

PP: 2 EXHIBIT NO. 2

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Filing Guidelines
Section D

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FOLDER

Q. Provide a summary discussion of the transition plan tariffs, and the unbundled elements related to tariffs in effect as of December 31, 1996.

A. See the direct testimony of Douglas A. Krall (Statement No. 10) and Oliver G. Kasper (Statement No. 11).

- Q. Identify the proposed witnesses for all statements, exhibits and schedules and include all direct statements, exhibits and schedules which form the direct case in support of the restructuring plan.
- A. See Index of Direct Testimony.

- Q. Provide a single page summary table showing, at present rates, together with references to the filing information, the following as claimed for the fully adjusted year:
- (a) Revenues
 - (b) Operating Expenses
 - (c) Operating Income
 - (d) Rate Base
 - (e) Rate of Return (produced)
- A. See PP&L's Financial Report for the 12 Months Ended December 31, 1996. This report, which is provided as Attachment 1, was filed with the PUC pursuant to its regulations at 52 Pa. Code § 71.1, et seq.

RP-A.3.
Attachment 1

COMPANY NAME: PENNSYLVANIA POWER & LIGHT COMPANY

Financial Report for the

12 Months Ended December 31, 1996

(Thousands of Dollars)

	Actual per <u>Books</u> (1)	Intrastate <u>Percent</u> (2)	Intrastate <u>per books</u> (3)	Pro Forma Intrastate <u>Adjustments(a)</u> (4)	Intrastate Pro Forma <u>Results</u> (5)
1. Original Cost of Plant In Service	\$ 9,812,122	0.87142	\$8,550,479	\$ -	\$8,550,479
2. Less: Depreciation Reserve	<u>3,196,325</u>	0.87765	<u>2,805,255</u>	-	<u>2,805,255</u>
3. Net Plant In Service	6,615,797		5,745,224	-	5,745,224
<u>Additions:</u>					
4. Land/Plant Held For Future Use	11,099	0.96504	10,711	-	10,711
5. Materials & Supplies and Fuel Stocks	195,696	0.84740	165,833	-	165,833
6. Cash Working Capital(b)	36,743	1.22399	44,973	(28,740)	16,233
7. Other - Pollution Control CWIP (Net)	27,502	0.85332	23,468	-	23,468
<u>Deductions:</u>					
8. Accumulated Deferred Income Taxes					
9. Liberalized Depreciation	1,114,671	0.80380	895,971	-	895,971
10. Investment Tax Credit	-	-	-	-	-
11. Other	-	-	-	-	-
12. Customer Advances	92	1.00000	92	-	92
13. Customer Deposits	1,285	1.00000	1,285	-	1,285
14. Contributions in Aid of Construction	-	-	-	-	-
15. Other	-	-	-	-	-
16. RATE BASE	<u>\$5,769,349</u>		<u>\$5,092,861</u>	<u>\$ (28,740)</u>	<u>\$5,064,121</u>
17. <u>Operating Revenues</u>	<u>\$2,909,087</u>	0.88344	<u>\$2,570,004</u>	<u>\$ (6,762)</u>	<u>\$2,563,242</u>
<u>Operating Expenses</u>					
18. Operation & Maintenance Expenses	1,534,197	0.88768	1,361,876	171	1,362,047
19. Annual Depreciation	363,146	0.85937	312,077	3,958	316,035
20. Taxes - Other Than Income	203,344	0.93564	190,257	(297)	189,960
21. State Income Tax - Current	63,502	0.85083	54,029	(2,440)	51,589
22. Federal Income Tax - Current	189,887	0.85083	161,562	5,621	167,183
23. Deferred Income Taxes	10,256	0.76414	7,837	-	7,837
24. Investment Tax Credit (Net)	<u>(9,919)</u>	0.87005	<u>(8,630)</u>	-	<u>(8,630)</u>
25. Total Operating Expenses	<u>2,354,413</u>		<u>2,079,008</u>	<u>7,013</u>	<u>2,086,021</u>
26. INCOME AVAILABLE FOR RETURN	<u>\$ 554,674</u>		<u>\$ 490,996</u>	<u>\$ (13,775)</u>	<u>\$ 477,221</u>
RATE OF RETURN - OVERALL	<u>9.61%</u>		<u>9.64%</u>		<u>9.42%</u>

(a) Schedule B and Schedule C

(b) As adjudicated in last rate case
or as currently calculated

COMPANY NAME: PENNSYLVANIA POWER & LIGHT COMPANY

Summary of Pro Forma Intrastate Adjustments
(Thousands of Dollars)

Rate Base Adjustments	Rate Base	Revenues	Expenses	Taxes*
(1) Interest and preferred & preference dividend working capital offset	\$(28,740)	\$ -	\$ -	\$ -
<u>Income Statement Adjustments</u>				
(2) Sales growth annualization	-	22,927	7,728	6,897
(3) Unbilled base rate revenue, ECR interest refund and PJM billing adjustment	-	(11,578)	-	(5,102)
(4) Weather-normalization of sales revenue	-	(18,111)	-	(7,981)
(5) Energy costs	-	-	1,457	(605)
(6) Wage expense	-	-	(8,901)	3,693
(7) Management audit expense	-	-	182	(75)
(8) Land management/recreational facilities expense	-	-	(363)	151
(9) Customer deposits interest expense	-	-	68	(28)
(10) Annual depreciation expense	-	-	3,958	-
(11) Interest synchronization	-	-	-	391
(12) R&E tax expense	-	-	-	<u>5,543</u>
Totals	<u>\$(28,740)</u>	<u>\$(6,762)</u>	<u>\$4,129</u>	<u>\$2,884</u>

* Includes gross receipts tax (GRT), where applicable.

COMPANY NAME: PENNSYLVANIA POWER & LIGHT COMPANY .

Explanation of AdjustmentsBase Adjustments

- (1) Adjustment to intrastate cash working capital for interest payments and preferred & preference dividend payments pursuant to the Commission's Final Order at Docket No. R-80031114. See Attachment 1 for computational details.

Income Statement Adjustments

- (2) Adjustment to PUC operating revenues to annualize sales for changes in customer usage and growth. An adjustment to energy expense was made to reflect the effect of these changes on KWH sales. See Attachment 2 for computational details.
- (3) Adjustment to PUC operating revenues to eliminate unbilled base rate revenue, a non-recurring ECR interest refund and a PJM billing adjustment. See Attachment 3 for computational details.
- (4) Adjustment to PUC operating revenues to weather-normalize sales billed during the reporting period. See Attachment 4 for computational details.
- (5) Adjustment to energy costs to eliminate a credit associated with a DOE refund for prior-period purchases of petroleum products. See Attachment 5 for computational details.
- (6) Adjustment to wage expense to reflect the number of employees and level of wages in effect at the end of the reporting period. See Attachment 6 for computational details.
- (7) Adjustment to O&M expenses to include a full year amortization of management audit costs pursuant to the Commission's Final Order at Docket No. R-00943271. See Attachment 7 for computational details.
- (8) Adjustment to eliminate certain land management projects/recreational facilities O&M expenses pursuant to the Commission's Final Order at Docket No. R-822169. See Attachment 8 for computational details.
- (9) Adjustment to include interest expense on customer deposits pursuant to the Commission's Final order at Docket No R-80031114. See Attachment 9 for computational details.
- (10) Adjustment to annualize depreciation and amortization expense. See Attachment 10 for computational details.
- (11) Adjustment to income taxes for annualized interest expense associated with intrastate pro forma results. See Attachment 11 for computational details.
- (12) Adjustment to income taxes to eliminate a credit associated with prior period research and experimentation activities. See Attachment 12 for computational details.

Explanation of Changes to Intrastate Allocation Factors (if applicable)

The composite allocation factors used in this filing primarily reflect the results of the cost allocation study accepted by the Commission at Docket No. R-00943271. Because the allocation factors used to assign intrastate rate base, operating revenues and operating expenses are an aggregation of many individual allocation factors, the composite allocation factors are likely to change from filing to filing based on the reporting period's mix of rate base, operating revenue and operating expense components.

COMPANY NAME: PENNSYLVANIA POWER & LIGHT COMPANY

Intrastate Per Books

Calculation of Return on Common Equity for
the 12 Months Ended December 31, 1996

(Thousands of Dollars)

	Capital Ratios(a) (1)		Rate Base(b) (2)	=	Totals (3)		Embedded Cost Rates(c) (4)	=	Total Rate Base Related Cost of Debt and Preferred & Preference (5)
	Sch. E Col. 2	x	Sch. A. Col. 3 Line 16			x	Sch. F Col. 7		
1. Debt	47.01%		\$5,092,861		\$2,394,154		7.89%		\$188,899
2. Preferred & Preference	7.79		5,092,861		396,734		7.10		28,168
3. Common Equity	<u>45.20</u>		5,092,861		<u>2,301,973</u>				
4. Total	<u>100.00%</u>				<u>\$5,092,861</u>				<u>\$217,067</u>

12 Months Ended December 31, 1996

	Intrastate Per Books
5. Income Available for Return (from Sch. A, Col. 3, Line 26)	\$490,996
6. Less: Total Rate Base Related Cost of Debt and Preferred & Preference (Col. 5, Line 4)	<u>217,067</u>
7. Income Available for Common Equity (Line 5 Less Line 6)	<u>\$273,929</u>
8. Debt Cost (Col. 5, Line 1)	\$188,899
9. Less: Interest Expense used to compute State and Federal Income Taxes	<u>188,776</u>
10. Difference (Line 8 Less Line 9)	123
11. Times: Composite State and Federal Income Tax Rate	<u>41.4935%</u>
12. Net Addition or (Deduction) (Line 10 x Line 11)	<u>\$ 51</u>
13. Income Available for Common Equity, including income tax effect of using Debt Cost (Line 7 Plus Line 12)	<u>\$273,980</u>
Return on Common Equity (Line 7 ÷ Line 3, Col. 3)	<u>11.90%</u>
15. Return on Common Equity, including income tax effect of using Debt Cost (Line 13 ÷ Line 3, Col. 3)	<u>11.90%</u>

COMPANY NAME: PENNSYLVANIA POWER & LIGHT COMPANY
 Intrastate Pro Forma Results
 Calculation of Return on Common Equity for
the 12 Months Ended December 31, 1996
 (Thousands of Dollars)

	Capital Ratios(a) (1)	x	Rate Base(b) (2)	=	Totals (3)	x	Embedded Cost Rates(c) (4)	=	Total Rate Base Related Cost of Debt and Preferred & Preference (5)
	Sch. E Col. 2		Sch. A. Col. 5 Line 16				Sch. F Col. 7		
1. Debt	47.01%		\$5,064,121		\$2,380,643		7.89%		\$187,833
2. Preferred & Preference	7.79%		5,064,121		394,495		7.10%		28,009
3. Common Equity	<u>45.20%</u>		5,064,121		<u>2,288,983</u>				-
4. Total	<u>100.00%</u>				<u>\$5,064,121</u>				<u>\$215,842</u>

12 Months Ended December 31, 1996

	Intrastate Pro Forma Results
5. Income Available for Return (from Sch. A, Col. 5, Line 26)	\$477,221
6. Less: Total Rate Base Related Cost of Debt and Preferred & Preference (Col. 5, Line 4)	<u>215,842</u>
7. Income Available for Common Equity (Line 5 Less Line 6)	<u>\$261,379</u>
8. Debt Cost (Col. 5, Line 1)	\$187,833
9. Less: Interest Expense used to compute State and Federal Income Taxes	<u>187,833</u>
10. Difference (Line 8 Less Line 9)	-
11. Times: Composite State and Federal Income Tax Rate	<u>41.4935%</u>
12. Net Addition or (Deduction) (Line 10 x Line 11)	<u>\$ -</u>
13. Income Available for Common Equity, including income tax effect of using Debt Cost (Line 7 Plus Line 12)	<u>\$261,379</u>
Return on Common Equity (Line 7 ÷ Line 3, Col. 3)	<u>11.42%</u>
15. Return on Common Equity, including income tax effect of using Debt Cost (Line 13 ÷ Line 3, Col. 3)	<u>11.42%</u>

COMPANY NAME: PENNSYLVANIA POWER & LIGHT COMPANY

Calculation of Capital Structure and Related Ratios
for the 12 Months Ended December 31, 1996
 (Thousands of Dollars)

	Total Company Actual Amount <u>Outstanding</u> (1)	<u>Ratios</u> (2)
Total Debt (Sch. F., Col. 4)	\$2,744,256	47.01%
Total Preferred & Preference Stock (Sch. F., Col. 4)	454,911	7.79
<u>Common Equity</u>		
Common Stock	1,476,048	
Premium on Common Stock	11,464	
Capital Surplus	--	
Capital Stock Expense	--	
Retained Earnings	1,093,725	
Other	<u>56,602</u>	
Total Common Equity	<u>2,637,839</u>	<u>45.20</u>
Total Capital	<u>\$5,837,006</u>	<u>100.00%</u>

COMPANY NAME: PENNSYLVANIA POWER & LIGHT COMPANY

Cost of Debt and Preferred & Preference Stock as Adjusted
for the 12 Months Ended December 31, 1996
 (Thousands of Dollars)

