

# SECURITIES AND EXCHANGE COMMISSION

## FORM POS AMC

Post-effective amendments for application or declaration

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### FILER

#### **GPU INC /PA/**

CIK: **40779** | IRS No.: **135516589** | State of Incorporation: **PA** | Fiscal Year End: **1231**  
Type: **POS AMC** | Act: **35** | File No.: **070-08593** | Film No.: **97740084**  
SIC: **4911** Electric services

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100 INTERPACE PKWY  
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2012636500*

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM U-1  
APPLICATION UNDER  
THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935 ("Act")

GPU, INC. ("GPU")  
GPU SERVICE, INC. ("GPUS")  
310 Madison Avenue  
Morristown, New Jersey 07962

GPU INTERNATIONAL, INC. ("GPU International")  
EI SERVICES, INC. ("EI Services")  
One Upper Pond Road, Parsippany, New Jersey 07054

JERSEY CENTRAL POWER & LIGHT COMPANY ("JCP&L")  
METROPOLITAN EDISON COMPANY ("Met-Ed")  
PENNSYLVANIA ELECTRIC COMPANY ("Penelec")  
P.O. Box 16001, Reading, Pennsylvania 19640

(Names of companies filing this statement  
and addresses of principal offices)

GPU, INC.

(Name of top registered holding company  
parent of the applicants)

M. A. Nalewako, Secretary  
M. J. Connolly, Esq.,  
Assistant General Counsel  
GPU Service, Inc.  
310 Madison Avenue  
Morristown, New Jersey 07962

Douglas E. Davidson, Esq.  
Berlack, Israels & Liberman LLP  
120 West 45th Street  
New York, New York 10036

W. S. Greengrove, Secretary  
GPU International, Inc.  
GPU Electric, Inc.  
One Upper Pond Road  
Parsippany, New Jersey 07054

S.L. Guibord, Esq.  
Secretary  
Jersey Central Power &  
Light Company  
Metropolitan Edison Company  
Pennsylvania Electric Company  
P.O. Box 16001  
Reading, Pennsylvania 19640

(Names and addresses of agents for service)

GPU, GPU International, EI Services, JCP&L, Met-Ed, Penelec and GPUS hereby amend Post-Effective Amendment No. 20 to their Application on Form U-1, docketed in SEC File No. 70-8593, as heretofore amended, as follows:

1. By amending paragraph B thereof to read in its entirety as follows:

B. Rule 53 Analysis.

(i) As described below, GPU meets all of the conditions of Rule 53, except for Rule 53(a)(1). By Order dated November 5, 1997 (HCAR No. 35-26773) (the "100% Order"), the Commission authorized GPU to increase to 100% of average consolidated retained earnings, as defined in Rule 53, the aggregate amount which it may invest in EWGs and FUCOs. At September 30, 1997, GPU's average consolidated retained earnings was approximately \$2,164 million, and at November 6, 1997 (after giving effect to the acquisition of PowerNet Victoria) GPU's aggregate investment in EWGs and FUCOs was approximately \$1,430 million, or 66% of average consolidated retained earnings. Accordingly, under the 100% Order, GPU may invest up to an additional \$734 million in EWGs and FUCOs. GPU will not utilize the authorization requested herein for purposes of guaranteeing investments in EWGs or FUCOs (or any other authorization under Rule 53 which would increase GPU's aggregate investment in EWGs and FUCOs) if it would result in GPU's aggregate investment exceeding the limitation set forth in the 100% Order, without prior Commission authorization.

(ii) GPU maintains books and records to identify investments

in, and earnings from, each EWG and FUCO in which it directly or indirectly holds an interest.

(A) For each United States EWG in which GPU directly or indirectly holds an interest:

(1) the books and records for such EWG will be kept in conformity with United States generally accepted accounting principles ("GAAP");

(2) the financial statements will be prepared in accordance with the GAAP; and

(3) GPU directly or through its subsidiaries undertakes to provide the Commission access to such books and records and financial statements as the Commission may request.

