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**TO THE INVESTMENT COMMUNITY:** [1]

As detailed in today's news release, FirstEnergy Corp.'s subsidiary, Jersey Central Power & Light (JCP&L or Company), signed a settlement agreement (Settlement) with all of the parties in its base rate case proceeding except for the Board of Public Utilities (BPU) Regulatory Staff and the Division of the Ratepayer Advocate. This letter provides you with additional details about the Settlement.

## The Settlement Agreement

JCP&L is currently in a base rate proceeding, which was required as a part of its restructuring order consistent with the electric restructuring legislation enacted in New Jersey on February 9, 1999. I have previously reported to you on the progress of this case in investor letters dated August 1, 2002; March 17, 2003; March 18, 2003; and May 8, 2003. Copies of these letters are available on FirstEnergy's Investor Information Web site (see Letters to the Investment Community at www.firstenergycorp.com/ir).

The discovery, hearing and briefing phases of the proceeding are completed and the parties are awaiting the initial recommended decision in the case by the Administrative Law Judge (ALJ). We expect the BPU to rule on our base rate case in July so that new rates can become effective on August 1, 2003 – the end of the four-year transition period.

In its initial filing last August, JCP&L requested a $153 million rate increase, a 7.8% average increase in customers' rates. In its final update in the case, JCP&L is requesting a $122 million rate increase, a 6.1% average increase in customers' rates. The Settlement would increase rates by $81 million, a 4.1% average increase in customers' rates as detailed below by rate tariff component:

[1] This letter includes forward-looking statements based on information currently available to management. Such statements are subject to certain risks and uncertainties. These statements typically contain, but are not limited to, the terms "anticipate," "expect," "believe," "estimate," and similar words. Actual results may differ materially due to a number of factors including, but not limited to, the speed and nature of regulatory approvals.

**Jersey Central Power & Light Company**
**Revenue and % Rate Change**
**($ Millions)**

| | **Updated Revenue Request** | **Settlement Revenue** | **Settlement % Change** |
|---|---|---|---|
| Delivery Charge | $(41) | $ (80) | (4.0) |
| Credit Elimination | 111 | 111 | 5.6 |
| MTC/TBC | 68 | 67 | 3.4 |
| SBC | (16) | (17) | (0.9) |
| Total | $122 | $ 81 | 4.1% |

Some of the key elements of the Settlement are:

- The Company's rate base is established at $2,017 million.
- The Company's capital structure utilized for the purposes of setting the rate of return is 41.05% debt, 4.95% preferred stock/securities, and 54% common equity.
- The overall rate of return to be applied to the rate base is 9.14%, which reflects an allowed return on common equity of 10.6%.
- The Parties agree that the Company's entire deferred balance (estimated to be $618 million at July 31, 2003) has been reasonably and prudently incurred and that the Company should be permitted to recover the full amount.

Under its 1999 restructuring order, JCP&L is entitled to full and timely recovery of the costs associated with the provision of basic generation service (BGS) as well as the costs associated with utility power purchase agreements (PPAs) and non-utility generator PPAs. To the extent that these energy-related costs exceed the recovery afforded by the rates JCP&L is authorized to charge during the four-year transition period, JCP&L is authorized to defer these costs, including interest on the unrecovered balance, for future recovery.

The Company has requested that the deferred balance be recovered through an asset securitization and made the required securitization filing with the BPU earlier this year. We expect the BPU to rule on the securitization filing later this year. Pending the BPU decision on securitization, the Settlement implements an interim 10-year amortization schedule, which is reflected in the $67 million increase in the MTC/TBC tariff component. This increase includes a debt-rate return on the after-tax deferred balance. If the BPU approves securitization of the deferred balance, the $67 million would be directed towards servicing the securitization bonds' principal and interest payments, and the related income taxes. Any difference between the $67 million and the actual securitization bond and income tax charges, whether positive or negative, would be deferred. In the event that the BPU does not approve a securitization of the deferred balance, or if securitization cannot be accomplished for any other reason, the return component would increase to the Company's pre-tax rate of return of 13.1% if the deferred balance amortization period were to exceed four years.

The Company's filed position for a $41 million reduction in the delivery charge would reduce annual after-tax earnings by approximately $39 million. The Settlement's reduction of $80 million in the delivery charge would reduce annual after-tax earnings by approximately $62 million. The rate increase of $111 million for the credit elimination will not have any comparative impact on reported earnings. The changes in the MTC/TBC and SBC tariff components will not have any significant impact on earnings as these cost recovery clauses generally use deferred accounting. Additional information about the above tariff components is available in the August 1, 2002 investor letter.

Under the Settlement's interim deferred balance recovery through a 10-year amortization schedule, the Settlement would have an annual positive cash impact to JCP&L of approximately $50 million. If the BPU were to allow the Company to securitize the estimated $618 million deferred balance, the Company would have a one-time positive cash impact of approximately $365 million from the net securitization proceeds.

This base rate proceeding only involves the regulated portion of customer charges. The generation portion of most customer bills will increase by an average of 7.4% on August 1, 2003, as their generation rates are adjusted to reflect the outcome of the fixed price BGS auction conducted by the BPU earlier this year. However, even after taking into account this increase along with the Stipulation increase, no JCP&L rate class subject to the fixed price BGS auction results will pay higher rates than were in effect in July 1999, immediately prior to electric restructuring in New Jersey.

In addition to the Company, other parties to the Settlement are the Independent Energy Producers of New Jersey, Gerdau Ameristeel, New Jersey Transit, New Jersey Commercial Users and the United States Department of Defense. Although the BPU Regulatory Staff and the Division of the Ratepayer Advocate did not enter into the Settlement, the above list reflects all other parties in the Company's base rate proceeding.

We were very pleased to have come to a settlement agreement, which we believe offers a fair and reasonable compromise for all of the parties. The Settlement moderates the increase in customer charges, while providing the Company with a reasonable basis to earn its allowed returns and to maintain timely and cost-effective access to the capital markets.

The Settlement has been filed with the ALJ who can recommend the Settlement to the BPU for approval or make some other recommendation. Her recommended decision in the case is due shortly. The Stipulation requires approval by the BPU before it could become effective.

**Upcoming FirstEnergy Investor Relation Events**

FirstEnergy's second quarter 2003 earnings results will be released on August 5, 2003. Additionally, FirstEnergy will be presenting at the following conferences:

*Lehman Brothers Utility Conference*
September 2-3
New York City

*Merrill Lynch Utility Conference*
September 17-18
New York City

If you have any questions concerning information in this update, please call Kurt Turosky, Director of Investor Relations, at (330) 384-5500, or me at (973) 401-8519.

Very truly yours,

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