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TO THE INVESTMENT COMMUNITY: [1]

As detailed in today's press release, Jersey Central Power & Light Company ("JCP&L") made its required rate filings today with the New Jersey Board of Public Utilities ("BPU" or "Board"). This letter provides additional details about today's rate and deferral filings.

Background

The restructuring of the electric utility industry occurred in New Jersey when the Electric Discount and Energy Competition Act ("EDECA") was enacted on February 9, 1999. The EDECA provided, among other things, that all New Jersey retail electric customers were entitled to reduced electric rates and would have the opportunity to exercise choice as to their electric supplier commencing on August 1, 1999.

In its restructuring proceeding, JCP&L's rates were unbundled into a delivery charge, a non-bypassable market transition charge ("MTC") and a non-bypassable societal benefits charge ("SBC"). Additionally, JCP&L retained an obligation to provide basic generation service ("BGS", sometimes referred to as Provider of Last Resort or "POLR" in other jurisdictions) at fixed rates to those customers who did not obtain electric generation service from a third-party supplier. All of these restructured rates were effective for the four-year transition period, which runs from August 1, 1999 through July 31, 2003.

During the four-year transition period, JCP&L is required to implement rate reductions totaling 11%. An initial 5% reduction was implemented on August 1, 1999, and additional rate reductions were scheduled to be 1% on August 1, 2000; 2% on August 1, 2001; and 3% on August 1, 2002. For the one-year period from August 1, 2002 through July 31, 2003, 5% of the

[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.

cumulative 11% rate reduction is to be accomplished as a one-time refund. This refund was booked as an expense by JCP&L in 1999.

Under its restructuring order, JCP&L is entitled to full and timely recovery of the costs associated with the provision of BGS as well as the costs associated with utility power purchase agreements ("PPAs") and non-utility generator ("NUG") 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.

Finally, JCP&L's restructuring order directed JCP&L to "make a filing, by August 1, 2002, as to the proposed level of all unbundled rate components beginning August 1, 2003, so that the Board may consider this matter prior to the end of the Transition Period." Today's filings comply with that directive.

Components of the Filing Requests

Our filings can be summarized by discussing the subject of the two petitions, which are the delivery charge and the deferrals.

The delivery charge includes recovery of the company's distribution, transmission, customer service, administrative and general costs, along with taxes and some assessment fees. JCP&L is requesting a decrease in the delivery charge of $11 million, a 0.6% rate reduction.

Our filing uses calendar year 2002 as the test year and the delivery charge was predicated on a total net rate base value of $2.1 billion. Our rate of return witness is supporting an allowed return on common equity of 12%. Each 100 basis points of allowed return on common equity equates to an annual earnings effect of 3.7 cents per share for FirstEnergy.

The filing uses a capital structure for JCP&L that contains two modifications from the actual year-end 2001 capital structure. The first modification relates to the use of purchase accounting in the merger of FirstEnergy and GPU.

As a result of the merger, JCP&L's capitalization increased by approximately $1.6 billion. The increase in capitalization was primarily due to the application of purchase accounting whereby the fair value of JCP&L's assets was greater than the pre-merger book value. This difference is reflected as goodwill on the asset side of the balance sheet with an associated increase in JCP&L's common equity. This increased JCP&L's common equity ratio from 51.6% to 68.3%. This increase in equity ratio is a result of the application of purchase accounting to the FirstEnergy/GPU merger and does not relate to JCP&L's real credit needs nor its capital structure goals. Therefore, our filing first eliminates from the capital structure the impacts of the purchase accounting adjustments.

The second capital structure modification is to remove the effects of the $300 million deferred balance write-off that was required as a part of the BPU's merger approval order.

These two modifications result in a capital structure of 51.5% common equity, 6.4% preferred stock and 42.1% long-term debt, with a weighted average cost of capital of 9.89%. This adjusted capital structure is consistent with JCP&L's credit quality goals and is comparable to the company's pre-acquisition capital structure. JCP&L will be updating the capital structure and the resulting weighted average cost of capital to the test year-end (i.e., December 31, 2002) with similar adjustments to remove the effects of purchase accounting and the deferred balance write-off.

The deferral filing is composed of two rate elements: the **MTC** and the **SBC.**

The MTC allows the company to collect energy procurement and other generation-related stranded costs. The most significant stranded cost element is the above-market costs associated with long-term PPAs with NUGs. Our filing is requesting an increase in the MTC to allow the company to initiate recovery of the deferred costs that have accumulated during the four-year transition period.