<u>Item/Description</u>	<u>Issue Date</u> (1)	<u>Maturity Date</u> (2)	<u>Interest Rate</u> (3)	<u>Outstanding Balance</u> (4)	<u>Effective Cost Rate</u> (5)	<u>Percent to Total</u> (6)	<u>Weighted Cost Rate</u> (7)
Long-Term Debt			See Appendix A				
Short-Term Debt (If Applicable)							
Total							
Preferred & Preference Stock			See Appendix B				
Total							

PENNSYLVANIA POWER & LIGHT COMPANY

Calculation of Composite Cost Rate of Long-Term Debt

At December 31, 1996

(Thousands of Dollars)

First Mortgage Bonds	Amount Outstanding	Percent to Total	Effective Interest Rate	Average Weighted Cost Rate	
6-3/4 % Series Due 1997	30,000	1.24	6.67	0.08	
5-1/2 % Series Due 1998	150,000	6.19	5.72	0.35	
7 % Series Due 1999	40,000	1.65	7.02	0.12	
6 % Series Due 2000	125,000	5.15	6.16	0.32	
7-1/4 % Series Due 2001	60,000	2.47	7.26	0.18	
7-3/4 % Series Due 2002	150,000	6.19	7.88	0.49	
7-1/2 % Series Due 2003	80,000	3.30	7.50	0.25	
6-7/8 % Series Due 2003	100,000	4.12	7.09	0.29	
6-7/8 % Series Due 2004	150,000	6.19	7.07	0.44	
6-1/2 % Series Due 2005	125,000	5.15	6.71	0.35	
6.55 % Series Due 2006	150,000	6.19	6.68	0.41	
7.70 % Series Due 2009	200,000	8.25	7.78	0.64	
7-3/8 % Series Due 2014	100,000	4.12	7.55	0.31	
9-1/4 % Series Due 2019	215,000	8.86	9.37	0.83	
9-3/8 % Series Due 2021	99,750	4.11	9.52	0.39	
8-1/2 % Series Due 2022	150,000	6.19	8.61	0.53	
7-7/8 % Series Due 2023	200,000	8.25	8.03	0.66	
6-3/4 % Series Due 2023	150,000	6.19	6.91	0.43	
7.30 % Series Due 2024	150,000	6.19	7.42	0.46	
Total	\$ 2,424,750	100.00 %		7.53 %	
Pollution Control Series H					
6.40 % Series Due 2021	90,000	28.69	6.56	1.88	
Pollution Control Series I					
5.50 % Series Due 2027	53,250	16.97	5.69	0.96	
Pollution Control Series J					
6.40 % Series Due 2029	115,500	36.81	6.53	2.40	
Pollution Control Series K					
6.15 % Series Due 2029	55,000	17.53	6.48	1.14	
Total	\$ 313,750	100.00 %		6.38 %	
Unsecured Term Notes					
Due 3/14/01	\$ 116,000	100.00	6.03	6.03	
Total First Mortgage Bonds	\$ 2,424,750	84.95	7.53	6.40	
Total Pollution Control Bonds	313,750	10.99	6.38	0.70	
Total Unsecured Term Notes	116,000	4.06	6.03	0.24	
	2,854,500	100.00 %		7.34 %	
Long-Term Debt	2,854,500			7.34 %	\$ 209,520 (a)
Loss on Reacquired Debt	(110,244)				7,169 (b)
Gain on Reacquired Debt					(82) (c)
Adjusted Long-Term Debt	\$ 2,744,256			7.89 % (d)	\$ 216,607

(a) 7.35% x \$2,854,500

(b) Annualized amortization of loss on reacquired debt.

(c) Annualized amortization of gain on reacquired debt.

(d) \$216,893/ \$2,744,256

PENNSYLVANIA POWER & LIGHT COMPANY

Composite Cost Rate of Preferred Stock
 At December 31, 1996
 (Thousands of Dollars)

	<u>Amount Outstanding</u>	<u>Percent to Total</u>	<u>Effective Cost Rate</u>	<u>Weighted Cost Rate</u>	<u>Annual Cost</u>
4-1/2 % Preferred Series Preferred	\$ 53,019	11.37 %	5.03 %	0.57 %	2,667
3.35%	4,178	0.89	3.37	0.03	141
4.60%	6,300	1.35	4.79	0.06	302
4.40%	22,878	4.91	4.46	0.22	1,021
6.33%	100,000	21.44	6.44	1.38	6,440
6.125%	115,000	24.66	6.22	1.53	7,158
6.75%	85,000	18.23	6.82	1.24	5,795
5.95%	30,000	6.43	6.11	0.39	1,832
6.05%	25,000	5.36	6.19	0.33	1,548
6.15%	<u>25,000</u>	5.36	6.28	0.34	<u>1,570</u>
Total Preferred Stock	466,375	100.00 %		6.09 %	28,474
Unamortized Premiums and Unrecovered Original Issue Costs on Redeemed Stock	<u>(11,464)</u>				<u>3,818</u>
	<u>\$454,911</u>			7.10 %	<u>\$ 32,292</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Interest Payments as of December 31, 1996
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Intrastate pro forma results	\$5,064,121
2	Long-term debt ratio	47.01%
3	Embedded cost of long-term debt	7.89%
4	Pro forma interest (line 1 x line 2 x line 3)	<u>\$ 187,833</u>
5	Daily amount (line 4 ÷ 365)	<u>\$ 515</u>
6	Days to mid-point of interest payments	90.0
7	Less: Revenue lag days	<u>35.6</u>
8	Interest payments lag days	<u>54.4</u>
9	Total interest payments (line 5 x line 8)	<u>\$ 28,016</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Preferred & Preference Dividend Payments as of December 31, 1996
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Intrastate pro forma results	\$5,064,121
2	Preferred & preference stock ratio	7.79%
3	Embedded cost of preferred & preference stock	7.10%
4	Pro forma dividends (line 1 x line 2 x line 3)	<u>\$ 28,009</u>
5	Daily amount (line 4 ÷ 365)	<u>\$ 77</u>
6	Days to mid-point of dividend payments	45.0
7	Less: Revenue lag days	<u>35.6</u>
8	Dividend payments lag days	<u>9.4</u>
9	Total preferred & preference dividend payments (line 5 x line 8)	<u>\$ 724</u>

PENNSYLVANIA POWER & LIGHT COMPANY

ESTIMATED CHANGE IN SALES & REVENUE DUE TO ANNUALIZATION
12 MONTHS ENDED DECEMBER 31, 1996

	KWH SALES ADJUSTMENT	REVENUE ADJUSTMENT
CUSTOMER USAGE	149,373,155	\$7,960,625
CUSTOMER GROWTH	<u>188,524,777</u>	<u>\$14,966,058</u>
	337,897,932	\$22,926,683

NOTE: RS & RTS DATA REFLECTS NORMAL WEATHER

PENNSYLVANIA POWER & LIGHT COMPANY
 ESTIMATED CHANGE IN SALES & REVENUE DUE TO ANNUALIZATION
 REFLECTING CHANGE IN CUSTOMER USAGE
 12 MONTHS ENDED DECEMBER 31, 1996

	(1) ACTUAL YEAR-END CUSTOMERS	(2) CHANGE IN AVERAGE USE PER YEAR ENDED			(3) 3-YR. AVG. CHANGE	(4) 1/2 OF CHANGE .5 * (3)	(5) KWH SALES ADJUSTMENT (4) * (1)	(6) INCREMENTAL COST IN CENTS/KWH	(7) REVENUE ADJUSTMENT (5) * (6)
	<u>12/31/96</u>	<u>12/31/94</u>	<u>12/31/95</u>	<u>12/31/96</u>	<u>CHANGE</u>	<u>.5 * (3)</u>	<u>(4) * (1)</u>	<u>CENTS/KWH</u>	<u>(5) * (6)</u>
RS	1,072,139	106	-102	247	84	42.00	45,029,838	7.35032	3,309,837
RTS	14,575	275	-530	882	209	104.50	1,523,088	4.20449	64,038
GS-1	123,204	105	-71	155	63	31.50	3,880,926	8.68228	336,953
GS-3	20,210	5,388	437	-132	-1,898	949.00	19,179,290	5.69426	1,092,118
LP-4	854	168,970	40,399	135,322	114,897	57,448.50	49,061,019	5.13081	2,517,229
LP-5	134	1,790,711	775,943	-1,042,278	508,125	254,062.50	34,044,375	3.70596	1,261,671
BL	17	184,488	-303,461	123,046	1,358	679.00	11,543	9.15832	1,057
GH-1	1,188	-1,127	-15,170	13,414	-961	-480.50	-570,834	7.99787	-45,655
GH-2	2,838	1,092	-2,727	1,391	-81	-40.50	-114,939	8.10917	-9,321
SL/AL	1,081	-6,749	-5,705	-2,373	-4,942	-2,471.00	-2,671,151	21.23810	-567,302
TOTAL							149,373,155		\$7,960,625

NOTE: RS DATA REFLECTS NORMAL WEATHER.

NOTE: FOR STREETLIGHTING THE AVERAGE PRICE IS USED FOR THE INCREMENTAL PRICE.

PENNSYLVANIA POWER & LIGHT COMPANY

ESTIMATED CHANGE IN SALES & REVENUE DUE TO ANNUALIZATION
 REFLECTING CHANGE IN CUSTOMER GROWTH
 12 MONTHS ENDED DECEMBER 31, 1996

	(1) ACTUAL YEAR-END CUSTOMERS 12/31/95	(2) ACTUAL YEAR-END CUSTOMERS 12/31/96	(3) CUSTOMER DIFFERENCE (2) - (1)	(4) 1/2 CHANGE IN CUSTOMERS .5 * (3)	(5) AVERAGE USE PER CUSTOMER 12 MONTHS ENDED 12/31/96	(6) KWH SALES ADJUSTMENT (4) * (5)	(7) AVERAGE CENTS/KWH	(8) REVENUE ADJUSTMENT (6) * (7)
RS	1,064,005	1,072,139	8,134	4,067.00	10,506	42,727,902	8.71405	3,723,332
RTS	14,575	14,575	0	0.00	27,569	0	5.71138	0
GS-1	121,759	123,204	1,445	722.50	11,848	8,560,180	11.03578	944,683
GS-3	19,181	20,210	1,029	514.50	364,041	187,299,095	7.72821	14,474,863
LP-4	850	854	4	2.00	5,598,410	11,196,820	6.20359	694,605
LP-5	134	134	0	0.00	47,452,296	0	4.74213	0
BL	26	17	-9	-4.50	226,259	-1,018,166	9.18614	-93,530
GH-1	1,577	1,188	-389	-194.50	313,386	-60,953,577	8.29702	-5,057,328
GH-2	2,902	2,838	-64	-32.00	30,754	-984,128	8.22079	-80,903
SL/AL	1,047	1,081	34	17.00	99,803	1,696,651	21.23810	360,336
TOTAL						188,524,777		\$14,966,058

NOTE: RS DATA REFLECTS NORMAL WEATHER.

NOTE: FOR STREETLIGHTING THE AVERAGE PRICE IS USED FOR THE INCREMENTAL PRICE.

DATA ADJUST AFTER MERGING

YEAR	MONTH	KWH SALES ADJUSTMENT	LOSS FACTOR	KWH OUTPUT ADJUSTMENT
1996	1	56,316,322	1.07313	60,434,735
1996	2	51,196,656	1.07313	54,940,667
1996	3	46,076,991	1.07313	49,446,601
1996	4	40,957,325	1.07313	43,952,534
1996	5	35,837,659	1.07313	38,458,467
1996	6	30,717,994	1.07313	32,964,401
1996	7	25,598,328	1.07313	27,470,334
1996	8	20,478,663	1.07313	21,976,268
1996	9	15,358,997	1.07313	16,482,200
1996	10	10,239,331	1.07313	10,988,133
1996	11	5,119,666	1.07313	5,494,067
1996	12	0	1.07313	0
		<u>337,897,932</u>		<u>362,608,407</u>

COST OF ENERGY ADJUSTMENT - JANUARY, 1996 TO DECEMBER, 1996

1996	Cost of Energy	Actual PJM Sales Billing Rate	Output Adjustment	Change in PJM Interchange Sales	Adjusted Cost of Energy
	(Thousands)	(MILLS/KWH)	(GWH)	(Thousands)	(Thousands)
JANUARY	59,289	27.92	60.43	1687	60,976
FEBRUARY	52,542	24.42	54.94	1342	53,884
MARCH	46,994	24.94	49.45	1233	48,227
APRIL	37,586	15.43	43.95	678	38,264
MAY	37,342	17.62	38.46	678	38,020
JUNE	45,210	18.79	32.96	619	45,829
JULY	50,985	21.56	27.47	592	51,577
AUGUST	48,624	18.52	21.98	407	49,031
SEPTEMBER	47,035	21.62	16.48	356	47,391
OCTOBER	50,942	32.24	10.99	354	51,296
NOVEMBER	48,985	22.27	5.49	122	49,107
DECEMBER	52,458	21.11	0.00	0	52,458
	<u>\$577,992</u>		<u>362.60</u>	<u>\$8,069</u>	<u>\$586,061</u>