(B) For each FUCO or foreign EWG which is a majority owned subsidiary of GPU:

(1) the books and records for such subsidiary will be kept in accordance with GAAP;

(2) the financial statements for such subsidiary will be prepared in accordance with GAAP; and

(3) GPU directly or through its subsidiaries undertakes to provide the Commission access to such

books and records and financial statements, or copies thereof in English, as the Commission may request.

(C) For each FUCO or foreign EWG in which GPU owns 50% or less of the voting securities, GPU directly or through its subsidiaries will proceed in good faith, to the extent reasonable under the circumstances, to cause

(1) such entity to maintain books and records in accordance with GAAP;

(2) the financial statements of such entity to be prepared in accordance with GAAP; and

(3) access by the Commission to such books and records and financial statements (or copies thereof) in English as the Commission may request and, in any event, GPU will provide the Commission on request copies of such materials as are made available to GPU and its subsidiaries. If and to the extent that such entity's books, records or financial statements are not maintained in accordance with GAAP, GPU will, upon request of the Commission, describe and quantify each material variation therefrom as and to the extent required by subparagraphs (a) (2) (iii) (A) and (a) (2) (iii) (B)

of Rule 53.

(iii) No more than 2% of GPU's domestic public utility subsidiary employees will render any services, directly or indirectly, to any EWG and FUCO in which GPU directly or indirectly holds an interest.

(iv) Copies of this Post-Effective Amendment are being provided to the New Jersey Board of Public Utilities and the Pennsylvania Public Utility Commission, the only federal, state or local regulatory agencies having jurisdiction over the retail rates of GPU's electric utility subsidiaries.(1)

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1 Pennsylvania Electric Company ("Penelec") is also subject to retail rate regulation by the New York Public Service Commission with respect to retail service to approximately 11,300 customers in Waverly, New York served by Waverly Electric Power & Light Company, a Penelec subsidiary. Waverly Electric's revenues are immaterial, accounting for less than 1% of Penelec's total operating revenues.

In addition, GPU will submit to each such commission copies of any Rule 24 certificates required hereunder, as well as a copy of Item 9 of GPU's Form U5S and Exhibits H and I thereof (commencing with the Form U5S to be filed for the calendar year in which the authorization herein requested is granted).

(v) None of the provisions of paragraph (b) of Rule 53 render paragraph (a) of that Rule unavailable for the proposed transactions.

(A) Neither GPU nor any subsidiary of GPU is the subject of any pending bankruptcy or similar proceeding.

(B) GPU's average consolidated retained earnings for

the four most recent quarterly periods (approximately \$2,164 million) represented an increase of approximately \$22 million in the average consolidated retained earnings for the previous four quarterly periods (approximately \$2,142 million).

(C) GPU did not incur operating losses from direct or indirect investments in EWGs and FUCOs in 1996 in excess of 5% of GPU's December 31, 1996 consolidated retained earnings.

As described above, GPU meets all the conditions of Rule 53(a), except for clause (1). With respect to clause (1), the Commission determined in the 100% Order that GPU's financing of investments in EWGs and FUCOs in an amount greater than 50% of GPU's average consolidated retained earnings as otherwise permitted by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c).

Moreover, even if the effect of the capitalization and earnings of subsidiary EWGs and FUCOs were considered, there is no basis for the Commission to withhold or deny approval for the transactions proposed in this Application. The transactions would not, by themselves, or even considered in conjunction with the effect of the capitalization and earnings of GPU's subsidiary EWGs and FUCOs, have a material adverse effect on the financial integrity of the GPU system, or an adverse impact on GPU's public utility subsidiaries, their

customers, or the ability of State commissions to protect such public utility customers.

The 100% Order was predicated, in part, upon the assessment of GPU's overall financial condition which took into account, among other factors, GPU's consolidated capitalization ratio and the recent growth trend in GPU's retained earnings. As of June 30, 1997, the most recent period for which financial statement information was evaluated in the 100% Order, GPU's consolidated capitalization consisted of 49.2% equity and 50.8% debt. As previously reported, on November 6, 1997, GPU acquired PowerNet Victoria. GPU's June 30, 1997 pro forma capitalization, reflecting the PowerNet acquisition, was 60.7% debt and 39.3% equity.