As previously mentioned, JCP&L was authorized by the BPU to defer energy-related costs incurred in providing BGS to retail customers that exceeded the company's current cost recovery rate. Additionally, the company in 2001 wrote-off $300 million of the MTC deferred balance as a condition of the BPU's merger approval. The $300 million of deferred costs--which are no longer included in the deferred balance--represented anticipated multi-year merger savings, which were being flowed through early to the benefit of JCP&L's customers.

JCP&L is proposing in its filing to recover the MTC deferred balance through a securitization transaction involving the issuance of transition (or securitization) bonds in a principal amount equal to the projected July 31, 2003, MTC deferred balance of $684 million. Assuming a 15-year scheduled maturity and interest at a rate of 5.5% per annum, the transition bond-related rate increase would be approximately $69 million per year, a 3.5% increase. As an alternative to securitization of the deferred balance, the company would propose to recover the deferred balance over a four-year amortization period, with interest. That alternative approach would require an MTC rate increase of $195 million, a 10.0% increase. The company recommends securitization as the preferred collection approach as it would minimize the required customer rate increase.

Stranded cost securitization creates a transition bond charge ("TBC") which is the revenue collection mechanism for the securitization bonds' principal and interest payments. In June 2002, JCP&L issued and sold $320 million principal amount of transition bonds to securitize its net stranded investment in Oyster Creek. The TBC was offset by a corresponding reduction in the MTC since the stranded Oyster Creek investment was initially being amortized through the MTC. Securitization of the deferred balance would require an increase in the TBC in an amount as described in the previous paragraph.

The SBC is comprised of six separate charges: the Remediation Adjustment Clause ("RAC"), Universal Service Fund ("USF") costs, Consumer Education ("CED") costs, the Demand Side Factor ("DSF"), Uncollectible Costs ("UNC"), and Nuclear Decommissioning Costs ("NDC"). In our filing, some of these charges are increasing (the RAC and the CED), some are decreasing (the DSF and the NDC) and some are unchanged (the USF and the UNC). Our request would reduce the SBC by $14 million, a 0.7% rate decrease.

The combined rate impact of our request for these two collection mechanisms, the MTC and the SBC, is a 2.8% rate increase with securitization of the deferred balance and a 9.3% rate increase with a four-year amortization of the deferred balance.

Customer Rate Impact

I previously mentioned that JCP&L is accomplishing a 5% rate reduction during the final year of the four-year transition period (August 1, 2002 to July 31, 2003) through a refund credit to customers' bills. This credit expires at the time the new rates go into effect (August 1, 2003), so JCP&L customers will experience a billing increase on August 1, 2003, due to the expiration of the credit, in addition to the tariff changes that I have already described. These rate changes are detailed in the following table.

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

	Securitization of Deferred Balance	
	Revenue	**% Change**
Delivery Charge	$ (11)	(0.6)
Credit Elimination	109	5.6*
MTC/TBC	69	3.5
SBC	(14)	(0.7)
Total	$153	7.8%

* Because customer charges have been reduced during the four-year transition period, the credit elimination produces a percentage increase slightly greater than the targeted nominal 5% reduction.

The indicated percent rate changes are on a company average basis. Individual customer classes may have an increase somewhat higher or lower than the company average.

The Hearing Process

Following today's filing, we expect the BPU to forward our filing to the Office of Administrative Law ("OAL") for hearings. At that time, other parties will have the opportunity to intervene in our case. The OAL will assign an administrative law judge ("ALJ") to hear our case. The selected judge will schedule a pre-hearing conference and set the schedule for discovery, hearings and the briefing period. At the end of that process, the ALJ will issue a recommended

decision to the BPU. The BPU will then issue a final order. We expect this process to be completed in a timeframe consistent with implementing new tariff rates by August 1, 2003.

Summary

JCP&L's last base rate case was ten years ago. During that time, in terms of real dollars available to customers (i.e., after taking inflation into account), JCP&L's overall rates actually have declined by 27% on a cumulative basis. Taken in this context, we believe that the rate increase reflected in our filing is modest.

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We believe that our filing request can accomplish the following for JCP&L:

- Provide current and future customers with a continued supply of safe and reliable delivery service.
- Provide JCP&L with a fair opportunity to earn a return on equity that is commensurate with the risks associated with the present operating and financial environment.
- Maintain cash stability and continued economic credit availability.
- Provide for financial results that will allow JCP&L to competitively access the permanent capital markets on reasonable terms.

We will keep you updated as JCP&L's rate case progresses. Should you have any questions, please call Kurt Turosky, Director of Investor Relations, at (330) 384-5500, or me at (973) 401-8519.

Very truly yours,

Terrance G. Howson
Vice President – Investor Relations