PUC Jurisdictional Portion of
Increased Cost of Energy(\$8,069 x .9577)

\$7,728

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to PUC Operating Revenues

Year Ended December 31, 1996

(Thousand of Dollars)

This adjustment was made to normalize PUC operating revenues for the reporting period by eliminating unbilled base rate revenue, a non-recurring ECR interest refund and a PJM billing adjustment.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Decrease in PUC operating revenues to reflect elimination of unbilled base rate revenue	\$9,064
2	Decrease in PUC operating revenues to reflect elimination of a non-recurring ECR interest refund	367
3	Decrease in PUC operating revenues to reflect the elimination of a PJM billing adjustment associated with an audit and true-up of prior period installed capacity obligation pool transactions (\$2566 x 0.8368).	<u>2,147</u>
4	Decrease in PUC operating revenues	<u>\$11,578</u>

PENNSYLVANIA POWER & LIGHT
Weather Adjustment of 1996 Sales and Revenue

	1996 Actual Sales (kwh) (a)	Weather Adjustment (kwh) (b)	1996 W/N Sales (kwh) (c)	1996 Actual Revenue (\$) (d)	Trailing Block of Rate (\$/kwh) (e)	ECR (\$/kwh) (f)	Revenue Adjustment (\$) (g) = (b)x((e)+(f))	1996 W/N Revenue (\$) (h) = (d) + (g)
RSO	11,417,525,734	-219,902,109	11,197,623,625	976,459,821	0.07248	-0.001354	-15,640,757	960,819,064
RTD	5,419,320	-104,376	5,314,944	419,924	0.04954	-0.001354	-5,029	414,895
RTS	417,938,436	-8,049,515	409,888,921	22,984,391	0.03855	-0.001354	-299,410	22,684,981
GS-1	1,449,933,186	-12,018,026	1,437,915,160	440,900,317	0.07841	-0.001403	-925,472	439,974,845
GS-3	7,209,832,604	-16,825,039	7,193,007,565	556,979,531	0.04849	-0.001403	-792,241	556,187,290
GH-1	439,681,159	-1,202,991	438,478,168	36,480,419	0.07542	-0.001403	-89,042	36,391,377
GH-2	88,019,226	-192,082	87,827,144	7,235,875	0.0813	-0.001403	-15,347	7,220,528
LP-4	4,809,034,299	-6,187,234	4,802,847,065	298,544,168	0.0413	-0.001592	-245,683	298,298,485
LP-5	6,358,607,715	-2,541,627	6,356,066,088	20,644,318	0.04024	-0.001664	-98,046	20,546,272
SL/AL	106,489,449		106,489,449	22,616,336				22,616,336
BL	4,751,439		4,751,439	436,474				436,474
PUC TOTAL	32,307,232,567	-267,023,000	32,040,209,567	2,383,701,574			-18,111,026	2,365,590,548

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Energy Costs
Year Ended December 31, 1996
(Thousands of Dollars)

This adjustment was made to normalize energy costs by eliminating a non-recurring credit to energy costs associated with a fuel oil refund received from the Department of Energy. This refund relates to purchases of petroleum products from various suppliers during the period August, 1973 through January, 1981.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Refund amount per books	<u>\$1,742</u>
2	Increase in expense	<u>\$1,742</u>
3	PUC jurisdictional portion ($\$1,742 \times 0.8368$)	<u>\$1,457</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Wage and Benefits Expense

Year Ended December 31, 1996

(Thousands of Dollars)

This adjustment was made to reflect the number of employees and level wages in effect at the end of the year.

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
1	Average monthly wage per employee	\$4.784
2	Personnel employed at end of the year	6,523
3	Annualized total wages (line 1 x line 2 x 12 months)	\$ 374,472
4	Less: Actual wages for the year ended December 31, 1996	<u>384,872</u>
5	Decrease in total wages	<u>\$ (10,400)</u>
6	Decrease in wages to expense (line 5 x 76.5%)	<u>\$ (7,956)</u>
7	PUC jurisdictional portion (\$ (7,956) x 0.8768)	\$ (6,976)
8	Decrease in benefits (line 7 x 27.6%)	<u>\$ (1,925)</u>
9	Decrease in Wages and Benefits (lines 7 + 8)	<u>\$ (8,901)</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment for Management Audit Expenses

Year ended December 31, 1996*(Thousands of Dollars)*

This adjustment was made to include a full year amortization of PUC-mandated management audit costs over five years, as allowed in the Commission's Final Order at Docket No. R-00943271.

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
1	Full year ammortization	\$182
2	Less ammortization per books	<u>-</u>
3	Total adjustment	<u>\$182</u>
4	PUC jurisdictional portion (\$182 x 1.000)	<u>\$182</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Land Management
 Projects/Recreational Facilities Expense
Year Ended December 31, 1996
 (Thousand of Dollars)

The Commission, in its Final Order at Docket No. R-822169, determined that O&M expenses incurred for certain land management projects/recreational facilities, which are not owned or operated pursuant to any specific Federal or State licensing requirement, should not be recovered from retail customers. This adjustment provides for the elimination of the operating expense for these facilities.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Montour Preserve	\$395
2	Shady Nook Boat Ramp	15
3	Martins Creek Boat Ramp	20
4	Brunner Island Boat Ramp	<u>5</u>
5	Decrease in expense	<u>\$ 435</u>
6	PUC jurisdictional portion (\$435 x .8356)	<u>\$363</u>

PENNSYLVANIA POWER & LIGHT COMPANYAdjustment for Interest Expense on Customer Deposits
Year Ended December 31, 1996
(Thousand of Dollars)

The Commission, in its Final Order at Docket No. R-80031114, determined that it was appropriate to include the interest expense on customer deposits in the Company's O&M expense when the deposits are used as a reduction to rate base. The interest on these deposits is computed at an interest rate calculated in accordance with Rule 2 - Requirement for Service set forth in the Company's Tariff Electric - Pa. P.U.C. No. 200.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Customer deposits	\$1,285
2	Interest Rate	<u>5.30%</u>
3	Increase in expense	<u>\$ 68</u>
4	PUC jurisdictional portion (\$68 x 1.0000)	<u>\$ 68</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Annual Depreciation and Amortization Expense
Year Ended December 31, 1996
 (Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Depreciation -- electric plant in service	\$345,723
	Less:	
2	Clearing	1,152
3	Customer advances for construction	<u>2</u>
4	Net depreciation -- electric plant in service	344,569
	Adjustments to depreciation:	
5	Plus: amortization of negative net salvage (a)	20,894
6	Less: amortization of negative net salvage to clearing (a)	37
7	Plus: SFAS 92 phase in plan	<u>902</u>
8	Total annual depreciation expense	366,328
	Plus: amortization of regulatory assets	
9	Common plant adjustment	1,272
10	SFAS 92 phase in plan of common plant	<u>0</u>
11	Total annual depreciation and amortization expense	367,600
12	Less: 12 months depreciation and amortization expense	<u>363,146</u>
13	Increase in depreciation and amortization expense	<u>\$4,454</u>
14	PUC jurisdictional portion (\$4,454 x 0.8887)	<u>\$3,958</u>

(a) Based on a five-year average of negative net salvage as prescribed by the Pennsylvania Public Utility Commission.

PENNSYLVANIA POWER & LIGHT COMPANY

Interest Synchronization Adjustment for Income Taxes
Year Ended December 31, 1996
 (Thousand of Dollars)

This adjustment provides for annualized interest expense associated with intrastate pro-forma results.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Intrastate pro forma results	\$5,064,121
2	Long-term debt ratio	47.01%
3	Embedded cost of long-term debt	7.89%
4	Annualized interest expense	\$ 187,833
5	Less: Intrastate interest expense per books	<u>188,776</u>
6	Decrease in intrastate interest expense for income taxes	<u>\$ 943</u>
7	Increase in income taxes (line 6 x 41.4935%)	<u>\$ 391</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Income Taxes
Year Ended December 31, 1996
(Thousand of Dollars)

This adjustment was made to normalize income tax expense by eliminating a non-recurring credit associated with research and experimentation activities. This net tax credit is based on prior period investments in technology and computer software.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	State income tax credit	\$(2,198)
2	Federal income tax credit	<u>8,713</u>
3	Net increase in tax expense	<u>\$6,515</u>
4	PUC jurisdictional portion ($\$6,515 \times 0.8508$)	<u>\$5,543</u>

RP - A.4.
J. M. Kleha
M. J. Berish

Q. Provide the following:

- (a) The book, or budgeted, statement of income for the base year.
- (b) A statement of income under present rates after adjustment.
- (c) Unless otherwise provided, submit detailed schedules to show all base year data, all adjustments to the base year data and a detailed summary of the amounts allocable to distribution, jurisdictional transmission, generation and "joint and common" categories.
- (d) Unless otherwise provided, supply a detailed study and analysis and describe your proposed methodology to identify and separate all costs by the following categories, as well as your methodology allocating joint and common costs to jurisdictional generation and distribution and non-jurisdictional categories. "Joint and common costs" are costs which are not directly chargeable to the previous three categories:
 - (1) jurisdictional generation costs
 - (2) jurisdictional distribution costs
 - (3) non-jurisdictional costs
 - (4) joint and common costs
- (e) Adjustments to annualize and normalize under present rates.
- (f) A Statement of Changes in Financial Position for the base year ending December 31, 1996.
- (g) A Statement of Cash Flow for the base year ending December 31, 1996.

A.(a). & (b). See the response to Question RP - A.3 for base year data on a per books basis.

(c). & (e). See Attachment 1.

(d). See Exhibit JMK2.

(f). & (g). See Attachment 2.

RP-A.4.
Attachment 1

Rate Base Detail
12 Months Ended December 31, 1996
(Thousands of Dollars)

	<u>Total System</u>	<u>Jurisdictional Allocation Factor</u>	<u>PUC Jurisdictional</u>	<u>Adjustments</u>	<u>Adjusted PUC Jurisdictional</u>
Plant in Service					
Intangible	\$ 24,610	.87914	\$ 21,636	\$ --	\$ 21,636
Production					
w/o coal	1,522,224	.83558	1,271,940	--	1,271,940
Nuclear	4,037,279	.80521	3,250,858	--	3,250,858
Other	743,782	.86829	645,819	--	645,819
Transmission	386,174	.83807	323,641	--	323,641
Distribution	2,774,225	.99102	2,749,313	--	2,749,313
General	303,064	.87914	266,436	--	266,436
Common-182-net	20,764	1.0000	20,764	--	20,764
Depreciation Reserve					
Intangible	11,950	.87914	10,506	--	10,506
Production					
w/o coal	651,729	.83558	544,572	--	544,572
Nuclear	1,006,333	.80521	810,309	--	810,309
Other	340,288	.86829	295,469	--	295,469
Transmission	122,133	.83807	102,356	--	102,356
Distribution	954,104	.99102	945,536	--	945,536
General	109,788	.87914	96,519	--	96,519

	<u>Total System</u>	<u>Jurisdictional Allocation Factor</u>	<u>PUC Jurisdictional</u>	<u>Adjustments</u>	<u>Adjusted PUC Jurisdictional</u>
Future Use					
Production					
w/o coal	\$ 326	.83558	\$ 272	\$ --	\$ 272
Other			--	--	--
Transmission	1,187	.83807	995	--	995
Distribution	9,090	.99102	9,008	--	9,008
General	496	.87914	436	--	436
Pollution Control					
Nuclear	4,634	.80521	3,731	--	3,731
w/o coal	3,642	.83558	3,043	--	3,043
Other coal & oil	19,226	.86829	16,694	--	16,694
General	--		--	--	--
Fuel Stocks					
w/o coal	62,694	.83860	52,575	--	52,575
oil & other coal	26,770	.87143	23,328	--	23,328
M&S					
Nuclear	39,187	.80521	31,554	--	31,554
w/o coal	40,776	.83558	34,072	--	34,072
Other fuel	11,868	.86829	10,305	--	10,305
Other	14,401	.97208	13,999	--	13,999

	<u>Total System</u>	<u>Jurisdictional Allocation Factor</u>	<u>PUC Jurisdictional</u>	<u>Adjustments</u>	<u>Adjusted PUC Jurisdictional</u>
Prepayments					
Ins-nuclear	2,675	.80521	2,154	--	2,154
Ins-other	3,453	.83567	2,886	--	2,886
Nuclear fuel	259	.80513	209	--	209
Other	2,401	.87959	2,112	--	2,112
PUC Assessment	1,953	1.0000	1,953	--	1,953
Accrued Taxes	6,304	Per calculation	8,947	--	8,947
Working Capital - O&M	19,698	Per calculation	26,712	(28,740)	(2,028)
Deferred Income Taxes					
Test Power-SSES	(15,748)	.80522	(12,681)	--	(12,681)
Pollution Control	9,249	.83602	7,732	--	7,732
Class Life	35,401	.91674	32,453	--	32,453
Removal Costs	3,958	.91661	3,628	--	3,628
ACRS					
Nuclear	783,912	.80520	631,206	--	631,206
Nuclear Fuel	4,758	.80821	3,845	--	3,845
Other	266,396	.85391	227,478	--	227,478
Order 144/144A	24,083	0.0000	--	--	--
Test fuel - MC 3 & 4	2,662	.86818	2,311	--	2,311
Customer Advances	92	1.0000	92	--	92
Customer Deposits	1,285	1.0000	1,285	--	1,285

