partnership as a general partner of the Partnership immediately prior to the effective date of such Transfer, and such additional or successor general partner of the Partnership is hereby authorized and shall continue the business of the Partnership without dissolution.

Section 10.02. Withdrawal of Limited Partners. A Preferred Partner may not withdraw from the Partnership prior to the dissolution and winding up of the Partnership except upon the assignment of its Preferred Partner Interests (including any redemption, repurchase, exchange or other acquisition by the Partnership), as the case may be, in accordance with the provisions of this Agreement. Any Person who has been assigned one or more Interests shall provide the Partnership with a completed Form W-8 or such other documents or information as are requested by the Partnership for tax reporting purposes. A withdrawing Preferred Partner shall not be entitled to receive any distribution and shall not otherwise be entitled to receive the fair value of its Preferred Partner Interest except as otherwise expressly provided in this Agreement. Notwithstanding anything in this Agreement to the contrary, the Class A Limited Partner may withdraw from the Partnership upon ten (10) days prior written notice to the General Partner. Upon such withdrawal, the Partnership shall return to the Class A Limited Partner the amount of its capital contribution to the Partnership.

Section 10.03. Withdrawal of Class A Limited Partner. Upon the admission of at least one Preferred Partner as a Limited Partner of the Partnership, the Class A Limited Partner shall be deemed to have withdrawn from the Partnership as a Limited Partner of the Partnership, and upon such withdrawal, the Class A Limited Partner shall have its capital contribution returned to it without any interest or deduction and shall have no further interest in the Partnership.

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ARTICLE XI - Dissolution of the Partnership

Section 11.01. No Dissolution. The Partnership shall not be dissolved by the admission of additional or successor Partners in accordance with the terms of this Agreement. The death, withdrawal, incompetency, bankruptcy, dissolution or other cessation to exist as a legal entity of a Limited Partner, or the occurrence of any other event that terminates the Interest of a Limited Partner in the Partnership, shall not in and of itself cause the Partnership to be dissolved and its affairs wound up. To the fullest extent permitted by applicable law, upon the occurrence of any such event, the General Partner may, without any further act, vote or approval of any Partner, subject to the terms of this Agreement, admit any Person to the Partnership as an additional or substitute Limited Partner, which admission shall be effective as of the date of the occurrence of such event, and the business of the Partnership shall be continued without dissolution.

Section 11.02. Events Causing Dissolution. The Partnership shall be dissolved and its affairs shall be wound up upon the occurrence of any of the following events:

(a) The expiration of the term of the Partnership, as provided in Section 2.04 hereof;

(b) The withdrawal, removal or bankruptcy of the General Partner or Transfer (other than a grant of a security interest) by the General Partner of its entire Interest in the Partnership when the assignee is not admitted to the Partnership as an additional or successor General Partner in accordance with Section 10.01 hereof, or the occurrence of any other event that results in the General Partner ceasing to be a general partner of the Partnership under the Delaware Act, provided, the Partnership shall not be dissolved and required to be wound up in connection with any of the events specified in this clause (b) if (i) at the time of the occurrence of such event there is at least one remaining general partner of the Partnership who is hereby authorized to, and agrees to, and does carry on the business of the Partnership, or (ii) within ninety days after the occurrence of such event, a majority in Interest of the remaining Partners (or such greater percentage in Interest as is required by the Delaware Act) agree in writing to continue the business of the Partnership and to the appointment, effective as of the date of such event, if required, of one or more additional general partners of the Partnership;

(c) The entry of a decree of judicial dissolution

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under the Delaware Act;

(d) The bankruptcy, liquidation, dissolution or winding up of Penelec;

(e) the written consent of the General Partner and all of the Preferred Partners; or

(f) in the sole and absolute discretion of the General Partner upon the happening of a Special Event.

Section 11.03. Notice of Dissolution. Upon the dissolution of the Partnership, the General Partner shall promptly notify the Partners of such dissolution.

ARTICLE XII - Liquidation of Partner Interests

Section 12.01. Liquidation. Upon dissolution of the Partnership, the General Partner, or, in the event that the dissolution is caused by an event described in Section 11.02(b) and there is no other General Partner, a Person or Persons who may be approved by Preferred Partners holding not less than a majority in liquidation preference of the Preferred Partners Interests, as liquidating trustee (the "Liquidating Trustee"), shall immediately commence to wind up the Partnership's affairs; provided, however, that a reasonable time shall be allowed for the orderly liquidation of the assets of the Partnership and the satisfaction of liabilities to creditors so as to enable the Partners to minimize the normal losses attendant upon a liquidation. The Preferred Partners shall continue to share profits and losses during liquidation in the same proportions, as specified in Articles V and VI hereof, as before liquidation. The proceeds of liquidation shall be distributed, as realized, in the following order and priority:

(a) to creditors of the Partnership, including Preferred Partners who are creditors, to the extent otherwise permitted by law, in satisfaction of the liabilities of the Partnership (whether by payment or the making of reasonable provision for payment thereof), other than liabilities for which

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reasonable provision for payment has been made and liabilities for distributions to Partners;

(b) to the holders of Preferred Partner Interests of each series then outstanding in accordance with the terms of the Action or Actions for such Series; and

(c) to all Partners in accordance with their respective positive Capital Account balances, after giving effect to all contributions, distributions and allocations for all periods.

Section 12.02. Termination. The Partnership shall terminate when all of the assets of the Partnership have been distributed in the manner provided for in this Article XII, and the Certificate of Limited Partnership shall have been cancelled in the manner required by the Delaware Act.

Section 12.03. Duty of Care. The General Partner or the Liquidating Trustee, as the case may be, shall not be liable to the Partnership or any Partner for any loss attributable to any act or omission of the General Partner or the Liquidating Trustee, as the case may be, taken in good faith in connection with the liquidation of the Partnership and distribution of its assets in belief that such course of conduct was in the best interest of the Partnership. The General Partner or the Liquidating Trustee, as the case may be, may consult with counsel and accountants with respect to liquidating the Partnership and distributing its assets and shall be justified in acting or omitting to act in accordance with the written opinion of such counsel or accountants, provided they shall have been selected with reasonable care.

Section 12.04. No Liability for Return of Capital. The General Partner and its respective officers, directors, members, shareholders, employees, representatives, agents, partners and Affiliates shall not be personally liable for the return of the capital contributions of any Partner to the Partnership. No Partner shall be obligated to restore to the Partnership any amount with respect to a negative Capital Account.

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ARTICLE XIII - Preferred Partner Interests

Section 13.01. Preferred Partner Interests.

(a) The aggregate number of Preferred Partner Interests which the Partnership shall have authority to issue is unlimited. Each series of Preferred Partner Interests shall rank equally and all Preferred Partner Interests shall rank senior to all other Interests in respect of the right to receive distributions and the right to receive payments out of the assets of the Partnership upon voluntary or involuntary dissolution and winding up of the Partnership. The issuance of any Interests ranking senior to the Preferred Partner Interest shall be deemed to materially adversely affect the rights of the Preferred Partner Interests under this Agreement.

(b) The General Partner on behalf of the Partnership is authorized to issue Preferred Partner Interests, in one or more series, having such designations, rights, privileges, restrictions and other terms and provisions, whether in regard to distributions, return of capital or otherwise, as may from time to time be established in a written action or actions (each, an "Action") of the General Partner providing for the issue of such series. In connection with the foregoing, the General Partner is expressly authorized, prior to issuance, to set forth in an Action or Actions providing for the issue of such series, the following:

(i) The distinctive designation of such series which shall distinguish it from other series;

(ii) The number of Preferred Partner Interests included in such series, which number may be increased or

decreased from time to time unless otherwise provided by the General Partner in creating the series;

(iii) The distribution rate (or method of determining such rate) for Preferred Partner Interests of such series and the first date upon which such distribution shall be payable;

(iv) The amount or amounts which shall be paid out of the assets of the Partnership to the holders of such series

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of Preferred Partner Interests upon voluntary or involuntary dissolution and winding up of the Partnership;

(v) The price or prices at which, the period or periods within which and the terms and conditions upon which the Preferred Partner Interests of such series may be redeemed or purchased, in whole or in part, at the option of the Partnership;

(vi) The obligation of the Partnership to purchase or redeem Preferred Partner Interests of such series pursuant to a sinking fund or otherwise and the price or prices at which, the period or periods within which and the terms and conditions upon which the Preferred Partner Interests of such series shall be redeemed, in whole or in part, pursuant to such obligation;

(vii) The period or periods within which and the terms and conditions, if any, including the price or prices or the rate or rates of conversion or exchange and the terms and conditions of any adjustments thereof, upon which the Preferred Partner Interests of such series shall be convertible or exchangeable at the option of the Preferred Partner, or the Partnership, into any other Interests or securities or other property or cash or into any other series of Preferred Partner Interests;

(viii) The voting rights, if any, of the Preferred Partner Interests of such series in addition to those required by law and set forth in this Agreement, and any requirement for the approval by the Preferred Partner Interests, or of the Preferred Partner Interests of one or more series, or of both, as a condition to specified Actions or amendments to this Agreement;

(ix) The additional amounts, if any, which the Partnership will pay as a distribution as necessary in order that the net amounts received by the Preferred Partners who hold such series of Preferred Partner Interests after withholding or deduction on account of certain taxes, duties, assessments or governmental charges will equal the amount which would have been receivable in respect of such Preferred Partner Interests in the absence of such withholding or deduction ("Additional Amounts"); and

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(x) Any other relative rights, powers, preferences or limitations of the Preferred Partner Interests of the series not inconsistent with this Agreement or with applicable law.