GPU's September 30, 1997 consolidated capitalization consists of 49.5% debt and 50.5% equity, and GPU's pro forma capitalization as of such date, giving effect to the PowerNet acquisition, is 59.9% debt and 40.1% equity. Thus, since the date of the 100% Order, there has been no material change in GPU's consolidated capitalization ratio, which remains within acceptable ranges and

limits as evidenced by the credit ratings of GPU's electric utility subsidiaries. (2)

The authorization requested herein is for an extension of the period during which GPU may, among other things, issue guarantees, which authorization was in effect at the time of the issuance of the 100% Order. Furthermore,

inasmuch as such authorization relates to guarantees (which are not recorded on GPU's balance sheet), the proposed transactions are not expected to affect GPU's capitalization ratio. In the event that GPU is required to make payment under any such guarantee, GPU anticipates that, depending on the amount which it may be required to fund at any particular time, it would use a combination of debt, equity and/or internally generated funds.(3)

GPU's consolidated retained earnings grew on average approximately 4.7% per year from 1991 through 1996. Earnings attributable to GPU's investments in EWGs and FUCOs have contributed positively to consolidated earnings, excluding the impact of the windfall profits tax on the Midlands Electricity, plc investment.(4)

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(2) The debt ratings of GPU's electric utility subsidiaries have not changed since the issuance of the 100% Order.

(3) GPU is not herein requesting authorization to issue any such debt or equity. The impact of any such new issuance will be addressed in filings with the SEC requesting such authorization.

(4) As discussed in the 100% Order, GPU expects to incur a loss for 1997 from its investments in EWGs and FUCOs as a result of the windfall profits tax imposed on Midlands Electricity, plc.

Accordingly, since the date of the 100% Order, the capitalization and earnings attributable to GPU's investments in EWGs and FUCOs has not had any adverse impact on GPU's financial integrity. In addition, inasmuch as the authorization requested herein relates to guarantees (which are not recorded on GPU's income statement), the proposed transactions are not expected to impact

GPU's earnings.

Reference is made to Exhibit H filed herewith which sets forth GPU's consolidated capitalization at September 30, 1997 and after giving effect to the transactions proposed herein.

2. By amending paragraph C of Post-Effective Amendment No. 20 thereof, to read in its entirety as follows:

The estimated fees, commissions and expenses expected to be incurred in connection with the proposed transactions will be as follows:

Legal Fees

Berlack, Israels & Liberman LLP	\$ 5,000
Ballard Spahr Andrews & Ingersoll	500
Miscellaneous	4,500
TOTAL	\$10,000

3. By filing the following exhibits in Item 6 thereof:

Exhibits

F-1(c) -	Opinion of Berlack, Israels & Liberman LLP
F-2(c) -	Opinion of Ballard Spahr Andrews & Ingersoll

H - GPU Statement of Capitalization and Pro Forma  
Adjustments - Filed separately pursuant to a  
request for confidential treatment

Financial Statements

1 GPU financial statements are omitted since the  
proposed transactions will not have a material  
impact thereon.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act  
of 1935, the undersigned companies have duly caused this statement to be  
signed on their behalf by the undersigned thereunto duly authorized.

Dated: December 17, 1997

GPU, INC.  
JERSEY CENTRAL POWER & LIGHT COMPANY  
METROPOLITAN EDISON COMPANY  
PENNSYLVANIA ELECTRIC COMPANY  
GPU SERVICE, INC.

By:

T.G. Howson  
Vice President and Treasurer

GPU INTERNATIONAL, INC.  
EI SERVICES, INC.