Calculation of
Working Capital - O&M

	<u>Total</u>	<u>PUC</u>
Total O&M	\$1,534,952	\$1,362,490
Less: Uncollectible Accounts	20,663	20,663
SBRCA	<u>(15,372)</u>	<u>(13,011)</u>
Net O&M	1,529,661	1,354,838
Operating Expense Per Day	4,191	3,710
x Days	<u>4.7</u>	<u>7.2</u>
Working Capital Required	<u>\$19,698</u>	<u>\$26,712</u>

Calculation of
Accrued Taxes

	<u>Total</u>	<u>PUC</u>	<u>%</u>	<u>Total</u>	<u>PUC</u>
Federal Income	\$189,887	\$161,562	(6.72)	\$(12,760)	\$(10,857)
State Income	63,502	54,029	(11.72)	(7,442)	(6,332)
GRT	104,729	104,612	22.87	23,952	23,925
Capital Stock	34,163	29,575	(11.72)	(4,004)	(3,466)
PURTA	45,135	39,073	14.53	<u>6,558</u>	<u>5,677</u>
				<u>\$6,304</u>	<u>\$8,947</u>

Operating Revenue Detail
12 Months Ended December 31, 1996
(Thousands of Dollars)

	<u>Total System</u>	<u>Jurisdictional Allocation Factor</u>	<u>PUC Jurisdictional</u>	<u>Adjustments</u>	<u>Adjusted PUC Jurisdictional</u>
PUC					
Base	\$2,436,426	1.0000	\$2,436,426	\$4,816	\$2,431,610
ECR	(32,973)	1.0000	(32,973)	--	(32,973)
SBRCA	(14,751)	1.0000	(14,751)	--	(14,751)
STAS	(8,002)	1.0000	(8,002)	--	(8,002)
FERC					
Base & UGI	66,644	0.0000	--	--	--
FAC	(2,431)	0.0000	--	--	--
Contracts	243,659	0.0000	--	--	--
Late Payment	8,085	1.0000	8,085	--	8,085
Misc. Services	203	1.0000	203	--	203
Rent from Elec. Property	12,565	.99102	12,452	--	12,452
Hydro & Transmission	6,860	.83677	5,740	--	5,740
AEC	2,800	.80472	2,253	--	2,253
PASNY	6	0.0000	--	--	--
Other	1134	.87846	996	--	996
Unbilled					
PUC					
ECR Interest	367	1.0000	367	(367)	--
Other	9,064	1.0000	9,064	(9,064)	--
FERC	4,157	0.0000	--	--	--

	<u>Total System</u>	Jurisdictional Allocation Factor	PUC <u>Jurisdictional</u>	<u>Adjustments</u>	Adjusted PUC <u>Jurisdictional</u>
Capacity-related					
PJM	\$ 2,566	.83677	\$ 2,147	\$(2,147)	\$ --
2-party	15,430	.83677	12,911	--	12,911
Energy Sales					
2-party	129,030	.83723	108,028	--	108,028
PJM interchange	28,248	.95768	27,052	--	27,052

Operating Expense Detail
12 Months Ended December 31, 1996
(Thousands of Dollars)

	<u>Total System</u>	<u>Jurisdictional Allocation Factor</u>	<u>PUC Jurisdictional</u>	<u>Adjustments</u>	<u>Adjusted PUC Jurisdictional</u>
Fuel					
w/o coal	\$293,028	.83859	\$245,730	\$ --	\$245,730
Nuclear	76,367	.80811	61,713	--	61,713
Other	75,149	.87143	65,487	--	65,487
Purchased Power					
IOUs	84,989	.95927	81,527	7,728	89,255
NUGs	209,693	.95927	201,152	--	201,152
Safe Harbor	10,111	.95579	9,664	--	9,664
PJM	46,207	.95927	44,325	--	44,325
BL	808	.95909	775	--	775
Fuel Handling					
w/o coal	14,815	.83860	12,424	--	12,424
Other	3,664	.87153	3,193	1,457	4,650
Decommissioning	11,829	Per books	9,460	--	9,460
Energy trust	7,558	.80811	6,108	--	6,108
Other Production					
O&M					
Nuclear	151,747	.80828	122,654	(1,727)	120,927
Other					
w/o coal	103,192	.83618	86,287	(1,723)	84,564
Other	56,486	.86967	49,124	(568)	48,556
Transmission	10,785	.83804	9,038	(156)	8,882
Distribution	92,557	.99079	91,705	(1,116)	90,589

	<u>Total System</u>	<u>Jurisdictional Allocation Factor</u>	<u>PUC Jurisdictional</u>	<u>Adjustments</u>	<u>Adjusted PUC Jurisdictional</u>
Customer Accts, Info, Sales					
Uncollectible	\$ 20,663	1.0000	20,663	--	20,663
Other	60,992	1.0000	60,992	(957)	60,035
A&G					
Benefits	82,058	.87966	72,183	--	72,183
Insurance	6,679	.82479	5,509	--	5,509
Other	126,003	.87969	110,844	(2,767)	108,077
Reg. Comm.	4,944	1.0000	4,944	--	4,944
SBRCA credits					
GE	(12,433)	Per books	(10,072)	--	(10,072)
PPIA	(2,939)	Per books	(2,939)	--	(2,939)
Other	(755)	Per books	(610)	--	(610)
Depreciation	363,146	.85937	312,077	3,958	316,035
Def. Inc. Taxes	10,256	.76414	7,837	--	7,837
ITC - net	(9,919)	.87010	(8,630)	--	(8,630)
Income Tax					
Federal	189,887	.85083	161,562	5,621	167,183
State	63,502	.85083	54,029	(2,440)	51,589
Taxes - Other					
PURTA & Local	45,135	.86569	39,073	--	39,073
Cap. Stk.	34,163	.86569	29,575	--	29,575
Environmental	(128)	.86568	(110)	--	(110)
Other	(63)	.87234	(55)	--	(55)
GRT	104,729	Per calculation	104,612	(297)	104,315
Payroll	19,508	.87972	17,162	--	17,162
Interest Expense	213,395	.88463	188,776	(943)	187,833

RP-A.4.
Attachment 2

Name of Respondent PENNSYLVANIA POWER & LIGHT COMPANY	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 1996
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STATEMENT OF CASH FLOWS

1. If the notes to the cash flow statement in the respondent's annual stockholders report are applicable to this statement, such notes should be attached to page 122. Information about noncash investing and financing activities should be provided on page 122. Provide also on page 122 a reconciliation between "Cash and Cash Equivalents at End of Year" with related amounts on the balance sheet.

2. Under "Other" specify significant amounts and group others.

3. Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show on page 122 the amounts of interest paid (net of amounts capitalized) and income taxes paid.

Line No.	Description (See Instructions for Explanation of Codes) (a)	Amounts (b)
1	Net Cash Flow from Operating Activities:	
2	Net Income (Line 72 (c) on page 117)	\$356,842,110
3	Noncash Charges (Credits) to Income:	
4	Depreciation and Depletion	361,878,000
5	Amortization of (Specify):	
6	Amortization of Utility Plant Acquisition Adjustment	1,271,520
7	Amortization and Depletion of Utility Plant	11,049
8	Deferred Income Taxes (Net)	10,336,062
9	Investment Tax Credit Adjustment (Net)	(9,919,020)
10	Net (Increase) Decrease in Receivables	(954,452)
11	Net (Increase) Decrease in Inventory	(11,071,762)
12	Net (Increase) Decrease in Allowances Inventory	(2,372,428)
13	Net Increase (Decrease) in Payables and Accrued Expenses	(42,295,072)
14	Net (Increase) Decrease in Other Regulatory Assets	62,532,277
15	Net Increase (Decrease) in Other Regulatory Liabilities	(26,483,838)
16	(Less) Allowance for Other Funds Used During Construction	5,690,872
17	(Less) Undistributed Earnings from Subsidiary Companies	3,495,695
18	Other: Change in Unbilled and Refundable Revenues (Net)	6,093,972
19		
20	Miscellaneous (Net)	930,712
21		
22	Net Cash Provided by (Used in) Operating Activities (Total of lines 2 thru 21)	697,612,563
23		
24	Cash Flows from Investment Activities:	
25	Construction and Acquisition of Plant (including land):	
26	Gross Additions to Utility Plant (less nuclear fuel)	(264,509,094)
27	Gross Additions to Nuclear Fuel	(96,352,060)
28	Gross Additions to Common Utility Plant	
29	Gross Additions to Nonutility Plant	(598,772)
30	(Less) Allowance for Other Funds Used During Construction	(5,690,872)
31	Other:	
32		
33		
34	Cash Outflows for Plant (Total of lines 26 thru 33)	(355,769,054)
35		
36	Acquisition of Other Noncurrent Assets (d)	
37	Proceeds from Disposal of Noncurrent Assets (d)	
38	Proceeds from Sales to Nuclear Fuel Trust	92,992,693
39	Investments in and Advances to Assoc. and Subsidiary Companies	
40	Contributions and Advances from Assoc. and Subsidiary Companies	
41	Disposition of Investments in (and Advances to)	
42	Associated and Subsidiary Companies	
43		
44	Purchase of Investment Securities (a)	
45	Proceeds from Sales of Investment Securities (a)	

Name of Respondent PENNSYLVANIA POWER & LIGHT COMPANY	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) DEC. 31, 1996	Year of Report DEC. 31, 1996
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STATEMENT OF CASH FLOWS (Continued)

<p>4. Investing Activities Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed on page 122.</p> <p>Do not include on this statement the dollar amount of leases capitalized per US of A General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost on page 122.</p>	<p>5. Codes used: (a) Net proceeds or payments. (b) Bonds, debentures and other long term debt. (c) Include commercial paper. (d) Identify separately such items as investments, fixed assets, intangibles, etc.</p> <p>6. Enter on page 122 clarifications and explanations.</p>
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Line No.	Description (See Instruction No. 5 for Explanation of Codes) (a)	Amounts (b)
46	Loans Made or Purchased	
47	Collections on Loans	
48		
49	Net (Increase) Decrease in Receivables	
50	Net (Increase) Decrease in Inventory	
51	Net (Increase) Decrease in Allowances Held for Speculation	
52	Net Increase (Decrease) in Payables and Accrued Expenses	
53	Other	
54	Miscellaneous (Net)	(1,198,046)
55		
56	Net Cash Provided by (Used in) Investing Activities	
57	(Total of lines 34 thru 55)	(263,974,406)
58		
59	Cash Flows from Financing Activities:	
60	Proceeds from Issuance of:	
61	Long-Term Debt (b)	116,000,000
62	Preferred Stock	
63	Common Stock	
64	Other: Capital Contribution from Parent	31,537,225
65		
66	Net Increase in Short-Term Debt (c)	
67	Other:	
68	Costs Associated with Issuance of Securities:	(829,541)
69		
70	Cash Provided by Outside Sources (Total of lines 61 thru 69)	146,707,684
71		
72	Payment for Retirement of:	
73	Long-term Debt (b)	(145,000,000)
74	Preferred and Preference Stock	
75	Common Stock	
76	Other: Costs Associated with Retirement of Securities	
77	Miscellaneous (Net)	
78	Net Decrease in Short-Term Debt (c)	(62,670,000)
79		
80	Dividends on Preferred and Preference Stock	(27,768,475)
81	Dividends on Common Stock	(267,891,636)
82	Net Cash Provided by (Used in) Financing Activities	
83	(Total of lines 70 thru 81)	(356,622,428)
84		
85	Net Increase (Decrease) in Cash and Cash Equivalents	
86	(Total of lines 22, 57 and 83)	77,015,730
87		
88	Cash and Cash Equivalents at Beginning of Year	7,374,813
89		
90	Cash and Cash Equivalents at End of Year	\$84,390,543

RP - A.5.
M. J. Berish

- Q. Provide a schedule showing all revenues and expenses for the base year and for the 12-month period immediately preceding the base year, together with an explanation for major variances in excess of 10% or over \$1 million, whichever is less, between base year revenues and expenses and those for the previous 12-month period.
- A. See Attachment 1 for the Statement of Income for 1996 and 1995, based on the prescribed categories. See Attachment 2 for explanations of variances between these two periods.

