

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

**Jill M. Peterson,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27806]

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

March 3, 2004.

Notice is hereby given that the following filing(s) has/have been made with the Commission under 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 of 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 26, 2004, 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 26, 2004, 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 (70-10191)

Jersey Central Power & Light Company ("JCP&L"), 76 South Main Street, Akron, Ohio, 44308, a direct, wholly-owned public-utility subsidiary of FirstEnergy Corp. ("FirstEnergy"), a registered holding company, has filed a declaration under section 13(b) of the Act and rules 54, 90 and 91 under the Act. JCP&L seeks an exemption from the "at cost" requirements of the Act in regard to a service agreement that it will enter into with a wholly-owned subsidiary ("Special Purpose Issuer") in

connection with its proposed issuance of transition bonds.<sup>1</sup> The proceeds from the transition bonds will allow JCP&L to recover certain costs associated with electric restructuring in New Jersey.

Beginning in 1999, New Jersey has enacted several laws aimed at restructuring its electric and natural gas industries. The restructuring legislation required JCP&L to unbundle electric services into separate charges for, among other things, metering and billing, distribution, transmission and generation. The legislation also authorizes the recovery, through securitization, of a number of costs incurred by electric utilities, including costs associated with the purchase of power in connection with a utility's "provider of last resort" responsibilities incurred during the transition period of electric utility restructuring. Utilities must apply to the New Jersey Board of Public Utilities ("BPU") for a bondable stranded costs rate order, authorizing the issuance of transition bonds and approving the amount of the initial transition bond charge ("TBC") to be imposed on all retail electric distribution customers. The TBC is a separate, non-bypassable charge that will be assessed against all retail electric distribution customers, regardless of whether they continue to purchase electricity from the distribution utility.

JCP&L has filed a petition with the BPU requesting that the BPU issue a bondable stranded costs rate order authorizing the issuance of up to \$277 million of transition bonds by the Special Purpose Issuer.<sup>2</sup> The transition bonds will be secured by the TBC revenue stream and the bondable transition property ("BTP"), which is the statutory and regulatory right to collect the TBC. JCP&L will transfer its interest in the BTP to the Special Purpose Issuer in exchange for the net proceeds from the issuance of the transition bonds. The transfer will be treated as a true sale, and the Special Purpose Issuer will be structured as a bankruptcy remote assignee. As a result, the TBC and BTP will be isolated from any credit risk associated with JCP&L. The transition bonds will constitute a

debt only of the Special Purpose Issuer. Neither the state of New Jersey nor JCP&L will have any liability with regard to the transition bonds.

JCP&L will act as the servicer of the TBC revenue stream and in this capacity will, among other things: (1) Bill customers and make collections on behalf of the Special Purpose Issuer, and (2) file with the BPU for periodic adjustments to the TBC to achieve a level which allows for payment of all debt service and full recovery of amounts authorized by the BPU. JCP&L may, subject to certain conditions, subcontract with other companies to carry out some of its servicing responsibilities. JCP&L expects that the servicing agreement will remain in effect until the legal final maturity of the transition bonds, which will not exceed seventeen years.

JCP&L will receive a servicing fee for its servicing activities and reimbursement for certain of its expenses. JCP&L's servicing fee will be set at an amount equal to no more than 0.125% of the initial principal amount of the transition bonds. This fee may not reflect JCP&L's actual costs of providing the services and may not meet the "at cost" requirements of the Act. JCP&L states that the rating agencies will require that the servicing fee be set at a level comparable to one negotiated at arm's-length and which would be reasonable and sufficient for a similarly situated third party performing similar services. JCP&L maintains that to do otherwise would most likely lower the credit rating of the transition bonds. This arm's length fee assures that the Special Purpose Issuer would be able to operate independently and strengthens the position that it is a bankruptcy remote entity.

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<sup>1</sup> The formation of the Special Purpose Issuer by JCP&L and JCP&L's acquisition of the common stock of the Special Purpose Issuer, along with the Special Purpose Issuer's issuance of the transition bonds and, if necessary, related hedge agreements was authorized by an order of the Commission dated June 30, 2003. See Holding Company Act Rel. 35-27694.

<sup>2</sup> JCP&L has reserved the right to appeal any decision of the BPU regarding the amount of costs it is allowed to recover. As a result, the initial principal balance of the transition bonds that may be issued by the Special Purpose Issuer may be as high as \$400 million.