By:

B.L. Levy

President

EXHIBIT TO BE FILED BY EDGAR

3. By filing the following exhibits in Item 6 thereof:

Exhibits

F-1(c) - Opinion of Berlack, Israels & Liberman LLP

F-2(c) - Opinion of Ballard Spahr Andrews & Ingersoll

December 17, 1997

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Re: GPU, Inc. ("GPU")  
GPU International, Inc. ("GPUI")  
EI Services, Inc.  
Jersey Central Power & Light Company  
Metropolitan Edison Company  
Pennsylvania Electric Company  
GPU Service, Inc.  
Application on Form U-1  
SEC File No. 70-8593  
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Ladies and Gentlemen:

We have examined Post-Effective Amendment No. 18, dated October 22, 1997, to the Application on Form U-1, dated March 15, 1995, under the Public Utility Holding Company Act of 1935 ("Act") filed with the Securities and Exchange Commission ("Commission"), and docketed by the Commission in SEC File No. 70-8593, as amended by Post-Effective Amendment No. 20, dated November 6, 1997 and as to be amended by Post-Effective Amendment No. 22 thereto, dated this date, of which this opinion is to be a part. (The Application, as so amended and as thus to be amended, is hereinafter referred to as the "Application").

The Application now contemplates, among other things, extending until December 31, 2000 the period during which GPU may invest in: (I) one or more subsidiary companies (each, a "Subsidiary Company") which will be engaged in the business of owning interests in and securities of foreign utility companies ("FUCOs") and/or exempt wholesale generators ("EWGs") (each, an "Exempt Entity"), and (ii) Exempt Entities. Such investment by GPU in Subsidiary Companies and Exempt Entities may take the form of, among other things, direct investments in Subsidiary Company securities ("Subsidiary Securities"), guarantees or other similar undertakings ("Guarantees") by GPU entered into to

support obligations of Subsidiary Companies and Exempt Entities, loans evidenced by promissory notes of Subsidiary Companies ("Subsidiary Company Notes"), and the assumption of liabilities of Subsidiary Companies and Exempt Entities.

Securities and Exchange Commission  
December 17, 1997  
Page 2

In addition to the matters set forth in our previous opinion dated June 23, 1997 and filed as Exhibit F-1(b) to the Application, we have examined a copy of the Commission's Order dated November 5, 1997 and Memorandum Opinion dated November 17, 1997 granting the Application, as then amended. We have also examined such other documents and made such further investigation as we have deemed necessary as a basis for this opinion.

We have been counsel to GPU and its subsidiaries for many years. In that connection, we have participated in various proceedings relating to the issuance of securities by GPU and its subsidiaries, and we are familiar with the terms of the outstanding securities of the corporations comprising the GPU holding company system.

We are members of the Bar of the State of New York and do not purport to be expert in the laws of any jurisdiction other than the laws of the State of New York and the Federal laws of the United States. The opinions expressed herein are limited to matters governed by the laws of the State of New York and the Federal laws of the United States. As to all matters which are covered by the laws of the Commonwealth of Pennsylvania, we have relied on the opinion of Ballard Spahr Andrews & Ingersoll which is being filed as Exhibit F-2(c) to the Application.

We have assumed that (i) each Subsidiary Company will be duly formed and validly existing in accordance with the respective laws of the jurisdiction of incorporation of such Subsidiary Company; (ii) at the time of their issuance and delivery, the Subsidiary Securities, Guarantees and Subsidiary Company Notes will have been duly authorized, executed and delivered by the issuer thereof; (iii) the execution, delivery and performance of each Subsidiary Security, Guarantee and Subsidiary Company Note will not violate any applicable law or any restriction imposed by any court or governmental body having jurisdiction over the issuer thereof; (iv) with respect to any Subsidiary Securities, the issuer will have received consideration therefor at least equal to the par or stated value (or equivalent amount) of such security; and (v) GPU and GPUI will comply with the applicable limitations on guarantees and unsecured debt contained in the credit facilities and guarantees to which they are

subject.