RP - A.5.
ATTACHMENT 1

PENNSYLVANIA POWER & LIGHT COMPANY

Statement of Income
Years Ended December 31, 1996 and 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>1996</u>	<u>1995</u>	<u>Difference</u>	<u>%</u>
	OPERATING REVENUES				
400	Electric Revenues:				
	Residential	\$995,684	\$935,809	\$59,875	6%
	Commercial	800,803	775,941	24,862	3%
	Industrial	554,938	536,300	18,638	3%
	Public Street & Highway Lighting Sales and Other	22,560	23,102	(542)	-2%
	Sales for Resale	<u>462,239</u>	<u>436,260</u>	<u>25,979</u>	6%
	Total Sales Revenues	2,836,224	2,707,412	128,812	
	Other Electric Revenues:				
	Late Payment Charges	8,085	7,265	820	11%
	Miscellaneous Service Revenues	226	280	(54)	-19%
	Rent from Electric Property	12,565	12,602	(37)	0%
	Other	<u>49,561</u>	<u>20,138</u>	<u>29,423</u>	146%
	Total Other Electric Revenues	70,437	40,285	30,152	
	Less: Provision for Rate Refunds	(2,426)	(2,529)	103	-4%
	Total Operating Revenues	2,909,087	2,750,226	158,861	
	OPERATING EXPENSES				
401/402	Operation and Maintenance Expenses				
	Power Production Expenses:				
	Fuel	473,652	475,435	(1,783)	0%
	Power Purchases	350,628	292,119	58,509	20%
	Other	315,557	331,693	(16,136)	-5%
	Transmission Expenses	10,784	10,311	473	5%
	Distribution Expenses	92,557	87,953	4,604	5%
	Customer Accounts Expenses	53,440	59,701	(6,261)	-10%
	Customer Service & Informational Expenses	9,063	14,562	(5,499)	-38%
	Sales Expenses	19,152	8,972	10,180	113%
	Administrative & General Expenses	<u>219,685</u>	<u>127,365</u>	<u>92,320</u>	72%
	Total Operation and Maintenance Expenses	1,544,518	1,408,111	136,407	

PENNSYLVANIA POWER & LIGHT COMPANY

Statement of Income
 Years Ended December 31, 1996 and 1995
 (Thousands of Dollars)

Line No.	Description	1996	1995	Difference	%
403/406	Depreciation Expenses	293,694	301,835	(8,141)	-3%
	Amortized Depreciation	69,452	47,007	22,445	32%
407.3	Regulatory - Debits	25,145	23,544	1,601	6%
407.4	Credits	(34,711)	(66,027)	31,316	-90%
408.1	Taxes Other Than Income Taxes	203,344	200,561	2,783	1%
411.8	Gain From Disposition of Emission Allowances	(755)	(413)	(342)	45%
	Total Operating Expenses Prior to Federal and State Income Taxes	2,100,687	1,914,618	186,069	
	Operating Income Prior to Federal and State Income Taxes	808,400	835,608	(27,208)	
	FEDERAL AND STATE INCOME TAXES				
409.1	Income Taxes				
	Federal	189,886	196,449	(6,563)	-3%
	State	63,502	62,380	1,122	2%
410.1&411.1	Deferred Federal Taxes	3,440	8,264	(4,824)	-140%
	Deferred State Taxes	6,815	6,147	668	10%
411.1	Investment Tax Credit Adjustments-Net	(9,919)	(10,678)	759	-8%
	Operating Income After Federal and State Income Taxes	554,676	573,046	(18,370)	
418	Non Utility Operating Income	(552)	(76)	(476)	86%
418.1	Equity In Earnings of Subsidiary Companies	5,776	29,529	(23,753)	-411%
419	Interest and Dividend Income	6,511	6,121	390	6%
419.1	Allowance for Equity Funds Used During Const.	5,691	4,164	1,527	27%
421	Miscellaneous Nonoperating Income	4,687	40,213	(35,526)	-758%
421.1	Gain on Disposition of Property	75	471	(396)	-528%
	Total Other Income	22,188	80,422	(58,234)	
421.2	Loss On Disposition of Property	32	1	31	97%
426.1-426.5	Miscellaneous Income Deductions	6,365	71,970	(65,605)	-1031%
	Total Other Income Deductions	6,397	71,971	(65,574)	

PENNSYLVANIA POWER & LIGHT COMPANY

Statement of Income
 Years Ended December 31, 1996 and 1995
 (Thousands of Dollars)

Line No.	Description	1996	1995	Difference	%
408.2	Taxes Other Than Income Taxes	87	93	(6)	-7%
409.2	Federal Income Tax	101	3,089	(2,988)	-2958%
	State Income Tax	21	668	(647)	-3081%
	DC Tax	<u>20</u>	<u>20</u>	<u>20</u>	100%
	Total Taxes Applicable to Other Income and Deductions	229	3,850	(3,621)	
	Income Before Interest Charges	570,238	577,647	(7,409)	
427	Interest On Long-Term Debt	206,770	213,413	(6,643)	-3%
428	Amortization Of Debt Discount and Expense	2,385	2,376	9	0%
428.1	Amortization Of Loss on Recquired Debt	7,221	7,448	(227)	-3%
429	Amortization Of Premium On Debt - Credit	(23)	(32)	9	-39%
431	Other Interest Charges	2,621	9,664	(7,043)	-269%
432.1	Allowance For Borrowed Funds Used During Const.	<u>(5,578)</u>	<u>(7,306)</u>	<u>1,728</u>	-31%
	Net Interest Charges	213,396	225,563	(12,167)	
	NET INCOME	\$356,842	\$352,084	\$4,758	

RP - A.5.
ATTACHMENT 2

Pennsylvania Power & Light Company
Explanations for Variances - Statement of Income
Years Ended December 31, 1996 and 1995

Other Electric Revenues - Other: \$27.6 million of the \$29.4 million variance is due to the change in unbilled energy cost revenues for the years 1996 and 1995. The variance consists of the following:

	<u>1996</u>	<u>1995</u>
Recovery of prior period undercollection	\$4,196	\$17,196
Current year over/(under)collection	(19,531)	4,805
Reversal of prior year disallowance	<u> </u>	<u>(9,700)</u>
	\$(15,335)	\$12,301

Until January 1, 1997, PP&L's PUC tariff contained an active ECR under which customers were billed an estimated amount for fuel and other energy costs. Any difference between the actual and estimated amount of such costs was recovered from, or refunded to, customers in a subsequent period.

Prior period over or undercollections were recovered through an E-factor. The E-factor in 1995 averaged 0.556 mills/kwh compared to 0.132 mills/kwh in 1996 which resulted in a \$13 million variance in recovery of the prior period undercollection.

The variance in the current period over/undercollection is the result of increased energy costs in 1996 over 1995. These increases were due mainly to \$11.2 million of additional nuclear costs associated with the inclusion of one full years' worth of spent fuel costs in 1996 compared to only 3 months in 1995, \$9.7 million of energy savings associated with the phase out of expiring bulk power agreements beginning in 1996 and increased power purchases in 1996.

The \$9.7 million adjustment in 1995 represents the reversal of a portion of the amount disallowed by the PUC in the Company's 1994-95 ECR filing related to replacement power costs incurred during the Susquehanna Unit 1 refueling outage.

Power Purchases: An increased amount of power was purchased from other utilities and PJM in 1996 compared to 1995 due to increased customer demand, planned and unplanned outages at generating stations, and attractive market prices for energy.

Customer Accounts Expenses: Most of the decrease is due to a lower provision for uncollectible customer accounts.

Customer Service & Information Expenses: The decrease is primarily due to a change in internal accounting. Expenses that were charged as Customer Assistance Expenses in 1995 were charged as Sales Expenses in 1996.

Sales Expenses: This increase is primarily due to the following:

- 1.) Expenses that were charged as Customer Assistance Expenses in 1995 were charged as Sales Expenses in 1996 due to a change in internal accounting. Programs that were considered as customer assistance are now considered sales initiatives; and
- 2.) Higher sales expenses associated with new products and services.

Administrative & General Expenses: 1995 reflected large credits to income resulting from the Commission's Final Order in the Company's most recent base rate proceeding at Docket No. R-00943271. For example, the Company was permitted to recover the amount of postretirement benefits other than pensions that would have been deferred from January 1, 1993 through September 30, 1995. This resulted in a \$27 million pre-tax credit to income. The Company also was permitted to recover the expenses of the 1994 Voluntary Early Retirement Plan. This resulted in a \$66 million pre-tax credit to income.

Amortized Depreciation: The increase is due to the change in the method of depreciating Susquehanna property placed in service prior to January 1, 1989. This change was approved by the Commission at Docket No. R-00943271 and provided for the levelization of Susquehanna sinking fund depreciation through December 31, 1998.

Regulatory Credits: The decrease in regulatory credits is primarily due to lower deferrals of refueling outage costs and the end of credits for a change in inventory practices. Susquehanna refueling and inspection outage costs are deferred when incurred and recorded as regulatory credits. These deferrals were lower in 1996 because only Unit 1 underwent a refueling and inspection outage. In 1995, refueling and inspection outages were conducted at both Susquehanna units. Also, regulatory credits were recorded to reflect the income statement effect of establishing an inventory of spare parts at the Company's generating stations. The income statement effect was fully recorded in early 1996, and no additional regulatory credits were recorded.

Deferred Federal Taxes: The decrease is primarily due to the change in deferred taxes for pension and retirement-related items. This is partially offset by the change in deferred taxes for property-related items, ECR over/undercollections, and bad debts.

Equity in Earnings of Subsidiary Companies: The decrease is primarily due to the sale of a subsidiary's undeveloped coal reserves in 1995.

Allowance for Equity funds Used During Construction: Short-term borrowing was significantly lower in 1996 compared to 1995. Therefore, a larger portion of the allowance for funds used during construction was allocated to equity funds.

Miscellaneous Nonoperating Income: The decrease reflects the 1995 write-off (\$41 million credit to income) of previously deferred energy savings from the time Susquehanna Unit 1 was placed in commercial operation, until the effective date of that unit's recognition in retail base rates. The PUC denied recovery of operating expenses and carrying charges, net of these deferred energy savings, in its Final Order at Docket No. R-00943271.

Miscellaneous Income Deductions: The decrease is primarily due to the 1995 write-off (\$50 million charge to income) of previously deferred Susquehanna Unit 1 operating expenses and carrying charges, as described under "Miscellaneous Nonoperating Income". The balance of the decrease is due to expenses incurred in 1995 to evaluate and respond to PECO's unsolicited proposals to acquire PP&L's parent company.

Federal Income Taxes: The decrease is primarily due to the 1995 write-off of SSES Unit 1 deferred operating expenses and carrying charges, net of energy savings. This was partially offset by the equity in subsidiaries' earnings being lower in 1996 than 1995.

Other interest charges: The decrease in interest charges reflects the decrease in the Company's commercial paper holdings.

Allowance For Borrowed Funds Used During Construction: Short-term borrowing was significantly lower in 1996 than in 1995. Therefore, the allowance for borrowed funds decreased from 1995 to 1996.

RP - A.6.
Various

- Q. Provide a summary of base year adjustments which sets forth the effect of the adjustment upon the following: operating revenues, operating expenses, taxes other than income taxes, operating income before income taxes, state income tax, federal income tax and income available for return. In addition, base year adjustments shall be presented on the basis of the major account categories.
- A. See the response to Question RP-A.3.

RP-A.7.
J. M. Kleha

- Q. If the utility's operations include non-jurisdictional activities, provide a schedule which demonstrates the manner in which rate base and operating income data have been adjusted to develop the jurisdictional base year.
- A. See the response to Questions RP-A.3. and RP-A.4.

RP - B.1.
O. G. Kasper
J. J. Slivka

- Q. Provide all work papers and supporting documentation showing the development of the base year revenues. Provide work papers and supporting documentation in sufficient detail to allow alternative calculations of base year revenues at various rates of return. Explain how the number of customers and usage per customer were derived.
- A. See the response to Question RP - A.3.

- Q. Identify the actual number of customers by rate schedule for the preceding two (2) calendar years and include monthly data for the most recent 12-month period.
- A. See Attachment 3 of the response to Question RP-I.3.

- Q. Provide a breakdown of actual kilowatt hour sales by rate schedule for each month of the 12-month period immediately preceding the base year showing annual totals and for each subsequent month of the base year for which data are available.
- A. See Attachment 1.

RP - B.3.