In connection with the foregoing and without limiting the generality thereof, the General Partner is hereby expressly authorized, without the vote or approval of any other Partner, to take any Action to create under the provisions of this Agreement a series of Preferred Partner Interests that was not previously outstanding. Without the vote or approval of any other Partner, the General Partner may execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection with the issue from time to time of Preferred Partner Interests in one or more series as shall be necessary, convenient or desirable to reflect the issue of such series. The General Partner shall do all things it deems to be appropriate or necessary to comply with the Delaware Act and is authorized and directed to do all things it deems to be necessary or permissible in connection with any future issuance, including compliance with any statute, rule, regulation or guideline of any Federal, state or other governmental agency or any securities exchange.

Any Action or Actions taken by the General Partner pursuant to the provisions of this paragraph (b) shall be deemed an amendment and supplement to and part of this Agreement.

(c) Except as otherwise provided in this Agreement or in any Action in respect of any series of the Preferred Partner Interests and as otherwise required by law, all rights to the management and control of the Partnership shall be vested exclusively in the General Partner.

(d) No holder of Interests shall be entitled as a matter of right to subscribe for or purchase, or have any preemptive right with respect to, any part of any new or additional issue of Interests of any class or series whatsoever, or of securities convertible into any Interests of any class or series whatsoever, whether now or hereafter authorized and whether issued for cash or other consideration or by way of distribution. Any Person acquiring Preferred Partner Interests shall be admitted to the Partnership as a Preferred Partner upon compliance with Section 2.06.

13.02. Terms of Preferred Partner Interests. Notwithstanding anything else in any Action to the contrary, all Preferred Partner Interests of the Partnership shall have the following voting rights, preferences, participating, optional and

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other special rights and the qualifications, limitations or restrictions of, and other matters relating to, the Preferred Partner Interests as set forth below in this Section 13.02.

(a) Distributions.

(i) The Preferred Partners shall be entitled to receive, when, as and if declared by the General Partner out of funds held by the Partnership to the extent that the Partnership has cash on hand sufficient to permit such payments and funds legally available therefor, cumulative cash distributions at a rate per annum established by the General Partner, calculated on the basis of a 360-day year consisting of twelve (12) months of thirty (30) days each, and for any period shorter than a full monthly distribution period, distributions will be computed on the basis of the actual number of days elapsed in such period, and payable in United States dollars monthly in arrears on the last day of each calendar month of each year. In the event that any date on which distributions are payable on the Preferred Partner Interests is not a Business Day, then payment of the distribution payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. Such distributions will accrue and be cumulative from the original date of issue whether or not they have been declared and whether or not there are profits, surplus or other funds of the Partnership legally available for the payment of distributions, or whether they are deferred.

(ii) If distributions have not been paid in full on any series of Preferred Partner Interests, the

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Partnership may not pay or declare and set aside for payment, any distributions on any other series of Preferred Partner Interests unless the amount of any distributions declared on any Preferred Partner Interests is paid on all Preferred Partner Interests then outstanding on a pro rata basis, on the date such distributions are paid, so that

(1) (x) the aggregate amount of distributions paid on such series of Preferred Partner Interests bears to (y) the aggregate amount of distributions paid on all such Preferred Partner Interests outstanding the same ratio as

(2) (x) the aggregate of all accumulated arrears of unpaid distributions in respect of such series of Preferred Partner Interests bears to (y) the aggregate of all accumulated arrears of unpaid distributions in respect of

all such Preferred Partner Interests outstanding;

(B) pay or declare any distribution on any general partner Interest; or

(C) redeem, purchase or otherwise acquire any Preferred Partner Interests or any general partner Interests;

until, in each case, such time as all accumulated and unpaid distributions on all series of Preferred Partner Interests shall have been paid in full for all distribution periods terminating on or prior to, in the case of clauses (A) and (B), such payment and, in the case of clause (C), the date of such redemption, purchase or acquisition.

(b) Notice of Redemption.

(i) The Partnership may not redeem any outstanding Preferred Partner Interests unless all accumulated and unpaid distributions have been paid on all

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Preferred Partner Interests for all monthly distribution periods terminating on or prior to the date of redemption.

(ii) Notice of any redemption (a "Notice of Redemption") of a series of Preferred Partner Interests will be given by the Partnership by mail to each record holder of such series of Preferred Partner Interests to be redeemed not fewer than thirty (30) nor more than ninety (90) days prior to the date fixed for redemption thereof. For purposes of the calculation of the date of redemption and the dates on which notices are given pursuant to this paragraph (b)(ii), a Notice of Redemption shall be deemed to be given on the day such notice is first mailed by first-class mail, postage prepaid, or on the date it was delivered in person, receipt acknowledged to the record holders of such series of Preferred Partner Interests. Each Notice of Redemption shall be addressed to the record holders of such series of Preferred Partner Interests at the address appearing in the books and records of the Partnership. No defect in the Notice of Redemption or in the mailing thereof or publication of its contents shall affect the validity of the redemption proceedings.

(iii) If the Partnership gives a Notice of Redemption in respect of a series of Preferred Partner Interests, then, by 12:00 noon, New York time, on the redemption date, the Partnership will irrevocably deposit with The Depository Trust Company or its successor securities depository funds

sufficient to pay the applicable Redemption Price and will give The Depository Trust Company or its successor securities depository irrevocable instructions and authority to pay the Redemption Price to the holders of the Preferred Partner Interests. If Notice of Redemption shall have been given and funds deposited as required, then on the date of such deposit, all rights of the Preferred Partner Interest Owners and the holders of such

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series of Preferred Partner Interests so called for redemption will cease, except the right to receive the Redemption Price, but without interest. In the event that any date fixed for redemption of such series of Preferred Partner Interests is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day falls in the next succeeding calendar year, such payment will be made on the immediately preceding Business Day. In the event that payment of the Redemption Price in respect of a series of Preferred Partner Interests is not made either by the Partnership or by Penelec pursuant to the Guarantee pertaining to the series of Preferred Partner Interests, distributions on such series of Preferred Partner Interests will continue to accrue at the then applicable rate, from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price.

(iv) In the event that less than all the outstanding series of Preferred Partner Interests are to be redeemed, the series of Preferred Partner Interests to be redeemed, will be selected according to a determination by The Depository Trust Company or its successor securities depository. In the case of a partial redemption resulting from a requirement that the Partnership pay Additional Amounts or withhold or deduct certain amounts, the Partnership will (A) cause the global certificates representing all of such series of Preferred Partner Interests to be withdrawn from The Depository Trust Company or its successor securities depository, (B) issue certificates in definitive form representing such series of Preferred Partner Interests, and (C) redeem the series of Preferred Partner Interests subject to such requirement to withhold or deduct Additional Amounts. Subject to applicable law, Penelec or its subsidiaries may at any time and from time to time purchase outstanding Preferred Partner Interests by tender, in the open market or by private agreement. If a partial redemption or a

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purchase of outstanding Preferred Partner Interests by tender, in the open market or by private agreement would result in a delisting of a series of Preferred Partner Interests from any national securities exchange on which the series of Preferred Partner Interests are then listed, the Partnership may then only redeem or purchase the series of Preferred Partner Interests in whole.

(c) Liquidation Distribution. If, upon any liquidation, the Liquidation Distribution on a series of Preferred Partner Interests can be paid only in part because the Partnership has insufficient assets available to pay in full the aggregate liquidation distributions on all Preferred Partner Interests then outstanding, then the amounts payable directly by the Partnership on the such series of Preferred Partner Interests and on all other Preferred Partner Interests then outstanding shall be paid on a pro rata basis, so that

(i) (A) the aggregate amount paid in respect of the Liquidation Distribution bears to (B) the aggregate amount paid as liquidation distributions on all other Preferred Partnership Interests then outstanding the same ratio as

(ii) (A) the aggregate Liquidation Distribution bears to (B) the aggregate maximum liquidation distributions on all other Preferred Partner Interests then outstanding.

(d) Voting Rights. If (i) the Partnership fails to pay distributions in full on a series of Preferred Partner Interests for eighteen (18) consecutive monthly distribution periods; (ii) an event of default as defined in the Indenture occurs and is continuing; or (iii) Penelec is in default on any of its payment or other obligations under the Guarantee, then the holders of such series of Preferred Partner Interests, together with the holders of all other series of Preferred Partner Interests acting as a single class, will be entitled, by a vote of the majority of the aggregate stated liquidation preference of outstanding Preferred Partner Interests, to appoint and authorize a special representative of the Partnership and the Preferred Partners (the "Special Representative") to enforce the Partnership's rights under the Indenture, including, after failure to pay interest for sixty (60) consecutive monthly interest periods, the payment of interest on the Subordinated Debentures, and to enforce the obligations of Penelec under the Guarantee.