Based upon and subject to the foregoing, and assuming that the transactions therein proposed are carried out in accordance with the Application, we are of the opinion that when the Commission shall have entered an order forthwith granting the Application,

Securities and Exchange Commission

December 17, 1997

Page 3

- (a) all State laws applicable to the proposed transactions will have been complied with,
- (b) GPU is validly organized and existing,
- (c) in the case of Subsidiary Securities which constitute equity securities, such securities will be validly issued, fully paid and nonassessable,
- (d) in the case of (i) Subsidiary Securities which constitute debt securities, (ii) Subsidiary Company Notes, and (iii) Guarantees, such instruments will be valid and binding obligations of the respective issuers or guarantors thereof in accordance with their terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws affecting creditors' rights generally and general principles of equity limiting the availability of equitable remedies,
- (e) GPU will legally acquire the Subsidiary Securities and Subsidiary Company Notes, and
- (f) the consummation of the transactions proposed in the Application will not violate the legal rights of the holders of any securities issued by GPU or any "associate company" thereof, as defined in the Act.

We hereby consent to the filing of this opinion as an exhibit to the Application and in any proceedings before the Commission that may be held in connection therewith.

Very truly yours,

BERLACK, ISRAELS & LIBERMAN LLP

December 17, 1997

Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20549

Re: GPU, Inc. ("GPU")  
GPU International, Inc.  
EI Services, Inc.  
Jersey Central Power & Light Company  
Metropolitan Edison Company  
Pennsylvania Electric Company ("Penelec")  
GPU Service, Inc.  
Application on Form U-1  
SEC File No. 70-8593  
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The Application now contemplates, among other things, extending until December 31, 2000 the period during which GPU may invest in: (i) one or more subsidiary companies (each, a "Subsidiary Company") which will be engaged in the business of owning interests in and securities of foreign utility

companies ("FUCOs") and/or exempt wholesale generators ("EWGs") (each, an "Exempt Entity"), and (ii) Exempt Entities. Such investment by GPU in Subsidiary Companies and Exempt Entities may take the form of, among other things, direct investments in Subsidiary Company securities ("Subsidiary Securities"), guarantees or other similar undertakings ("Guarantees") by GPU entered into to support obligations of Subsidiary Companies and Exempt Entities, loans evidenced by promissory notes of Subsidiary Companies ("Subsidiary Company Notes"), and the assumption of liabilities of Subsidiary Companies and Exempt Entities.

Securities and Exchange Commission

December 17, 1997

Page 2

We have acted as Pennsylvania counsel to GPU and Penelec for many years. In connection with the delivery of this opinion, we have also examined such documents and made such investigation as we have deemed necessary as a basis for this opinion.

We have assumed that (i) each Subsidiary Company will be duly formed and validly existing in accordance with the respective laws of the jurisdiction of incorporation of such Subsidiary Company; (ii) at the time of their issuance and delivery, the Subsidiary Securities, Guarantees and Subsidiary Company Notes will have been duly authorized, executed and delivered by the issuer thereof; (iii) the execution, delivery and performance of each Subsidiary Security, Guarantee and Subsidiary Company Note will not violate any applicable law or any restriction imposed by any court or governmental body having jurisdiction over the issuer thereof; (iv) with respect to any Subsidiary Securities, the issuer will have received consideration therefor at least equal to the par or stated value (or equivalent amount) of such security; and (v) GPU will comply with the applicable limitations on guarantees and unsecured debt contained in the GPU revolving credit facility and guaranties to which it is a party.

Based upon and subject to the foregoing, and assuming that the transactions therein proposed are carried out in accordance with the Application, we are of the opinion that when the Commission shall have entered an order forthwith granting the Application,

- (a) all Pennsylvania laws applicable to the proposed transactions will have been complied with,
- (b) GPU is validly organized and existing,
- (c) GPU will legally acquire the Subsidiary Securities and Subsidiary Company Notes, and

(d) the consummation of the transactions proposed in the Application will not violate the legal rights of the holders of any securities issued by GPU, Penelec, Ninevah Water Company, Penelec Capital, L.P. or Penelec Preferred Capital, Inc.

We hereby consent to the filing of this opinion as an exhibit to the Application and in any proceedings before the Commission that may be held in connection therewith.

Very truly yours,

BALLARD SPAHR ANDREWS & INGERSOLL