ATTACHMENT 1

**PENNSYLVANIA POWER & LIGHT COMPANY
MONTHLY ENERGY
SALES LEVEL IN MWH
YEAR ENDED DECEMBER 31, 1996**

	Jan-96	Feb-96	Mar-96	Apr-96	May-96	Jun-96	Jul-96	Aug-96	Sep-96	Oct-96	Nov-96	Dec-96
PUC GROUP												
RS	1,401,217	1,296,186	1,149,390	974,193	737,659	744,758	816,324	783,030	805,215	722,466	847,207	1,145,300
RTS	63,288	59,689	49,662	39,158	24,556	21,406	21,159	20,214	21,220	21,457	30,250	45,878
GS-1	143,031	140,778	129,195	116,467	102,329	108,816	120,932	119,381	122,435	107,705	111,938	131,676
GS-3	610,892	624,874	616,633	577,965	544,556	582,592	618,846	609,787	631,074	587,540	580,978	624,096
LP-4	346,899	358,794	357,814	346,553	344,566	363,907	386,451	381,972	381,163	370,241	364,151	368,861
IS-P	29,762	35,444	37,027	36,583	36,439	38,430	36,196	35,977	38,624	37,701	39,630	35,850
LP-5	224,900	240,430	240,327	237,611	237,978	249,483	250,959	258,453	261,870	257,902	265,421	249,048
IS-T	170,155	158,290	182,815	181,511	177,512	189,917	193,284	194,656	191,356	183,032	206,648	179,665
LP-6	33,146	38,403	44,054	44,088	46,170	48,218	55,584	51,528	51,342	49,767	46,615	47,792
LPEP	5,666	6,977	6,542	5,883	6,461	5,358	3,626	4,259	3,837	5,293	6,373	7,711
IS-A	27,250	50,970	49,200	51,810	48,570	41,700	47,540	27,887	48,353	51,223	55,192	50,994
GH	74,876	74,677	63,843	49,093	34,510	31,658	27,409	26,176	29,166	29,467	36,397	50,429
SL/AL	10,799	9,179	9,144	7,696	7,430	6,559	7,109	7,976	8,603	9,805	10,302	11,888
TOTAL PUC	3,141,881	3,094,691	2,935,646	2,668,611	2,348,736	2,432,802	2,585,419	2,521,296	2,594,258	2,433,599	2,601,102	2,949,188

**PENNSYLVANIA POWER & LIGHT COMPANY
MONTHLY ENERGY
SALES LEVEL IN MWH
YEAR ENDED DECEMBER 31, 1995**

	Jan-95	Feb-95	Mar-95	Apr-95	May-95	Jun-95	Jul-95	Aug-95	Sep-95	Oct-95	Nov-95	Dec-95
PUC GROUP												
RS	1,189,199	1,127,768	1,097,824	863,181	744,864	695,480	826,055	945,718	795,428	646,399	814,228	1,164,856
RTS	49,201	49,586	46,082	32,724	24,123	19,236	20,932	23,266	20,420	18,490	29,134	48,465
GS-1	126,221	124,625	125,520	108,335	105,723	109,078	120,961	130,686	123,395	103,852	108,255	129,946
GS-3	585,688	565,515	587,609	533,401	549,710	567,715	599,824	631,813	609,344	550,880	547,128	585,193
LP-4	336,412	338,798	347,913	327,390	351,610	351,918	364,998	379,346	377,444	341,557	345,530	349,904
IS-P	32,655	33,526	35,538	35,304	36,648	37,351	35,008	35,686	35,868	34,887	35,407	37,464
LP-5	268,390	253,749	273,390	263,563	277,778	280,814	285,578	295,504	282,629	286,047	235,029	223,756
IS-T	204,096	187,252	191,434	174,180	246,476	209,983	201,314	206,455	195,645	244,516	168,328	176,663
LP-6	0	0	0	0	0	0	0	0	0	0	56,025	49,046
LPEP	9,405	12,971	11,133	13,733	10,890	9,736	7,788	6,263	4,970	5,004	7,283	6,452
IS-A	32,340	42,520	36,820	43,930	46,520	46,310	35,180	39,650	43,430	44,940	53,620	44,260
GH	65,806	69,399	65,140	47,713	39,079	33,732	32,867	34,366	35,128	32,946	42,686	62,971
SL/AL	10,720	9,147	9,086	7,698	7,439	6,591	7,095	7,953	8,554	9,096	11,192	10,770
TOTAL PUC	2,910,133	2,814,856	2,827,489	2,451,152	2,440,860	2,367,944	2,537,600	2,736,706	2,532,255	2,318,614	2,453,845	2,889,746

RP - C.1.
M. J. Berish

Q. Provide a breakdown of Federal Energy Regulatory Commission Account 926, Employee Benefits by benefit program or plan for the base year.

A. See Attachment 1.

RP - C.1.
ATTACHMENT 1

**Pennsylvania Power and Light Company
Breakdown of FERC Account 926
Employee Pensions and Benefits
Year Ended December 31, 1996**

(Thousands of Dollars)

Account	Description	Amount
92610	Group Life Insurance	\$5,319
92611	Accidental Death or Dismemberment Insurance	141
92620	Longevity Pay	1,111
92630	Medical Care - Active Plans	15,316
92633	Medical Care - Retired Plans	16,925
92634	Dental Assistance Plan	1,634
92635	Long-Term Disability	1,237
92636	Flexible Spending Accounts	348
92640	Net Periodic Pension Costs	8,570
92641	Administration	641
92645	Survivors' Income Protection	383
92660	Employee Stock Ownership Plan (ESOP)	6,743
92665	Deferred Savings Plan	1,751
92670	Voluntary Early Retirement	20,845
92690	Other Benefits	1,069
92693	Flexsystem - Vacation Buying	17
92695	Flexsystem - Unused Credits	8
	<u>Total</u>	<u>\$82,058</u>

RP - C.2.
M. J. Berish

- Q. Provide the base year level of each of the following which is included in the Company's cost of service by separate type and/or payee, which were paid by the Company directly or which were allocated or billed to the Company by affiliates or its parent Company:
- (a) Fines and penalties.
 - (b) Contributions and donations.
 - (c) Membership dues.
 - (d) Lobbying expense
 - (e) Employee activity costs (e.g., picnic, parties, awards).
 - (f) Investor relations expenses.
- A. See Attachment 1.

RP - C.2.
ATTACHMENT 1

Pennsylvania Power and Light Company
Details of Various Operation and Maintenance Expenses
For Base Year Ending 12/31/96

<u>Ref.</u>	<u>Item</u>	<u>Source FERC Acct. #</u>	<u>Form 1 Page (Attached)</u>	<u>Amount (in thousands)</u>
(a)	Fines and Penalties	426.3	340-1	\$ 153
(b)	Contributions and Donations	426.1	340-1	4,773
(c)	Membership Dues	930.2	335-1	720
(d)	Lobbying Expenses	426.4	340-1	1,013
(e)	Employee Activity Costs	Misc.	N/A	249
(f)	Investor Relations Expenses	930.2	335-1	<u>1,750</u>
	TOTAL EXPENSE			<u>\$ 8,658</u>

(a),(d) See Attached Form 1 page for details.

(b) **Contributions and Donations**

See the response to Question RP - C.19. for a detailed listing of contributions and donations.

(c) **Membership Dues**

Of the total expenditure of \$720,436 the major components are as follows:

--1996 dues to Edison Electric Institute (EEI) for \$445,293.

--1996 dues to Pennsylvania Electric Association (PEA) for \$208,857.

This accounts for 91% of the total expenditure.

(e) **Employee Activity Costs**

PP&L's accounting system does not track employee activity costs in total. However, certain costs of employee activities are tracked individually. In 1996, the Company incurred costs of \$135,000 for the annual employee picnic, and \$114,000 for employee service gifts and awards.

(f) **Investor Relations Expenses**

Of the total expenditure of \$1,750,230 the major components are as follows:

--1995 Annual Report printing costs of \$400,031.

--1996 Quarterly Report expenses of \$73,265.

--1996 Proxy expenses of \$290,795.

--1996 annual fees for common stock of \$150,000.

This accounts for 53% of the total expenditure.

Name of Respondent		This Report is:	Date of Report	Year of Report
PENNSYLVANIA POWER & LIGHT COMPANY		(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr)	Dec. 31, 1996
PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS				
Report the information specified below, in the order given, for the respective income deduction and interest charges accounts. Provide a subheading for each account and a total for the account. Additional columns may be added if deemed appropriate with respect to any account.		Deductions, of the Uniform System of Accounts. Amounts of less than 5% of each account total for the year (or \$1,000, whichever is greater) may be grouped by classes within the above accounts.		
(a) Miscellaneous Amortization (Account 425) -- Describe the nature of items included in this account, the contra account charged, the total of amortization charges for the year, and the period of amortization.		(c) Interest on Debt to Associated Companies (Account 430) -- For each associated company to which interest on debt was incurred during the year, indicate the amount and interest rate respectively for (a) advances on notes, (b) advances on open account, (c) notes payable, (d) accounts payable, and (e) other debt, and total interest. Explain the nature of other debt on which interest was incurred during the year.		
(b) Miscellaneous Income Deductions -- Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2, Life Insurance; 426.3, Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other		(d) Other Interest Expense (Account 431) -- Report particulars (details) including the amount and interest rate for other interest charges incurred during the year.		
Line No.	Item (a)	Amount (b)		
1	Miscellaneous Amortization (Account 425)	None		
2				
3	Donations (Account 426.1)			
4	Operation Help	\$420,030		
5	Donations, each less than 5% of account total	4,352,839		
6	Total (Account 426.1)	\$4,772,869		
7				
8				
9	Life Insurance (Account 426.2)	None		
10				
11	Penalties (Account 426.3)			
12	Martins Creek Penalty/ Consent Order and Agreement	\$62,100		
13	U.S. Nuclear Regulatory Commission Civil Penalty	100,000		
14	Other Penalties, each less than 5% of account total	(9,488)		
15	Total (Account 426.3)	\$152,612		
16				
17				
18	Expenditures for Certain Civic, Political and Related Activities (Account 426.4)			
19	Expenditures incurred by the Company's employees, including payroll,			
20	employee benefits, travel and other expenses	\$360,838		
21	Nuclear Energy Institute	97,510		
22	Edison Electric Institute	139,919		
23	Expenditures for certain civic, political and related activities,			
24	each less than 5% of account total	414,593		
25				
26	Total (Account 426.4)	\$1,012,860		
27				
28				
29				
30	Other Deductions (Account 426.5)			
31	Expenses to evaluate PECO merger proposals	\$112,361		
32	1996 NEI Membership dues excluding lobbying activities	263,483		
33	Legal Settlements	70,000		
34	Other deductions, each less than 5% of account total	(19,035)		
35	Total (Account 426.5)	\$426,809		
36				
37				
38				
39	TOTAL (Account 426)	\$6,365,150		
40				
41				

Name of Respondent		This Report is:	Date of Report	Year of Report
PENNSYLVANIA POWER & LIGHT COMPANY		(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr)	Dec. 31, 1996
MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Electric)				
Line No.	Description (a)	Amount (b)		
1	Industry Association Dues	\$720,436		
2	Nuclear Power Research Expenses	None		
3	Other Experimental and General Research Expenses	4,462,996		
4	Publishing and Distributing Information and Reports to Stockholders; Trustee, Registrar, and Transfer Agent Fees and Expenses, and Other Expenses of Servicing Outstanding Securities of the Respondent	1,750,230		
5	Other Expenses (List items of \$5,000 or more in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Group amounts of less than \$5,000 by classes if the number of items so grouped is shown)			
6	Directors' fees:			
7				
8				
9	E. Allen Deaver	15,246		
10	Nance K. Dicciani	13,025		
11	William J. Flood	16,149		
12	Daniel G. Gambet	4,897		
13	Elmer D. Gates	16,149		
14	Derek C. Hathaway	14,344		
15	Stuart Heydt	15,871		
16	Clifford L. Jones	14,691		
17	John T. Kauffman	4,897		
18	Robert Y. Kaufman	4,897		
19	Ruth Leventhal	15,038		
20	Norman Robertson	17,190		
21	David L. Tressler	4,897		
22		157,291		
23				
24	Directors' Expenses	141,132		
25	Directors' Retirement Plan	89,492		
26				
27				
28				
29				
30				
31				
32				
33	Page Total	do not key in this line-calc only		7,321,577

RP - C.3.
M. J. Berish

- Q. Provide the cost of outside services employed during the base year. Include in your response a breakdown of the base year amount indicating the service provider and the type of service performed.
- A. See Attachment 1 for details of charges to Account 92300 - Outside Services Employed.