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For purposes of determining whether the Partnership has failed to pay distributions in full for eighteen (18) consecutive monthly distribution periods, distributions shall be deemed to remain in arrears, notwithstanding any payments in respect thereof, until full cumulative distributions have been or contemporaneously are declared and paid with respect to all monthly distribution periods terminating on or prior to the date of payment

of such full cumulative distributions. Subject to requirements of applicable law, not later than thirty (30) days after such right to appoint a Special Representative arises, the General Partner will convene a general meeting for the above purpose. If the General Partner fails to convene such meeting within such 30-day period, the Preferred Partners who hold 10% of the aggregate stated liquidation preference of such outstanding series of Preferred Partner Interests will be entitled to convene such meeting. The provisions of this Agreement relating to the convening and conduct of meetings of Partners will apply with respect to any such meeting. Any Special Representative so appointed shall cease to act in such capacity immediately if the Partnership (or Penelec pursuant to the Guarantee) shall have paid in full all accumulated and unpaid distributions on the Preferred Partner Interests or such default or breach by Penelec, as the case may be, shall have been cured. Notwithstanding the appointment of any such Special Representative, (i) Penelec shall retain all rights under the Indenture, including the right to extend the interest payment period on the Subordinated Debentures as provided in the Indenture, and (ii) such Special Representative shall not become a Partner of the Partnership.

If any proposed amendment of this Agreement provides for, or the General Partner otherwise proposes to effect any action which would materially adversely affect the powers, preferences or special rights of such series of Preferred Partner Interests, then holders of the outstanding series of Preferred Partner Interests will be entitled to vote on such amendment or action of the General Partner (but not on any other amendment or action) and, in the case of an amendment or action which would equally materially adversely affect the powers, preferences or special rights of any other series of outstanding Preferred Partner Interests, all holders of all such series of Preferred Partner Interests, will be entitled to vote together as a class on such amendment or action of the General

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Partner (but not on any other amendment or action), and such amendment or action shall not be effective except with the approval of Preferred Partners holding not less than 66 2/3% of the aggregate stated liquidation preference of such outstanding series of Preferred Partner Interests. Except as otherwise provided under Section 11.02 or the Delaware Act, the Partnership will be dissolved and wound up only with the consent of the holders of all Preferred Partner Interests outstanding.

The powers, preferences or special rights of a series of Preferred Partner Interests will be deemed not to be adversely affected by the creation or issue of, and no vote will be required for the creation or issue of, any further series of Preferred Partner Interests or any general partner interests.

Any required approval of a series of Preferred Partner Interests may be given at a separate meeting of such holders convened for such purpose, at a meeting of the holders of all series of Preferred Partner Interests or pursuant to written consent. The Partnership will cause a notice of any meeting at which holders of a series of Preferred Partner Interests are

entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be mailed to each holder of Preferred Partner Interests. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any matter to be voted on at such meeting or upon which written consent is sought, and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the holders of a series of Preferred Partner Interests will be required for the Partnership to redeem and cancel such Series of Preferred Partner Interests in accordance with this Agreement and the related Action.

Notwithstanding that holders of a series of Preferred Partner Interests are entitled to vote or consent under any of the circumstances described above, any Preferred Partner Interests that are owned by Penelec or any Person owned more than 50% by Penelec, either directly or indirectly, shall not be entitled to vote or consent and shall, for the purposes of such vote or consent, be treated as if they were not outstanding.

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(e) Mergers. The Partnership shall not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other entity, except with the prior approval of the Preferred Partners holding not less than 66 2/3% of the aggregate stated liquidation preference of such outstanding Preferred Partner Interests or as described below. The General Partner may without the consent of the holders of any series of Preferred Partner Interests, cause the Partnership to consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, a corporation, a limited liability company, limited partnership or a trust or other entity organized as such under the laws of the United States or any state thereof or the District of Columbia provided that (i) such successor entity either (A) expressly assumes all of the terms and provisions of the Preferred Partner Interests by which the Partnership is bound and the other obligations of the Partnership or (B) substitutes for the Preferred Partner Interests other securities having substantially the same terms as the Preferred Partner Interests (the "Successor Securities") so long as the Successor Securities rank, with regards to participation in the profits or assets of the successor entity, at least as high as the Preferred Partner Interests rank, with regard to participation in the profits or assets of the Partnership, (ii) Penelec confirms its obligations under the Guarantee with regard to the Preferred Partner Interests or Successor Securities, if any are issued, (iii) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause any series of Preferred Partner Interests or Successor Securities to be delisted by any national securities exchange or other organization on which those Preferred Partner Interests or Successor Securities are then listed, (iv) such merger, consolidation, amalgamation, replacement, conveyance,

transfer or lease does not cause the Preferred Partner Interests to be downgraded by any nationally recognized statistical rating organization, as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Securities Act, (v) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the powers, preferences and special rights of holders of Preferred Partner Interests or Successor Securities in any material respect, (vi) such successor

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entity has a purpose substantially identical to that of the Partnership and (vii) prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease Penelec has received an opinion of counsel (which may be regular counsel to the Partnership or an Affiliate, but not an employee thereof) experienced in such matters to the effect that (A) holders of outstanding Preferred Partner Interests or Successor Securities will not recognize any gain or loss for Federal income tax proposes as a result of the merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, (B) such successor entity will be treated as a partnership for Federal income tax purposes, (C) following such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, Penelec and such successor entity will be in compliance with the 1940 Act without registering thereunder as an "investment company," and (D) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease will not adversely affect the limited liability of holders of Preferred Partner Interests or Successor Securities.

ARTICLE XIV - Transfers

Section 14.01. Transfers of Preferred Partner Interests. Preferred Partner Interests may be freely transferred by a Preferred Partner. No Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Agreement. Any transfer or purported transfer of any Interest not made in accordance with this Agreement shall be null and void.

Section 14.02. Transfer of Certificates. The General Partner shall provide for the registration of Certificates. Upon surrender for registration of transfer of any Certificate, the General Partner shall cause one or more new Certificates to be issued in the name of the designated transferee or transferees. Every Certificate surrendered for registration of transfer shall be accompanied by a written instrument of transfer and agreement to be bound by the provisions of this Agreement in form satisfactory to the General Partner duly executed by the Preferred Partner or his attorney duly authorized in writing. Each Certificate surrendered for registration of transfer shall be cancelled by the General Partner. A transferee of a Certificate shall provide the Partnership with a completed Form W-8 or such other documents or information as are requested by the Partnership for tax reporting purposes and thereafter shall be admitted to the Partnership as a Preferred Partner and shall be entitled to the rights and subject to the obligations of a Preferred Partner hereunder upon the

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receipt by such transferee of a Certificate. The transferor of a Certificate shall cease to be a limited partner of the Partnership at the time that the transferee of the Certificate is admitted to the Partnership as a Preferred Partner in accordance with this Section 14.02.

Section 14.03. Persons Deemed Preferred Partners. The Partnership may treat the Person in whose name any Certificate shall be registered on the books and records of the Partnership as the Preferred Partner and the sole holder of such Certificate for purposes of receiving distributions and for all other purposes whatsoever and, accordingly, shall not be bound to recognize any equitable or other claims to or interest in such Certificate on the part of any other Person, whether or not the Partnership shall have actual or other notice thereof.

Section 14.04. Book Entry Interests. The Certificates, on original issuance, will be issued in the form of a typewritten Certificate or Certificates representing the Book Entry Interests, to be delivered to The Depository Trust Company, the initial Clearing Agency, by, or on behalf of, the Partnership. Such Certificates shall initially be registered on the books and records of the Partnership in the name of Cede & Co., the nominee of the initial Clearing Agency, and no Preferred Partner Interest Owner will receive a definitive Certificate representing such Preferred Partner Interest Owner's interests in such Certificate, except as provided in Section 14.06. Unless and until definitive, fully registered Certificates (the "Definitive Certificates") have been issued to the Preferred Partner Interest Owners pursuant to Section 14.06:

(a) The provisions of this Section shall be in full force and effect;

(b) The Partnership and the General Partner shall be entitled to deal with the Clearing Agency for all purposes of this Agreement (including the payment of distributions on the Certificates and receiving approvals, votes or consents hereunder) as the Preferred Partner and the sole holder of the Certificates and shall have no obligations to the Preferred Partner Interest Owners;

(c) The rights of the Preferred Partner Interest Owners shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between

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such Preferred Partner Interest Owners and the Clearing Agency and/or the Clearing Agency Participants. Unless or until the Definitive Certificates are issued pursuant to Section 14.06, the initial Clearing Agency will make book entry transfers among the Clearing Agency Participants and receive and transmit payments of distributions on the Certificates to such Clearing Agency Participants;

(d) To the extent that the provisions of this Section conflict with any other provisions of this Agreement, the provisions of this Section shall control; and

(e) Whenever this Agreement requires or permits actions to be taken based upon approvals, votes or consents of a percentage of the Preferred Partners, the Clearing Agency shall be deemed to represent such percentage only to the extent that it has received instructions to such effect from the Preferred Partner Interest Owners and/or Clearing Agency Participants owning or representing, respectively, such required percentage of the beneficial interests in the Certificates and has delivered such instructions to the General Partner.

