

SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27138]

Filings Under the Public Utility Holding Company Act of 1935, as Amended ("Act")

February 16, 2000.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendment(s) is/are available for public inspection through the Commission's Branch Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by March 10, 2000, to the Secretary, Securities and Exchange Commission, Washington, DC 20549-0609, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After March 10, 2000, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Jersey Central Power & Light Company (70-9529)

Jersey Central Power & Light Company ("JCP&L"), 2800 Pottsville Pike, Reading, Pennsylvania, a wholly owned public utility subsidiary of GPU, Inc., a registered holding company, has filed an application-declaration with this Commission under sections 6(a), 7, 9, 10, 12(b), 12(f), and 13(b) of the Act and rules 54, 90, and 91 under Act.

The New Jersey Electric Discount and Energy Competition Act ("Competition Act") provides for the restructuring of the New Jersey electric utility and natural gas industries. The Competition Act requires New Jersey electric utilities, including JCP&L, to unbundle electric services into separate charges for, among other things, customer account services (metering and billing), distribution, transmission, and generation. The Competition Act also requires utilities to submit restructuring

plans to the New Jersey Board of Public Utilities ("BPU"). These plans include claims for "stranded costs," *i.e.*, costs related to investments and power purchase commitments that a utility would have recovered in a regulated environment but that are not expected to be recovered in a competitive market. Utilities may, subject to BPU approval, recover these costs from their distribution customers through a non-bypassable market transition charge ("MTC").

To facilitate utility restructurings, the Competition Act empowers the BPU to authorize a utility to issue, directly or indirectly, transition bonds that it may use to recover and/or finance a portion of its stranded costs and to achieve compliance with the statute's rate reduction requirements. In order to issue the bonds, a utility must first apply to the BPU for a bondable stranded costs rate order authorizing their issuance and approving the amount of the MTC that would be used to recover the principal of and interest on the transition bonds and all other costs associated with their issuance.

JCP&L has petitioned the BPU for a bondable stranded costs rate order to authorize securitization of, among other things, the stranded costs attributable to JCP&L investment in its Oyster Creek nuclear generation plant expected as of September 1, 2000, net of deferred income taxes and investment tax credits attributable to the plant. In this petition, JCP&L has requested the BPU for authority to issue up to \$587 million ("Bond Amount") in securitized bonds ("Transition Bonds"). This amount is made up of \$400 million representing the expected net investment in Oyster Creek, \$20 million for expected transaction costs, \$78 million for a deposit made in this amount by JCP&L into the Oyster Creek decommissioning trust, and up to \$89 million associated with the costs of a refueling outage for Oyster Creek scheduled for the fall of 2000 that will be funded by JCP&L.

In connection with the petition, JCP&L requests Commission authority through December 31, 2001 for several related transactions. JCP&L seeks to form and acquire all of the common equity interests in a new wholly owned subsidiary ("Special Purpose Issuer"), and to form one or more wholly owned subsidiaries that would own the Special Purpose Issuer. JCP&L also requests authority for the Special Purpose Issuer to issue and sell Transition Bonds from time to time through December 31, 2001 in one or more series aggregating up to the Bond Amount.

JCP&L will transfer to the Special Purpose Issuer the right it receives from

the BPU to charge, collect, and receive the MTC in exchange for the net proceeds from the sale of the Transition Bonds. JCP&L states that use of the Special Purpose Issuer to issue the Transition Bonds will enhance the creditworthiness of those bonds by isolating the right to the MTC from any credit risks associated with other JCP&L assets.

JCP&L will service the revenue stream generated by the MTC under a servicing agreement between it and the Special Purpose Issuer. In this capacity, JCP&L will, among other things, bill customers, make collections on behalf of the Special Purpose Issuer, and file with the BPU for periodic adjustments to the MTC to achieve a level that allows for payment of all debt service and full recovery of the amounts the BPU authorizes JCP&L to collect through the MTC. JCP&L may subcontract with other companies to carry out some of its servicing responsibilities.

The servicing agreement entitles JCP&L to receive a servicing fee and reimbursement for certain expenses. Financial rating agency standards require that JCP&L's servicing fee be comparable to a reasonable and sufficient fee negotiated at arms-length by a similar, unaffiliated entity performing similar services. This requirement is meant to assure that the Special Purpose Issuer would be able to operate independently and, accordingly, the fee must be increased to retain a third party servicer if for any reason JCP&L could not continue to perform the services. JCP&L anticipates that the servicing fee will be set at approximately \$400,000 annually. This fee may not reflect JCP&L's actual costs of providing the related services and therefore may not meet the cost standards of section 13(b) of the Act and rules 90 and 91 under the Act. Accordingly, JCP&L requests authority to enter into a servicing agreement with the Special Purpose Issuer under an exemption from the cost standards of section 13(b) of the Act and rules 90 and 91 under the Act.

For the Commission by the Division of Investment Management, under delegated authority.

Jonathan G. Katz,
Secretary.

[FR Doc. 00-4218 Filed 2-22-00; 8:45 am]

BILLING CODE 8010-01-M