RP - C.3.
ATTACHMENT 1

Pennsylvania Power and Light Company
Outside Service Employed
Year Ended December 31, 1996
(Thousands of Dollars)

Chairman:

Strategic Decisions Group <i>(Consulting & professional fees)</i>	\$908
Crowell & Moring <i>(Oil dealer's antitrust litigation)</i>	2,781
Morgan Lewis & Bockius <i>(Environmental and regulatory matters)</i>	1,426
Proskauer Rose Goetz & Mendelsohn <i>(Labor matters)</i>	401
Wiley Rein & Fielding <i>(FERC matters)</i>	954
Ballard Spahr Andrews <i>(Benefit plans)</i>	123
Gross Mcginley Labarre & Eaton <i>(Employment matters)</i>	127
Preston Gates Ellis & Rouveias Meeds <i>(Antitrust and regulatory matters)</i>	166
Putnam Hayes & Bartlett Inc. <i>(Rate case)</i>	124
Reid & Priest LLP <i>(Mortgage matters)</i>	128
Leboeuf Lamb Greene & Macrae <i>(Antitrust and contract matters)</i>	85
Pepper Hamilton & Scheetz <i>(Contract matters)</i>	82
Shaw Pittman Pott & Trowbridge <i>(Nuclear matters)</i>	91
BKK Communications <i>(Video production costs)</i>	70
Other <i>(Other consulting & service fees)</i>	<u>902</u>

Total Chairman **8,368**

Financial:

Towers Perrin Co. <i>(Investment & pension services)</i>	107
Coopers & Lybrand LLP <i>(Financial consulting)</i>	378
Price Waterhouse LLP <i>(Outside auditors)</i>	209
Indus Group <i>(Resource Acquisition Project)</i>	127
Other <i>(Software, services, etc.)</i>	<u>168</u>

Total Financial **989**

Pennsylvania Power and Light Company
Outside Service Employed
Year Ended December 31, 1996
(Thousands of Dollars)

Human Resources and Development:

Mainstream Access Inc. <i>(Consulting and outplacement services)</i>	510	
Relocation Resources Inc. <i>(Third party relocation)</i>	442	
Hewitt Associates <i>(Flexible benefits program)</i>	291	
Towers Perrin Company <i>(Compensation Systems)</i>	115	
Other <i>(Misc. studies expenses, intern expenses, etc.)</i>	<u>354</u>	
Total Human Resources and Development		1,712

Information Services:

EDS Technical Products Inc. <i>(Distributed system management services)</i>	8,357	
Computer Aid Inc. <i>(Mainframe consulting, CIS, etc.)</i>	1,261	
Productivity Point International <i>(Helpdesk, vendor training)</i>	882	
Novell <i>(Technology development)</i>	266	
Other <i>(Other technical support expenses)</i>	<u>207</u>	
Total Information Services		10,973

Other Outside Service Employed:

Xerox Corporation - Power Systems Support <i>(Laser printers maintenance fees, etc.)</i>	162	
Arrowsmith Technologies Inc. <i>(RTC consulting fees, etc.)</i>	134	
Other	<u>704</u>	
Total Other Outside Service Employed		1,000
TOTAL OUTSIDE SERVICE EMPLOYED		<u><u>\$23,042</u></u>

RP - C.4.
M. J. Berish

- Q. Explain how the Company has treated reserve accruals and balances for ratemaking purposes and provide the requested level of any self-funded reserve accruals by type of item, e.g., injuries and damages. Provide the beginning and ending year 1996 jurisdictional reserve balances and 1996 actual accruals and charges.
- A. The Company maintains reserve amounts for its self-insured portion of worker's compensation. The following are the 1996 beginning and ending reserve balances and 1996 accruals and charges: (thousands of dollars)

Beginning Balance at 1/1/96	\$(1,055)
Charges for claims paid	1,740
Accruals for estimated claims	<u>(2,702)</u>
Ending balance at 12/31/96	\$(2,017)

For ratemaking purposes, the Company has included the test year level of accruals for Worker's Compensation in previous base rate case revenue requirements claims. It should be noted that charges paid out were for claims from January 1992 through December 1996.

RP - C.5.
M. J. Berish

- Q. Submit a listing of the amortization claims included in the total operation and maintenance expenses of the base year. Include the following information:
- (a) Total expense being amortized
 - (b) Length of amortization (months or years)
 - (c) Remaining unamortized balance
 - (d) Commission Docket where amortization initially was claimed or approved
- A. See Attachment 1.

RP - C.5.
ATTACHMENT 1

Pennsylvania Power and Light Company
Amortization Claims Included in O&M Expenses

(thousands of dollars)

	<u>Total Expense Being Amortized</u>	<u>Length of Amortization (Years)</u>	<u>Remaining Unamortized Balance</u>	<u>Commission Docket Where Initially Approved</u>	<u>Total O&M Expense for the Base Year</u>
(18232) Deferral of costs associated with postretirement benefits other than pensions:					
PUC	\$27,004	17.3	\$25,052	R-00943271	
FERC	5,080	3	3,028	ER95-1267-000	
	32,084		28,080		\$3,326
(18233) Susquehanna's Unit 2 deferred operating and carrying costs, including energy savings(Account 25404):					
Operating expenses	18,092				
Carrying costs	32,125				
Energy Savings	(47,167)				
	3,051	10	2,669	P-820367	757
(18235) Deferral of the PUC portion of charges to expense for the estimated liability for retired coal miners' health care benefits.					
	*36,600	10	9,135	P-920588	1,369
(18236) Deferral of the assessment imposed by the Energy Policy Act of 1992 for the decontamination and decommissioning fund to cleanup uranium enrichment facilities.					
	**44,000	15	29,824	P-920588	2,761
(18237) Susquehanna deferred refueling and inspection outage costs:					
Unit 1 Reload 8	16,720	1.5	0		
Unit 1 Reload 9	13,444	1.5	11,738		
Unit 2 Reload 7	11,768	1.5	2,412		
	41,932		14,150	R-00943271	20,196
(18238) Deferred costs of Voluntary Early Retirement Program.					
	65,660	5	49,245	R-00943271	13,132
(18239) Deferral of charges to expense for costs incurred for the filing of the 1994 PUC rate case.					
	1,491	4	1,025	R-00943271	373
(25403) General Electric contract claim settlement agreement.				ER-91-322-000	
	(45,000)	5	(9,332)	P-910521	(12,433)
(25401) and (25402) Deferred cost of power plant spare parts.					
	(116,786)	5	0	R-911899	(2,939)

* (adjusted annually based on actuarial study)

** (adjusted annually based on payments made to DOE)

RP - C.6.
M. J. Berish

- Q. Provide the total amount of pension expense included in the base year and explain the basis for the claim, e.g., Statement of Financial Accounting Standards No. 87 or Employee Retirement Income Security Act.
- A. The amount of pension expense for the 12 months ended December 31, 1996 is \$9.3 million, based on Statement of Financial Accounting Standards No. 87-Net Periodic Pension Cost.

RP - C.7.
M. J. Berish

Q. Provide a copy of the Company's most recent pension plan actuarial study.

A. The Pennsylvania Power & Light Company Retirement Plan Actuarial Report for the Calendar Year Ending December 31, 1996 is provided as Attachment 1.

RP - C.7.
ATTACHMENT 1

Pennsylvania Power & Light Company
Retirement Plan

Actuarial Report for Calendar Year Ending December 31, 1996

March 1996

Table of Contents

Management Summary of Valuation Results *MS*

Ten-Year Forecast *FC*

Supplemental Information *SI*

Management Summary of Valuation Results

<i>Highlights</i>	<i>MS-1</i>
<i>Major Events Since Prior Valuation</i>	<i>MS-2</i>
<i>FAS 87 Pension Cost</i>	<i>MS-4</i>
<i>FAS 87 Funded Status</i>	<i>MS-6</i>

Highlights

This report summarizes financial results for the Pennsylvania Power & Light Company Retirement Plan based upon actuarial valuations as of January 1, 1996 and January 1, 1995.

	January 1, 1996	January 1, 1995
Pension Cost		
Dollar amount	\$ 12,290,925	\$ 9,162,244
Percent of covered pay	3.4%	2.4%
FAS 87 Funded Status		
Fair value of assets (FV)	\$ 1,086,236,186	\$ 888,213,518
Accumulated benefit obligation (ABO)	674,607,185	574,960,295
ABO funded percentage (FV ÷ ABO)	161.0%	154.5%
Present Value of Projected Benefits (current participants only)		
	\$ 1,300,595,825	\$ 1,169,494,794

Major Events Since Prior Valuation

Actuarial Assumptions

The following bond yields were considered in the selection of economic assumptions:

	December 31, 1995	December 31, 1994
30-year Treasury bonds	5.96%	7.89%
Merrill Lynch 10+ high quality corporate	6.95%	8.60%
Moody's BAA corporate bonds	7.38%	9.14%
PBGC immediate annuity rate	4.50%	6.00%

The discount rates for FAS 87 pension cost purposes are rates at which pension obligations can be settled effectively. These rates are usually based on investment-grade bond yields, after allowing for call and default risk. The return-on-asset assumption for pension cost purposes is the weighted average of expected long-term asset growth assumptions. The salary increase rate is a long-term rate based on current expectations of future pay increases. The assumptions for pension cost purposes are:

	December 31, 1995	December 31, 1994
Discount rate for obligations	6.75%	7.50%
Rate of return on assets	8.00%	8.00%
Salary increase rate	5.00%	Graded scale, averaging 5.70%

Assets

Pennsylvania Power & Light Company's pension investment portfolio consists of approximately 61% equities, 34% bonds, 4% cash, and 1% real estate. In calendar year 1995 the fund achieved a 27.78% investment return, while the capital markets performed as follows:

Large equities (S&P 500 Index)	37.51%
Intermediate/small equities (Frank Russell 2500 Index)	31.70%
Non-U.S. equities (EAFE Index)	11.55%
Bonds (Lehman Brothers Aggregate Index)	18.48%
Cash equivalents (Salomon Brothers 90-Day T-Bill Index)	5.74%

Demographics

This valuation is based on July 1, 1995 employee data, adjusted to reflect expected salary increases through January 1, 1996. Estimates were made for the various termination programs based on the number of employees who elected to terminate under a program.

Pennsylvania Power & Light Company had 6,824 active participants as of July 1, 1995. The number of active participants was 7,743 for the prior year. Covered payroll decreased 9.3% from the prior year. Pay increases for employees active in both the 1995 and 1996 valuations were 3.9%.

Plan Changes

Plan provisions did not change in 1995, except to recognize termination programs for displaced managers and certain union employees. A charge for these programs was taken immediately for accounting purposes.

FAS 87 Pension Cost

FAS 87 pension cost (pension cost) is the amount recognized in an employer's financial statement as the cost of a pension plan and is determined in accordance with Financial Accounting Standards Board Statement No. 87. Pension cost for the plan is \$12.3 million for calendar year 1996, or 3.4% of payroll.

Impact of Major Events

Pension cost increased to \$12.3 million from \$9.2 million in 1995 primarily because:

- ▶ Normal operation of the plan caused the pension cost to increase by \$3.3 million.
- ▶ Plan experience was different from that expected, which decreased pension cost \$1.4 million.
- ▶ The fair value of assets returned 27.8% in fiscal 1995. Asset gains decreased pension cost by \$5.7 million.
- ▶ Changes in the expected long-term interest rates during the year resulted in the decrease of the discount rate assumption and a change in the salary scale assumption, which increased pension cost \$6.9 million.

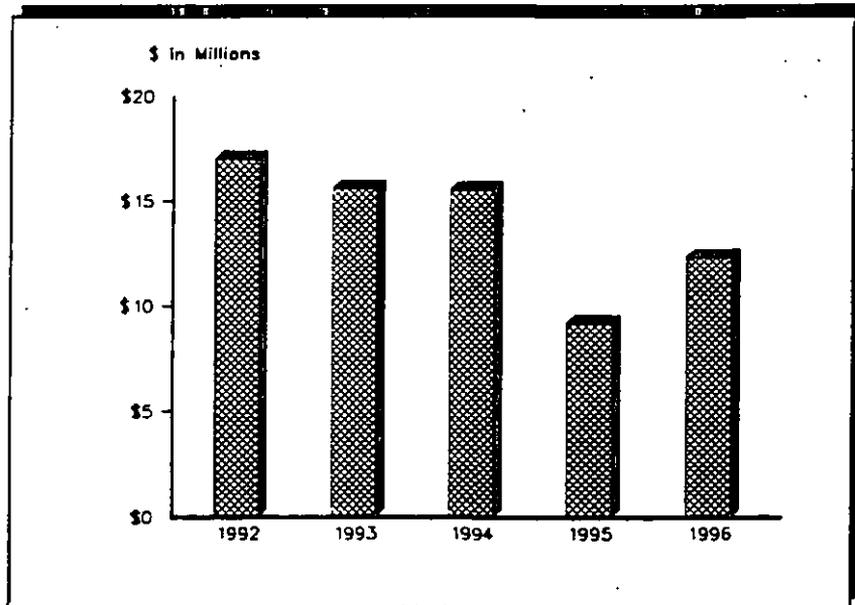
Pension cost has changed from 1992 to 1996, as shown below:

Five-Year History of Pension Cost

<i>Year</i>	<i>Amount</i>	<i>Percent of covered pay</i>
1996	\$ 12,290,925	3.4%
1995	9,162,244	2.4
1994	15,456,884	3.7
1993	15,554,148	3.8
1992	17,033,396	4.2

The following chart shows a five-year history of pension cost:

Five-Year History of Pension Cost



Assumptions

Pension cost is based on three key economic assumptions:

	Fiscal 1996	Fiscal 1995
Discount rate for obligations	6.75%	7.50%
Rate of return on assets	8.00%	8.00%
Salary increase rate	5.00%	Graded scale, averaging 5.70%

FAS 87 Funded Status

The funded status, on a pension cost basis, is measured by comparing the fair value of assets with the accumulated benefit obligation (ABO) and the projected benefit obligation (PBO). The ABO is the present value of accumulated benefits based on service and pay as of the calculation date. The PBO is the present value of benefits based on service as of the calculation date and projected pay.

The plan's funded percentage is 161.0% as of January 1, 1996 based on the fair value of assets of \$1,086.2 million and an ABO of \$674.6 million. The Company's balance sheet must reflect a minimum liability equal to the unfunded ABO for each pension plan with a funded percentage (fair value of assets divided by ABO) under 100%. It is estimated that no minimum liability is necessary and no additional liability is required on the balance sheet.

Impact of Major Events

The funded percentage increased from 154.5% as of January 1, 1995 to 161.0% as of January 1, 1996 primarily because the fair value of assets returned 27.8%.