Section 14.05. Notices to Clearing Agency. Whenever a notice or other communication to the Preferred Partners is required under this Agreement, unless and until Definitive Certificates shall have been issued pursuant to Section 14.06, the General Partner shall give all such notices and communications specified herein to be given to the Preferred Partners to the Clearing Agency, and shall have no obligations to the Preferred Partner Interest Owners.

Section 14.06. Definitive Certificates. If (a) the Clearing Agency elects to discontinue its services as securities depository and gives reasonable notice to the Partnership, or (b) he Partnership elects to terminate the book entry system through the Clearing Agency, then the Definitive Certificates shall be prepared by the Partnership. Upon surrender of the typewritten Certificate or Certificates representing the Book Entry Interests by the Clearing Agency, accompanied by registration instructions, the General Partner shall cause the Definitive Certificates to be

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delivered to the holders of Preferred Partner Interests in accordance with the instructions of the Clearing Agency. The General Partner shall not be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. Any Person receiving a Definitive Certificate in accordance with this Article XIV shall be admitted to the Partnership as a Preferred Partner upon receipt of such Definitive Certificate. The Clearing Agency or the nominee of the Clearing Agency, as the case may be, shall cease to be a Limited Partner of the Partnership under this Section 14.06 at the time that at least one additional Person is admitted to the Partnership as a Preferred Partner in accordance with this Section 14.06. The Definitive Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the General Partner, as evidenced by its execution thereof.

Additionally, in the event that the Partnership exercises its option to redeem only a portion of the Preferred Partner Interests because it is or would be required to withhold or deduct Additional Amounts in regard to such Preferred Partner Interests to be redeemed, the Partnership may cause the global Certificate representing all of the Preferred Partner Interests to be withdrawn

from the Clearing Agency and issue Definitive Certificates representing the remaining Preferred Partner Interests. Thereafter, the Preferred Partner Interests subject to such requirement to withhold or deduct Additional Amounts will be redeemed.

ARTICLE XV - General

Section 15.01. Power of Attorney. (a) The Class A Limited Partner and each Preferred Partner constitutes and appoints the General Partner and the Liquidating Trustee as its true and lawful representative and attorney-in-fact, in its name, place and stead, to make, execute, sign, acknowledge and deliver or file (i) all instruments, documents and certificates which may from time to time be required by any law to effectuate, implement and continue the valid and subsisting existence of the Partnership, (ii) all instruments, documents and certificates that may be required to effectuate the dissolution and termination of the Partnership in accordance with the provisions hereof and Delaware law, (iii) all

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other amendments of this Agreement or the Certificate of Limited Partnership and other filings contemplated by this Agreement including, without limitation, amendments reflecting the withdrawal of the General Partner, or the return, in whole or in part, of the contribution of any Partner, or the addition, substitution or increased contribution of any Partner, or any action of the Partners duly taken pursuant to this Agreement whether or not such Partner voted in favor of or otherwise approved such action, and (iv) any other instrument, certificate or document required from time to time to admit a Partner, to effect its substitution as a Partner, to effect the substitution of the Partner's assignee as a Partner or to reflect any action of the Partners provided for in this Agreement.

(b) The powers of attorney granted herein (i) shall be deemed to be coupled with an interest, shall be irrevocable and shall survive the death, insanity, incompetency or incapacity (or, in the case of a Partner that is a corporation, association, partnership, limited liability company or trust, shall survive the merger, dissolution or other termination of existence) of the Partner and (ii) shall survive the assignment by the Partner of the whole or any portion of his Interest, except that where the assignee of the whole or any portion thereof has furnished a power of attorney, this power of attorney shall survive such assignment for the sole purpose of enabling the General Partner and the Liquidating Trustee to execute, acknowledge and file any instrument necessary to effect any permitted substitution of the assignee for the assignor as a Partner and shall thereafter terminate. In the event that the appointment conferred in this Section 15.01 would not constitute a legal and valid appointment by any Partner under the laws of the jurisdiction in which such Partner is incorporated, established or resident, upon the request of the General Partner or the Liquidating Trustee, such Partner shall deliver to the General Partner or the Liquidating Trustee a properly authenticated and duly executed document constituting a legal and valid power of

attorney under the laws of the appropriate jurisdiction covering the matters set forth in this Section 15.01.

(c) The General Partner may require a power of attorney to be executed by a transferee of a Partner as a condition of its admission as a substitute Partner.

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Section 15.02. Waiver of Partition. Each Partner hereby irrevocably waives any and all rights that it may have to maintain an action for partition of any of the Partnership's property or assets.

Section 15.03. Notices. Any notice permitted or required to be given hereunder shall be in writing and shall be deemed given (i) on the day the notice is first mailed to a Partner by first class mail, postage prepaid, or (ii) on the date it was delivered in person to a Partner, receipt acknowledged, at its address appearing on the books and records of the Partnership. Another address may be designated by a Partner by such Partner giving notice of its new address as provided in this Section 15.03.

Section 15.04. Entire Agreement. This Agreement, including the exhibits annexed hereto and incorporated by reference herein, contains the entire agreement of the parties hereto and supersedes all prior agreements and understandings, oral or otherwise, among the parties hereto with respect to the matters contained herein.

Section 15.05. Waivers. Except as otherwise expressly provided herein, no purported waiver by any party of any breach by another party of any of his obligations, agreements or covenants hereunder, or any part thereof, shall be effective unless made in a writing executed by the party or parties sought to be bound thereby, and no failure to pursue or elect any remedy with respect to any default under or breach of any provision of this Agreement, or any part hereof, shall be deemed to be a waiver of any other subsequent similar or different default or breach, or any election of remedies available in connection therewith, nor shall the acceptance or receipt by any party of any money or other consideration due him under this Agreement, with or without knowledge of any breach hereunder, constitute a waiver of any provision of this Agreement with respect to such or any other breach.

Section 15.06. Headings. The section headings herein contained have been inserted only as a matter of convenience of reference and in no way define, limit or describe the scope or intent of any provisions of this Agreement nor in any way affect any such provisions.

Section 15.07. Separability. Each provision of this Agreement shall be considered to be separable, and if, for any reason, any such provision or provisions, or any part thereof, is determined to be invalid and contrary to any existing or future applicable law, such invalidity shall not impair the operation of,

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or affect, those portions of this Agreement which are valid, and this Agreement shall be construed and enforced in all respects as if such invalid or unenforceable provision or provisions had been omitted.

Section 15.08. Contract Construction. Whenever the content of this Agreement permits, the masculine gender shall include the feminine and neuter genders, and reference to singular or plural shall be interchangeable with the other. References in this Agreement to particular sections of the Code or to provisions of the Delaware Act shall be deemed to refer to such sections or provisions as they may be amended after the date of this Agreement.

Section 15.09. Counterparts. This Agreement may be executed in one or more counterparts and each of such counterparts for all purposes shall be deemed to be an original, but all of such counterparts, when taken together, shall constitute but one and the same instrument, binding upon all parties hereto, notwithstanding that all of such parties may not have executed the same counterpart.

Section 15.10. Benefit. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, but shall not be deemed for the benefit of creditors or any other Persons, nor shall it be deemed to permit any assignment by a Partner of any of its rights or obligations hereunder except as expressly provided herein.

Section 15.11. Further Actions. Each of the Partners hereby agrees that it shall hereafter execute and deliver such further instruments and do such further acts and things as may be required or useful to carry out the intent and purposes of this Agreement and as are not inconsistent with the terms hereof.

Section 15.12. Governing Law. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of Delaware, without regard to conflicts of laws.

Section 15.13. Amendments. Except as otherwise expressly provided herein or as otherwise required by law, this Agreement may only be amended by a written instrument executed by the General Partner provided, however, that any amendment which would adversely affect the powers, preferences or special rights of any series of Preferred Partner Interests may be effected only as permitted by the terms of such series of Preferred Partner

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Interests.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

GENERAL PARTNER

____

CLASS A LIMITED PARTNER, solely to reflect its withdrawal from the Partnership

____

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Exhibit A

Certificate Evidencing Preferred Partner Interests

of

Penelec Capital, L.P.

___% Cumulative Monthly Income Preferred Partner
Interests, Series __ (liquidation preference
$25 per Preferred Partner Interest)

Penelec Capital, L.P., a Delaware limited partnership (the "Partnership"), hereby certifies that Cede & Co. (the

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"Holder") is the registered owner of ____________ (_______) fully paid Preferred Partner Interests of the Partnership designated the ___% Cumulative Monthly Income Preferred Partner Interests, Series __ (liquidation preference $25 per Preferred Partner Interest) (the "Series __ Preferred Partner Interests") representing preferred limited partner interests in the Partnership transferable on the books and records of the Partnership, in person or by a duly authorized attorney, upon surrender of this Certificate duly endorsed and in proper form for transfer. The powers, preferences and special rights and limitations of the Series __ Preferred Partner Interests are set forth in, and this Certificate and the Series __ Preferred Partner Interests represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Amended and Restated Limited Partnership Agreement dated as of ___________, 1994 of the Partnership as the same may, from time to time, be amended (the "Partnership Agreement") authorizing the issuance of the Series __ Preferred Partner Interests and determining, along with any Actions of the General Partner of the

Partnership as authorized under the Partnership Agreement, the preferred, deferred and other special rights and restrictions, regarding distributions, voting, redemption and otherwise and other

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matters relating to the Series __ Preferred Partner Interests. The Partnership will furnish a copy of the Partnership Agreement to the Holder without charge upon written request to the Partnership at its principal place of business or registered office. Capitalized terms used herein but not defined shall have the meaning given them in the Partnership Agreement. The Holder is entitled to the benefits of the Payment and Guarantee Agreement of Pennsylvania Electric Company, dated as of _____________, 1994 relating to the Preferred Partner Interests (the "Guarantee") and of the Indenture between Pennsylvania Electric Company and United States Trust Company of New York, dated as of ________, 1994 (the "Indenture"), under and pursuant to which the related series of Subordinated Debentures are issued and outstanding, in either case to the extent provided therein. The Holder is further entitled to enforce such rights of the Partnership under the Indenture to the extent provided therein and in the Partnership Agreement. The Partnership will furnish a copy of the Guarantee and Indenture to the Holder without charge upon written request to the Partnership at its principal place of business or registered office.

The Holder, by accepting this Certificate, is deemed to have (i) agreed that the Subordinated Debentures issued pursuant to the Indenture are subordinate and junior in right of payment to all Senior Indebtedness of Pennsylvania Electric Company as and to the extent provided in the Indenture and (ii) agreed that the Guarantee is subordinate and junior in right of payment to all Senior

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Indebtedness of Pennsylvania Electric Company. Upon receipt of this Certificate, the Holder is admitted to the Partnership as a Preferred Partner, is bound by the Partnership Agreement and is entitled to the benefits thereunder.

IN WITNESS WHEREOF, the Partnership has executed this Certificate this ____ day of _____________, 1994.

PENELEC CAPITAL, L.P.

By:
Penelec Preferred Capital,
Inc., its General Partner

By: _______________________________

Name:
Title:

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Exhibit 3-H

Action by the General Partner of Met-Ed Capital, L.P.
Creating the __% Cumulative Monthly Income
Preferred Partner Interests, Series A

Pursuant to Section 13.01 of the Amended and Restated Limited Partnership Agreement of Met-Ed Capital, L.P. dated as of __, 1994 (as amended from time to time, the "Partnership Agreement"), Met-Ed Preferred Capital, Inc., as general partner (the "General Partner") of Met-Ed Capital, L.P. (the "Partnership"), desiring to state the designations, distribution rights, redemption rights, preferences, privileges, limitations and other rights of a new series of Preferred Partner Interests, hereby authorizes and establishes such new series of Preferred Partner Interests according to the following terms and conditions (each capitalized term used but not defined herein shall have the meaning set forth in the Partnership Agreement):

(a) Designation. ____________ interests with an aggregate liquidation preference of $ ______ of the Preferred Partner Interests of the Partnership, liquidation preference $25 per Preferred Partner Interest, are hereby designated as "__% Cumulative Monthly Income Preferred Partner Interests, Series A" (hereinafter the "Series A Preferred Partner Interests.")

(b) Distributions.

(i) The Preferred Partners who hold the Series A Preferred Partner Interests shall be entitled to receive, when, as and if declared by the General Partner to the extent that the Partnership has cash on hand sufficient to permit such payments and funds legally available therefor, cumulative cash distributions at a rate per annum of ___% of the stated liquidation preference of $25 per Series A Preferred Partner Interest per annum, commencing _____, 1994. Distributions on the Series A Preferred Partner Interests which accrue

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from the date of original issue to ___, 1994 shall be payable on ___, 1994.

(ii) Distributions on the Series A Preferred Partner Interests must be declared by the General Partner in any calendar year or portion thereof to the extent that the General Partner reasonably anticipates that at the time of payment the Partnership will have, and must be paid by the Partnership to the extent that at the time of proposed payment it has, cash on hand sufficient to permit such payments and funds legally available therefor. Distributions on the Series A Preferred Partner Interests will be deferred if

and for so long as Met-Ed defers payments to the Partnership on the Debentures (as defined below). Accrued and unpaid distributions on the Series A Preferred Partner Interests will accrue additional distributions ("Additional Distributions") in respect thereof, to the extent permitted by law, at the distribution rate per annum applicable to Series A Preferred Partner Interests. Such additional distributions shall be payable at the time the related deferred distribution is paid, but in any event by the end of such deferral period. Distributions declared on the Series A Preferred Partner Interests will be payable to the Series A Preferred Partners as they appear on the books and records of the Partnership on the relevant record dates, which will be one Business Day prior to the relevant payment dates, provided that if the Series A Preferred Partner Interests are not in book-entry-only form, the record dates will be the fifteenth day of each month.

(c) Redemption.

(i) The Series A Preferred Partner Interests are redeemable, at the option of the Partnership in whole or in part from time to time, on or after __________, 1999, at the Redemption Price (as defined below).

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(ii) Upon payment when due or redemption at any time of the ____% Subordinated Debentures, Series A due 2043 (the "Debentures") issued by Met-Ed pursuant to an Indenture dated as of _______, 1994 between Met-Ed and United States Trust Company of New York, as Trustee (the "Indenture"), which Debentures were purchased by the Partnership from Met-Ed with the proceeds from the issuance and sale of the Series A Preferred Partner Interests and the related capital contribution of the General Partner, the proceeds from such payment or redemption of the Debentures shall be applied to redeem the Series A Preferred Partner Interests at the redemption price of $25 per Preferred Partner Interest plus accumulated and unpaid distributions (whether or not declared) to the date fixed for redemption, together with any accrued additional distributions thereon (the "Redemption Price").

(iii) If at any time after the issuance of the Series A Preferred Partner Interests, the Partnership is or would be required to pay Additional Amounts (as defined below) or Met-Ed is or would be required to withhold or deduct certain amounts pursuant to paragraph (e) hereof, then, the Partnership may, at its option, redeem the

Series A Preferred Partner Interests in whole or, if such requirement relates only to certain of the Series A Preferred Partner Interests, the Series A Preferred Partner Interests subject to such requirement, in each case at the Redemption Price.

(iv) If an Investment Company Act Event shall occur and be continuing, the Partnership shall elect to either (1) redeem the Series A Preferred Partner Interests in whole but not in part at the Redemption Price within ninety (90) days following the occurrence of such Investment Company Act Event, provided, that, if at the time there is available to the General Partner the opportunity to eliminate, within such 90 day period, the

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Investment Company Act Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure, which has no adverse effect on the Partnership or Met-Ed, the General Partner will pursue such measure in lieu of redemption, or (2) dissolve the Partnership and, after satisfaction of liabilities to creditors, cause Debentures with an aggregate principal amount which shall be equal to the aggregate stated liquidation preference of the outstanding Series A Preferred Partner Interests to be distributed to the holders of the Series A Preferred Partner Interests in liquidation of such holders' Interests in the Partnership, within ninety (90) days following the occurrence of such Investment Company Act Event, provided that the Partnership shall have received an opinion of counsel (which may be regular tax counsel to Met-Ed or an Affiliate but not an employee thereof) to the effect that the holders of the Series A Preferred Partner Interests will not recognize any gain or loss for federal income tax purposes as a result of such dissolution and distribution.

(v) If a Tax Event shall occur and be continuing, the Partnership may elect to (1) redeem the Series A Preferred Partner Interests in whole (but not in part) at the Redemption Price within ninety (90) days following the occurrence of such Tax Event, provided that, if at the time there is available to the General Partner the opportunity to eliminate, within such 90 day period, the Tax Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure, which has no adverse effect on the Partnership or Met-Ed, the General Partner will pursue such measure in lieu of redemption, (2) dissolve the Partnership and, after satisfactions of liabilities to

creditors, cause Debentures with an aggregate principal amount which shall be equal to the

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aggregate stated liquidation preference of the outstanding Series A Preferred Partner Interests to be distributed to the holders of the Series A Preferred Partner Interests in liquidation of such holders' Interests in the Partnership, within ninety (90) days following the occurrence of such Tax Event, provided that the Partnership shall have received an opinion of counsel (which may be regular tax counsel to Met-Ed or an Affiliate but not an employee thereof) to the effect that the holders of the Series A Preferred Partner Interests will not recognize any gain or loss for federal income tax purposes as a result of such dissolution and distribution or (3) have the Series A Preferred Partner Interests remain outstanding.

(d) Liquidation Distribution. In the event of any voluntary or involuntary dissolution and winding up of the Partnership (other than pursuant to paragraphs (c)(iv) or (c)(v) hereof), holders of the Series A Preferred Partner Interests at the time outstanding will be entitled to receive out of the assets of the Partnership available for distribution to holders of Preferred Partner Interests, after satisfaction of liabilities to creditors as required by the Delaware Act, before any distribution of assets is made to holders of the general partner interests, but together with holders of every other series of Preferred Partner Interests outstanding, an amount equal to, in the case of holders of Series A Preferred Partner Interests, the aggregate of the stated liquidation preference of $25 per Series A Preferred Partner Interest plus accumulated and unpaid distributions (whether or not declared) to the date of payment, together with any additional distributions accrued thereon and any accrued and unpaid Additional Amounts (the "Liquidation Distribution").

(e) Additional Amounts. All payments in respect of the Series A Preferred Partner Interests by the Partnership will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied upon or as a result of such payment by or on behalf of the United States, any state thereof or any other jurisdiction through which or from which such payment is made, or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event that any such withholding or deduction is required as a consequence of (i) the Debentures not being treated as indebtedness for United States federal income tax purposes or (ii) the Partnership not being treated as a partnership for United States federal income tax purposes, the Partnership will

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pay as a distribution such additional amounts as may be necessary in order that the net amounts received by the holders of the

Series A Preferred Partner Interests after such withholding or deduction will equal the amounts which would have been receivable in respect of such Preferred Partner Interests in the absence of such withholding or deduction ("Additional Amounts"), except that no such Additional Amounts will be payable to a holder of Series A Preferred Partner Interests (or a third party on such holder's behalf) with respect to Series A Preferred Partner Interests if:

(i) any such holder is liable for such taxes, duties, assessments or governmental charges in respect of such Series A Preferred Partner Interests by reason of such holder's having a connection with the United States, any state thereof or any other jurisdiction through which or from which such payment is made, or in which such holder resides, conducts business or has other contacts, other than being a holder of Series A Preferred Partner Interests, or

(ii) the Partnership has notified such holder of the obligation to withhold or deduct taxes and requested but not received from such holder a declaration of non-residence, a valid taxpayer identification number or other claim for exemption, and such withholding or deduction would not have been required had such declaration, taxpayer identification number of claim been received.

(f) Subordination. The holders of Series A Preferred Partner Interests are deemed, by acceptance of such Interests, to have (i) agreed that the Debentures issued pursuant to the Indenture are subordinate and junior in right of payment to all Senior Indebtedness as and to the extent provided in the Indenture and (ii) agreed that the Guarantee relating to the Series A Preferred Partner Interests is subordinate and junior in right of payment to all Senior Indebtedness of Met-Ed.

(g) The holders of the Series A Preferred Partner Interests shall have no voting rights except as provided in the

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Partnership Agreement or as required under the Delaware Act.

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Exhibit 4-D

PAYMENT AND GUARANTEE AGREEMENT

THIS PAYMENT AND GUARANTEE AGREEMENT ("Guarantee Agreement"), dated as of _______ ___, 1994, is executed and delivered by Pennsylvania Electric Company, a Pennsylvania corporation (the "Guarantor"), for the benefit of the Holders (as defined below) from time to time of the Preferred Securities (as defined below) of Penelec Capital, L.P., a Delaware limited partnership (the "Issuer").

WHEREAS, the Issuer is issuing on the date hereof $___________ aggregate stated liquidation preference of preferred limited partner interests of a series designated the __% Cumulative Monthly Income Preferred Securities, Series A (the "Preferred Securities"), and the Guarantor desires to enter into this Guarantee Agreement for the benefit of the Holders, as provided herein;

WHEREAS, the Issuer will use (i) the proceeds from the issuance and sale of the Preferred Securities to the Holders and (ii) the capital contributions relating to the issuance of the Issuer's general partner interests (the "Common Securities") to Penelec Preferred Capital, Inc., a Delaware corporation and a wholly-owned subsidiary of the Guarantor (the "General Partner"), to purchase ___% Subordinated Debentures issued by the Guarantor under the Indenture (as defined below); and

WHEREAS, the Guarantor desires irrevocably and unconditionally to agree to the extent set forth herein to pay to the Holders the Guarantee Payments (as defined below) and to make certain other payments on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and other consideration, receipt of which is hereby acknowledged, the Guarantor, intending to be legally bound hereby, agrees as follows:

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ARTICLE I

As used in this Guarantee Agreement, the terms set forth below shall, unless the context otherwise requires, have the following meanings. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Issuer's Amended and Restated Limited Partnership Agreement dated as of _______ __, 1994 (the "Limited Partnership Agreement").

"Guarantee Payments" shall mean the following payments, without duplication, to the extent not paid by the Issuer: (i) any accumulated and unpaid monthly distributions on the Preferred Securities (except for monthly distributions which are not paid during an Extension Period (as defined in the Indenture)) to the

extent that the Issuer has sufficient cash on hand to permit such payments and funds legally available therefor, (ii) the Redemption Price (as defined below) payable with respect to any Preferred Securities called for redemption by the Issuer to the extent that the Issuer has sufficient cash on hand to permit such payments and funds legally available therefor, (iii) upon a liquidation of the Issuer other than in connection with a distribution of Subordinated Debentures (a "Distribution Event") following a dissolution of the Issuer resulting from a Special Event (as defined in the Limited Partnership Agreement), the lesser of (a) the Liquidation Distribution (as defined below) and (b) the amount of assets of the Issuer available for distribution to Holders in liquidation of the Issuer, and (iv) any Additional Amounts (as defined in the Limited Partnership Agreement) payable by the Issuer in respect of the Preferred Securities.

"Holder" shall mean any holder from time to time of any Preferred Securities of the Issuer; provided, however, that in determining whether the Holders of the requisite percentage of Preferred Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor or any entity owned more than 50% by the Guarantor, either directly or indirectly.

"Indenture shall mean the Indenture dated as of _____________, 1994 between the Guarantor and United States Trust Company of New York, as Trustee.

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"Liquidation Distribution" shall mean the aggregate of the stated liquidation preference of $25 per Preferred Security and all accumulated and unpaid distributions to the date of payment, together with any additional distributions accrued thereon.

"Redemption Price" shall mean the aggregate of $25 per Preferred Security, plus accumulated and unpaid distributions to the date fixed for redemption, together with any Additional Distributions (as defined in the Limited Partnership Agreement) accrued thereon.

"Subordinated Debentures" shall mean the Guarantor's ___% Subordinated Debentures, Series A, issued under and pursuant to the Indenture.

ARTICLE II

SECTION 2.01. (a) The Guarantor hereby irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments, as and when due (except to the extent paid by the Issuer), to the fullest extent permitted by law, regardless of any defense, right of set-off or counterclaim which the Guarantor or the Issuer may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment by the Guarantor to the Holders or by payment of such amounts by the Issuer to the Holders. Notwithstanding anything to the contrary

herein, the Guarantor retains all of its rights under Section 4.01(c) of the Indenture to extend the interest payment period thereunder and the Guarantor shall not be obligated hereunder to pay during an Extension Period (as defined in the Indenture) any monthly distributions on the Preferred Securities which are not paid by the Issuer during such Extension Period.

(b) All Guarantee Payments shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied upon or as a result of such payment by or on behalf of the United States, any state thereof or any other jurisdiction through which or from which such payment is made, or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or

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governmental charges is required by law. In the event that any such withholding or deduction is required as a consequence of (i) the Subordinated Debentures not being treated as indebtedness for United States federal income tax purposes or (ii) Penelec Capital not being treated as a partnership for United States federal income tax purposes, the Guarantor shall pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Holders after such withholding or deduction will equal the amount which would have been receivable in respect of the Preferred Securities in the absence of such withholding or deduction, except that no such additional amounts will be payable to any Holder (or a third party on such Holder's behalf):

i) if such Holder is liable for such taxes, duties, assessments or governmental charges in respect of the Preferred Securities by reason of such Holder's having a connection with the United States, any state thereof or any other jurisdiction through which or from which such payment is made, or in which such Holder resides, conducts business or has other contacts, other than being a Holder, or

ii) if the Issuer or the Guarantor has notified such Holder of the obligation to withhold or deduct taxes and requested but not received from such Holder a declaration of non-residence, a valid taxpayer identification number or other claim for exemption, and such withholding or deduction would not have been required had such declaration, taxpayer identification number or claim been received.

SECTION 2.02. The Guarantor hereby waives notice of acceptance of this Guarantee Agreement and of any liability to which it applies or may apply, presentment, demand for payment, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 2.03. Except as otherwise set forth herein, the obligations, covenants, agreements and duties of the Guarantor under this Guarantee Agreement shall to the fullest extent

permitted by law in no way be affected or impaired by reason of the happening from time to time of any of the following:

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(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Preferred Securities to be performed or observed by the Issuer;

(b) the extension of time for the payment by the Issuer of all or any portion of the monthly distributions, Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Securities;

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Securities, or any action on the part of the Issuer granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;

(e) any invalidity of, or defect or deficiency in, any of the Preferred Securities; or

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred.

The Holders shall have no obligation to give notice to, or obtain consent of, the Guarantor with respect to the occurrence of any of the foregoing.

SECTION 2.04. This is a guarantee of payment and not of collection. A Holder may enforce this Guarantee Agreement directly against the Guarantor, and the Guarantor will waive any right or remedy to require that any action be brought against the Issuer or any other person or entity before proceeding against the Guarantor. Subject to Section 2.05, all waivers hereunder shall be without prejudice to the Holders' right at the Holders' option to proceed against the Issuer, whether by separate action or by joinder. The Guarantor agrees that this Guarantee Agreement shall not be discharged except by payment of the Guarantee Payments in full (to the extent not paid by the Issuer) and by complete performance of all obligations of the Guarantor contained in this Guarantee

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Agreement.

SECTION 2.05. The Guarantor will be subrogated to all rights of the Holders against the Issuer in respect of any amounts paid to the Holders by the Guarantor under this Guarantee Agreement and shall have the right to waive payment by the Issuer of any amount of distributions in respect of which payment has been made to the Holders by the Guarantor pursuant to Section 2.01; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of a payment under this Guarantee Agreement, if, at the time of any such payment, any amounts remain due and unpaid under this Guarantee Agreement. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to pay over such amount to the Holders.

SECTION 2.06. The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer with respect to the Preferred Securities and that the Guarantor shall be liable as principal and sole debtor hereunder to make Guarantee Payments pursuant to the terms of this Guarantee Agreement notwithstanding the occurrence of any event referred to in subsections (a) through (f), inclusive, of Section 2.03 hereof.

ARTICLE III

SECTION 3.01. So long as any Preferred Securities remain outstanding, neither the Guarantor nor any majority-owned subsidiary of the Guarantor shall declare or pay any dividend on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its preferred or common stock (other than dividends to the Guarantor by a wholly-owned subsidiary of the Guarantor) (i) during an Extension Period (as defined in the Indenture) or (ii) if at such time the Guarantor shall be in default with respect to its payment or other obligations hereunder or there shall have occurred any event that, with the giving of notice or the lapse of time or both, would constitute an Event of Default under the Indenture. The Guarantor shall take all actions necessary to ensure the compliance of its subsidiaries with this

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Section 3.01.

SECTION 3.02. The Guarantor covenants, so long as any Preferred Securities remain outstanding: (i) to maintain direct or indirect 100% ownership of the Common Securities; (ii) to cause at least 3% of the total value of the Issuer and at least 3% of all interests in the capital, income, gain, loss, deduction and credit of the Issuer to be represented by Common Securities; (iii) not to cause the Issuer to be voluntarily dissolved, wound-up or terminated, except upon the entry of a decree of judicial dissolution or in connection with a Distribution Event or certain mergers, consolidations or other transactions permitted by the Limited Partnership Agreement; (iv) except as otherwise provided in the Limited Partnership Agreement, to cause the General Partner to remain the general partner of the Issuer and timely perform all of

its duties as general partner of the Issuer (including the duty to pay distributions on the Preferred Securities) in all material respects, provided that any permitted successor of the Guarantor under the Indenture may directly or indirectly succeed to the duties as general partner of the Issuer; and (v) to use its reasonable efforts to cause the Issuer to remain a limited partnership and otherwise continue to be treated as a partnership for United States federal income tax purposes.

SECTION 3.03. This Guarantee Agreement will constitute an unsecured obligation of the Guarantor and will rank (i) subordinate and junior in right of payment to all present and future Senior Indebtedness (as defined in the Indenture) of the Guarantor, and (ii) senior in right of payment to the Guarantor's preferred and common stock.

ARTICLE IV

This Guarantee Agreement shall terminate and be of no further force and effect upon full payment of the Redemption Price of all Preferred Securities or upon full payment of the amounts payable to the Holders upon liquidation of the Issuer or upon consummation of a Distribution Event; provided, however, that this Guarantee Agreement shall continue to be effective or shall be reinstated, as the case may be, if at any time any Holder of Preferred Securities must restore payments of any sums paid under the Preferred

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Securities or under this Guarantee Agreement for any reason whatsoever.

ARTICLE V

SECTION 5.01. All guarantees and agreements contained in this Guarantee Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders. The Guarantor may not assign its obligations hereunder without the prior approval of the Holders of not less than 66-2/3% of the aggregate stated liquidation preference of all Preferred Securities then outstanding; provided that nothing herein shall preclude any transaction involving the Guarantor pursuant to Section 5.01 of the Indenture. No such permitted transaction shall be deemed an assignment of the Guarantor's obligations hereunder for purposes hereof.

SECTION 5.02. This Guarantee Agreement may only be amended by a written instrument executed by the Guarantor; provided that, so long as any of the Preferred Securities remain outstanding, any such amendment that materially adversely affects the holders of Preferred Securities, any termination of this Guarantee Agreement and any waiver of compliance with any covenant hereunder shall be effected only with the prior approval of the Holders of not less than 66-2/3% of the aggregate stated liquidation preference of all Preferred Securities then outstanding.

SECTION 5.03. All notices, requests or other communications required or permitted to be given hereunder to the Guarantor shall be deemed given if in writing and delivered personally or by recognized overnight courier or express mail service or by facsimile transmission (confirmed in writing) or by registered or certified mail (return receipt requested), addressed to the Guarantor at the following address (or at such other address as shall be specified by notice to the Holders):

Pennsylvania Electric Company
c/o GPU Service Corporation
100 Interpace Parkway
Parsippany, NJ 07054

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Facsimile No.: (201) 263-6397

Attention: Treasurer

All notices, requests or other communications required or permitted to be given hereunder to the Holders shall be deemed given if in writing and delivered by the Guarantor in the same manner as notices sent by the Issuer to the Holders.

SECTION 5.04. This Guarantee Agreement is solely for the benefit of the Holders and is not separately transferable from the Preferred Securities.

SECTION 5.05. THIS GUARANTEE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO CONFLICT OF LAW PRINCIPLES.

THIS GUARANTEE AGREEMENT is executed as of the day and year first above written.

PENNSYLVANIA ELECTRIC COMPANY

By ________________________

Name:

Title:

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<TABLE>

Exhibit 12-A
Page 1 of 3

Pennsylvania Electric Company and Subsidiary Companies
SEC Ratio of Earnings to Fixed Charges
Ratio of Earnings to Combined Fixed Charges
and Preferred Stock Dividends
Twelve Months Ended

<CAPTION>

	December 31 1989	December 31 1990	December 31 1991
<S>	<C>	<C>	<C>
Operating Revenues	$816 627	$817 923	$865 552
Operating Expenses	613 569	615 852	684 709
Interest Portion of Rentals (A)	5 085	5 412	4 149
Net Expense	608 484	610 440	680 560
Other Income			
AFUDC	5 738	5 902	3 396
Other Income	11 024	10 029	6 603
Total other income	16 762	15 931	9 999
Earnings Available for Fixed Charges and Preferred Stock Dividends (excluding income taxes)	$224 905	$223 414	$194 991
Fixed Charges			
Interest on Funded indebtedness	$ 41 935	$ 44 370	$ 45 289
Other interest	8 738	7 232	6 744
Interest portion of rentals (A)	5 085	5 412	4 149
Total fixed charges	$ 55 758	$ 57 014	$ 56 182
Ratio of Earnings to Fixed Charges	4.03	3.92	3.47
Preferred stock dividend requirement	$ 8 814	$ 8 814	$ 6 189
Ratio of income before provision for income taxes to net income (B)	161.9%	153.1%	153.6%
Preferred stock dividend requirement on a pretax basis	$ 14 268	$ 13 491	$ 9 507
Fixed charges, as above	55 758	57 014	56 182
Total fixed charges and preferred stock dividends	$ 70 026	$ 70 505	$ 65 689
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	3.21	3.17	2.97

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Pennsylvania Electric Company and Subsidiary Companies
SEC Ratio of Earnings to Fixed Charges
Ratio of Earnings to Combined Fixed Charges
and Preferred Stock Dividends
Twelve Months Ended

<CAPTION>

<S>	December 31 1992 <C>	December 31 1993 <C>	Actual March 31 1994 <C>	Pro Forma March 31 1994 (C) <C>
Operating Revenues	$896 337	$908 280	$924 312	$924 312
Operating Expenses	678 478	688 587	708 502	708 502
Interest Portion of Rentals (A)	3 945	3 406	3 392	3 392
Net Expense	674 533	685 181	705 110	705 110
Other Income				
AFUDC	1 651	2 261	2 772	2 772
Other Income	(179)	(7 021)	5 505	5 505
Total other income	1 472	(4 760)	8 277	8 277
Earnings Available for Fixed Charges and Preferred Stock Dividends (excluding income taxes)	$223 276	$218 339	$227 479	$227 479
Fixed Charges				
Interest on Funded indebtedness	$ 42 615	$ 44 714	$ 45 371	$ 45 371
Other interest	6 415	5 255	7 426	18 520
Interest portion of rentals (A)	3 945	3 406	3 392	3 392
Total fixed charges	$ 52 975	$ 53 375	$ 56 189	$ 67 283
Ratio of Earnings to Fixed Charges	4.21	4.09	4.05	3.38
Preferred stock dividend requirement	$ 5 664	$ 4 987	$ 4 479	$ 4 479
Ratio of income before provision for income taxes to net income (B)	170.7%	172.3%	168.8%	168.4%
Preferred stock dividend requirement on a pretax basis	$ 9 671	$ 8 594	$ 7 560	$ 7 541
Fixed charges, as above	52 975	53 375	56 189	67 283
Total fixed charges and preferred stock dividends	$ 62 646	$ 61 969	$ 63 749	$ 74 824
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	3.56	3.52	3.57	3.04

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Pennsylvania Electric Company and Subsidiary Companies
SEC Ratio of Earnings to Fixed Charges
Ratio of Earnings to Combined Fixed Charges
and Preferred Stock Dividends
Twelve Months Ended

<FN>
Notes:

(A) The Company has included the equivalent of the interest portion of all rentals charges to income as fixed charges for this statement and has excluded such components from Operating Expenses.

(B) Calculated by dividing income before provision for income taxes by income before cumulative effect of accounting change as follows:

	December 31 1989	December 31 1990	December 31 1991
Inc. before prov. for inc. taxes	$169 147	$166 400	$138 809
Inc. before cum. effect of acctg. change	$104 488	$108 712	$ 90 361

	December 31 1992	December 31 1993	Actual March 31 1994	Pro Forma March 31 1994
Inc. before prov. for inc. taxes	$170 301	$164 964	$171 290	$160 196
Inc. before cum. effect of acctg. change	$ 99 744	$ 95 728	$101 481	$ 95 153

(C) Gives effect to the issuance of $125,000,000 aggregate stated liquidation preference of Preferred Securities and the use of the proceeds thereof to purchase the Company's Subordinated Debentures at an assumed rate of 8 7/8%.

</TABLE>

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(LETTERHEAD OF COOPERS & LYBRAND)

EXHIBIT 23-E

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this Registration Statement of Pennsylvania Electric Company on Form S-3 of our report dated February 2, 1994, on our audits of the consolidated financial statements and financial statement schedules of Pennsylvania Electric Company and Subsidiary Companies as of December 31, 1993 and 1992, and for each of the three years in the period ended December 31, 1993, which report is included in the Company's Annual Report on Form 10-K, for the year ended December 31, 1993. Our report on the audits of consolidated financial statements and financial statement schedules of Pennsylvania Electric Company and Subsidiary Companies as of December 31, 1993 and 1992, and for each of the three years in the period ended December 31, 1993 contains explanatory paragraphs related to certain contingencies which have resulted from the accident at Unit 2 of the Three Mile Island Nuclear Generating Station; the adoption of the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards ("SFAS") No. 109 "Accounting for Income Taxes," and the provisions of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" in 1993; and the change in the method of accounting for unbilled revenues in 1991.

We also consent to the reference to our Firm under the caption "Experts".

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2400 Eleven Penn Center
Philadelphia, PA
May 17, 1994

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Exhibit 25

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

____

FORM T-1

____

STATEMENT OF ELIGIBILITY AND QUALIFICATION
UNDER THE TRUST INDENTURE ACT OF 1939 OF
A CORPORATION DESIGNATED TO ACT AS TRUSTEE

____

CHECK IF AN APPLICATION TO DETERMINE
ELIGIBILITY OF A TRUSTEE PURSUANT TO
SECTION 305(B)(2)

____

UNITED STATES TRUST COMPANY OF NEW YORK
(Exact name of trustee as specified in its charter)

New York (Jurisdiction of incorporation if not a U.S. national bank)	13-5459866 (I.R.S. employer identification No.)
114 West 47th Street New York, NY (Address of principal executive offices)	10036-1532 (Zip Code)

Pennsylvania Electric Company
(Exact name of obligor as specified in its charter)

Pennsylvania (State or other jurisdiction of incorporation or organization)	25-071808 (I.R.S. employer identification No.)

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1001 Broad Street
Johnstown, Pennsylvania 15907
(Address of principal executive offices) (Zip Code)

____

% Subordinated Debentures Series due 204
(Title of the indenture securities)

===

GENERAL

1. General Information

Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Federal Reserve Bank of New York (2nd District), New York, New York
(Board of Governors of the Federal Reserve System)
Federal Deposit Insurance Corporation, Washington, D.C.
New York State Banking Department, Albany, New York

(b) Whether it is authorized to exercise corporate trust powers.

The trustee is authorized to exercise corporate trust powers.

2. Affiliations with the Obligor

If the obligor is an affiliate of the trustee, describe each such affiliation.

None

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3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15.

Pennsylvania Electric Company currently is not, and has not been in default under any of its outstanding securities issued under indentures for which United States Trust Company of New York is Trustee. Accordingly, responses to Items 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15 of Form T-1 are not required under General Instruction B.

16. List of Exhibits.

T-1.1 - "Chapter 204, Laws of 1853, An Act to Incorporate the United States Trust Company of New York, as Amended", is incorporated by reference to Exhibit T-1.1 to Form T-1 filed on September 20, 1991 with the Securities and Exchange Commission (the "Commission") pursuant to the Trust Indenture Act of 1939 (Registration No. 2221291).

T-1.2 - The trustee was organized by a special act of the New York Legislature in 1853 prior to the time that the New York Banking Law was revised to require a Certificate of authority to

16. List of Exhibits (Continued)

commence business. Accordingly, under New York Banking Law, the Charter (Exhibit T-1.1) constitutes an equivalent of a certificate of authority to commence business.

T-1.3 - The authorization of the trustee to exercise corporate trust powers is contained in the Charter (Exhibit T-1.1).

T-1.4 - The By-laws of the United States Trust Company of New York, as amended to date, are incorporated by reference to Exhibit T-1.4 to

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Form T-1 filed on September 20, 1991 with the Commission pursuant to the Trust Indenture Act of 1939 (Registration No. 2221291).

T-1.6 - The consent of the trustee required by Section 321(b) of the Trust Indenture Act of 1939.

T-1.7 - A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority.

NOTE

As of May 10, 1994, the trustee had 2,999,020 shares of Common Stock outstanding, all of which are owned by its parent company, U.S. Trust Corporation. The term "trustee" in Item 2, refers to each of United States Trust Company of New York and its parent company, U.S. Trust Corporation.

Pursuant to the requirements of the Trust Indenture Act of 1939, the trustee, United States Trust Company of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility and qualification to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York, and State of New York, on the 11th day of May, 1994.

UNITED STATES TRUST COMPANY OF
NEW YORK, Trustee

By: ___________________________
S/Louis P. Young
Vice President

Exhibit T-1.6

The consent of the trustee required by Section 321(b) of the Act.

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United States Trust Company of New York
114 West 47th Street
New York, NY 10036

March 19, 1992

Securities and Exchange Commission
450 5th Street, N.W.
Washington, DC 20549

Gentlemen:

Pursuant to the provisions of Section 321(b) of the Trust Indenture Act of 1939, and subject to the limitations set forth therein, United States Trust Company of New York ("U.S. Trust") hereby consents that reports of examinations of U.S. Trust by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon request therefor.

Very truly yours,

UNITED STATES TRUST COMPANY
OF NEW YORK

By: ______________________________
S/Gerard F. Ganey
Senior Vice President

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EXHIBIT T-1.7

Consolidated Report of Condition of
United States Trust Company of New York
and Foreign and Domestic Subsidiaries, a member of the Federal Reserve System, at the close of business December 31, 1993, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depository institutions:	
a. Noninterest bearing balances and currency and coin:	$ 176,527
b. Interest bearing balances:	50,000
Securities:	833,859
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBF's:	1,753
a: Federal funds sold:	205,000
b: Securities purchased under agreements to resell:	32,000
Loans and lease financing receivables:	
a. Loans and leases, net of unearned income:	1,271,077
b. LESS: Allowance for loan and lease losses:	11,928
c. Loans and leases, net of unearned income, allowance and reserve:	1,259,149
Premises and fixed assets (including capitalized leases):	98,896
Other real estate owned:	11,543
Investments in unconsolidated subsidiaries and associated companies:	725
Intangible assets:	856
Other assets:	256,699
TOTAL ASSETS:	$ 2,925,254
LIABILITIES	
Deposits:	
a. In domestic offices:	$ 2,345,177
(1) Non interest bearing:	1,228,335
(2) Interest bearing:	1,116,842
b. In foreign offices, Edge and Agreement subsidiaries, and IBF's:	5,617
(1) Interest bearing:	5,617
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBF's:	
a. Federal funds purchased:	211,921

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b. Securities sold under agreements to repurchase:	15,016
Demand notes issued to the U.S. Treasury:	33,824
Other Borrowed Money	10
Mortgage indebtedness and obligations under capitalized leases:	2,429
Subordinated notes and debentures:	12,453
Other liabilities:	118,457
TOTAL LIABILITIES:	$ 2,744,904
EQUITY CAPITAL	
Common Stock:	$ 14,995
Surplus:	41,500
Undivided profits and capital reserves:	123,855
TOTAL EQUITY CAPITAL:	$ 180,350
TOTAL LIABILITY AND EQUITY CAPITAL:	$ 2,925,254

I, Richard E. Brinkman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this report of condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

RICHARD E. BRINKMANN, SVP, Comptroller
January 31, 1994

We, the undersigned trustees, attest the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

H. MARSHALL SCHWARZ:
FREDERICK S. WONHAM: Trustees
DONALD M. ROBERTS:

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