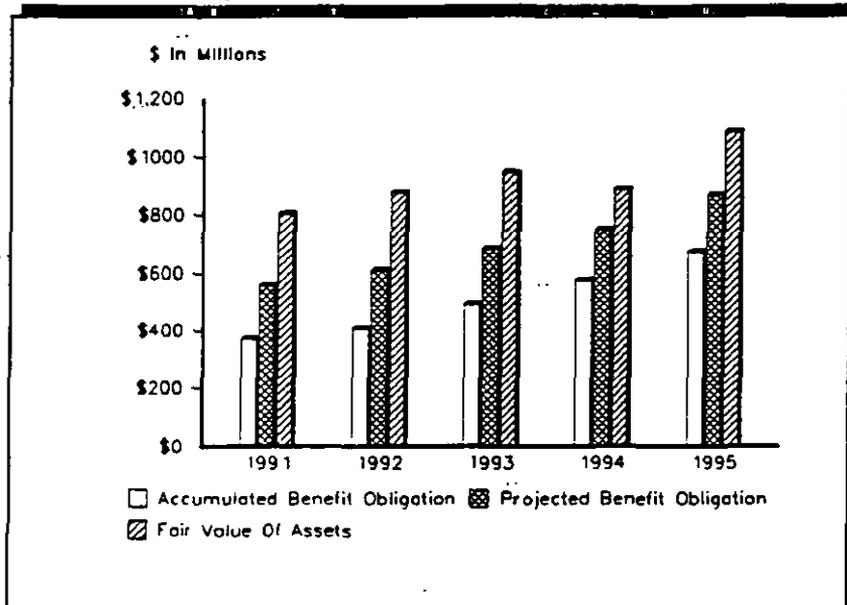
Funded percentages have generally decreased since 1992 because no contributions were made to the plan.

Five-Year History of FAS 87 Funded Status

<i>Fiscal year</i>	<i>Projected benefit obligation</i>	<i>Accumulated benefit obligation</i>	<i>Fair value of assets</i>	<i>Funded percentage</i>	
				<i>Projected benefit obligation</i>	<i>Accumulated benefit obligation</i>
1996	\$ 868,810,451	\$ 674,607,185	\$ 1,086,236,186	125.0%	161.0%
1995	748,270,569	574,960,295	888,213,518	118.7	154.5
1994	683,411,990	492,110,330	943,889,337	138.1	191.8
1993	609,876,810	408,283,210	877,887,010	143.9	215.0
1992	558,638,403	370,484,184	804,209,800	144.0	217.1

The following chart shows a five-year history of the benefit obligations and the fair value of assets:

**Five-Year History of the
Benefit Obligations and Fair Value of Assets**



Assumptions

The key economic assumption used to determine ABO and PBO is the discount rate. For calendar year 1996, the discount rate is 6.75%. In calendar year 1995 it was 7.5%.

Ten-Year Forecast

<i>Introduction</i>	<i>FC-1</i>
<i>FAS 87 Pension Cost</i>	<i>FC-2</i>
<i>PBO Funded Status</i>	<i>FC-4</i>

Ten-Year Forecast

Introduction

This section provides a 10-year forecast of key financial results for the Pennsylvania Power & Light Company Retirement Plan.

The forecast is based on the plan provisions and the actuarial methods and assumptions used in the determination of the 1996 pension cost. The forecast assumes that experience matches the actuarial assumptions for the next decade.

FAS 87 Pension Cost

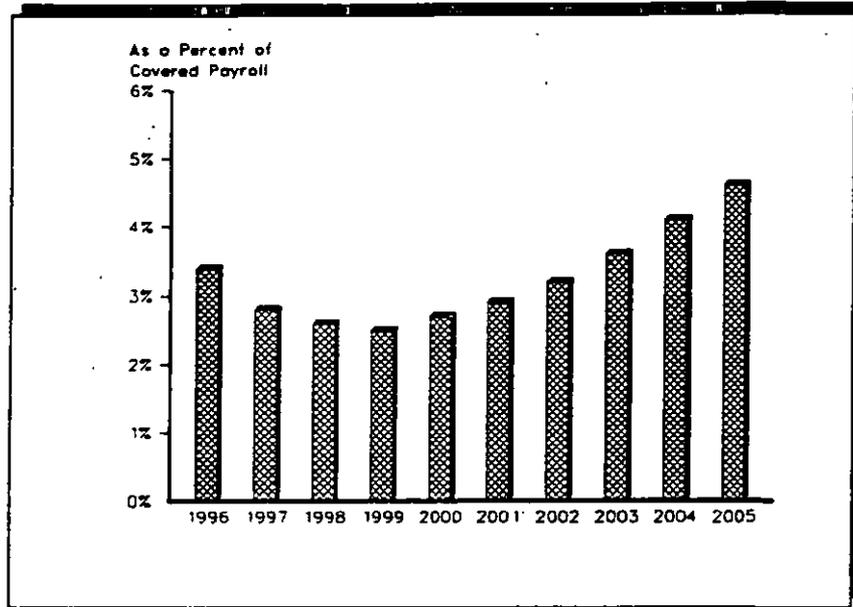
The 1996 pension cost is \$12.3 million, or 3.4% of projected payroll.

Projected pension costs for the period 1996 to 2005 is shown below:

Projected Pension Cost			
<i>Year</i>	<i>Pension cost</i>	<i>Covered Payroll</i>	<i>Percentage of payroll</i>
2005	\$ 25,882,000	\$ 565,000,000	4.6%
2004	21,995,000	538,000,000	4.1
2003	18,682,000	512,000,000	3.6
2002	15,854,000	488,000,000	3.2
2001	13,545,000	465,000,000	2.9
2000	11,802,000	443,000,000	2.7
1999	10,693,000	422,000,000	2.5
1998	10,314,000	402,000,000	2.6
1997	10,793,000	383,000,000	2.8
1996	12,290,925	365,000,000	3.4

The following chart shows the projected pension cost as a percent of covered payroll:

**Projected Pension Cost
As a Percent of Covered Payroll**



Assumptions

Pension cost is based on two key economic assumptions:

Discount rate for obligations	6.75%
Salary increase rate	5.00%

PBO Funded Status

The PBO funded status, measured by comparing the fair value of assets with the projected benefit obligation, is shown below:

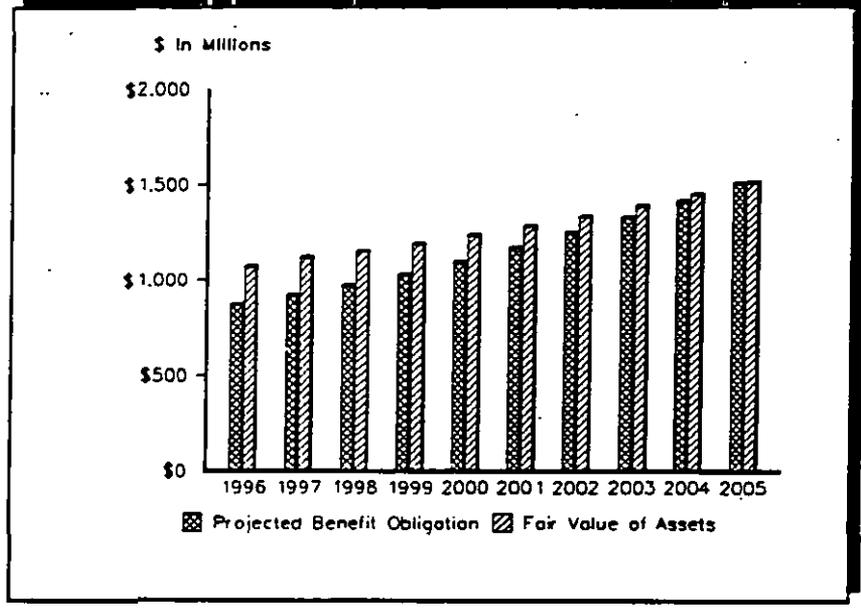
Projected PBO Funded Status

<i>Year</i>	<i>Projected benefit obligation</i>	<i>Fair value of assets</i>	<i>Funded percentage</i>
2005	\$ 1,505,895,000	\$ 1,510,374,000	100.3%
2004	1,410,656,000	1,446,521,000	102.5
2003	1,320,709,000	1,385,074,000	104.9
2002	1,236,292,000	1,326,667,000	107.3
2001	1,158,532,000	1,272,819,000	109.9
2000	1,087,875,000	1,224,377,000	112.5
1999	1,023,927,000	1,181,366,000	115.4
1998	966,448,000	1,144,001,000	118.4
1997	914,968,000	1,112,324,000	121.6
1996	868,810,451	1,086,236,186	125.0

In the projection of funded status, it is assumed that PP&L will not have to contribute to the plan throughout the forecast period.

The following chart shows the projected benefit obligation and the fair value of assets:

**Projected Benefit Obligation
and Fair Value of Assets**



Assumptions

Key economic assumptions used to derive the projected benefit obligation include:

Discount rate for obligations	6.75%
Salary increase rate	5.00%

Supplemental Information

<i>Asset Values</i>	<i>SI-1</i>
<i>Basic Results for Pension Cost</i>	<i>SI-2</i>
<i>Pension Cost</i>	<i>SI-3</i>
<i>Accounting Information</i>	<i>SI-4</i>
<i>Actuarial Assumptions and Methods</i>	<i>SI-5</i>
<i>Participant Data</i>	<i>SI-8</i>
<i>Plan Provisions</i>	<i>SI-9</i>
<i>Actuarial Certification</i>	<i>SI-17</i>

Asset Values**Fair Value**

As of January 1, 1995	\$ 888,213,518
Contributions during the year (by employees)	16,718
Disbursements during the year	(43,069,064)
Investment return during the year	<u>241,075,014</u>
As of January 1, 1996	\$ 1,086,236,186
Rate of return	27.78%

**Value for Calculating Pension Cost
(Market-Related Value)**

As of January 1, 1995	\$ 839,353,051
As of January 1, 1996	906,723,076
Rate of return	13.48%

Basic Results for Pension Cost

	January 1, 1996	January 1, 1995
Obligations		
Vested accumulated benefit obligation (VBO)		
▶ Participants in pay status	\$ 366,866,581	\$ 266,219,302
▶ Deferred inactive participants	22,190,056	7,699,253
▶ Active participants	<u>284,207,510</u>	<u>299,645,570</u>
Total	\$ 673,264,147	\$ 573,564,125
Nonvested accumulated benefit obligation	<u>1,343,038</u>	<u>1,396,170</u>
Accumulated benefit obligation (ABO)	\$ 674,607,185	\$ 574,960,295
Additional obligation for future salary increases	<u>194,203,266</u>	<u>173,310,274</u>
Projected benefit obligation (PBO)	\$ 868,810,451	\$ 748,270,569
Assets		
Fair value (FV)	\$ 1,086,236,186	\$ 888,213,518
Unrecognized investment losses (Gains)	(179,513,110)	(48,860,467)
Market-related value (MRV)	906,723,076	839,353,051
Funded Status		
Unfunded ABO (ABO - FV)	\$ (411,629,001)	\$ (313,253,223)
ABO funded percentage (FV ÷ ABO)	161.0%	154.5%
Key Economic Assumptions		
Discount rate	6.75%	7.50%
Rate of return on assets	8.00%	8.00%
Salary increase rate	5.00%	Graded scale, averaging 5.70%

Pension Cost

	January 1, 1996	January 1, 1996
Pension Cost		
Service cost	\$ 31,583,584	\$ 27,389,107
Interest cost	59,414,176	56,671,621
Expected return on assets	(70,927,901)	(65,547,092)*
Net amortization	<u>(7,778,934)</u>	<u>(9,351,392)*</u>
Pension cost	\$ 12,290,925	\$ 9,162,244
Percent of pay	3.4%	2.4%
Per active participant	\$ 1,801	\$ 1,290

Change in Pension Cost

Pension cost for fiscal 1995	\$ 9,162,244
Change from fiscal 1995 to fiscal 1996	
▶ Normal operation of plan	3,311,730
▶ Actuarial loss (gain) from liabilities	(1,412,273)
▶ Actuarial loss (gain) from assets	(5,741,626)
▶ Change in assumptions	6,970,850
▶ Change in plan	<u>0</u>
Pension cost for fiscal 1996	\$ 12,290,925

- * For disclosure in the Company's financial statements for 1995, the expected return on assets has been replaced with the actual return on assets for the year. The net amortization has been adjusted by a corresponding amount so that the pension cost remains the same.

Accounting Information

	January 1, 1996	January 1, 1996
Reconciliation of Funded Status		
Actuarial present value of benefit obligations		
▸ Vested	\$ (673,264,147)	\$ (573,564,125)
▸ Nonvested	<u>(1,343,038)</u>	<u>(1,396,170)</u>
Accumulated benefit obligation	\$ (674,607,185)	\$ (574,960,295)
Additional obligation for future salary increases	<u>(194,203,266)</u>	<u>(173,310,274)</u>
Projected benefit obligation	\$ (868,810,451)	\$ (748,270,569)
Fair value of assets	<u>1,086,236,186</u>	<u>888,213,518</u>
Projected benefit obligation (in excess of) less than fair value of assets	\$ 217,425,735	\$ 139,942,949
Unrecognized amounts		
▸ Transition obligation (asset)	(63,276,500)	(67,796,250)
▸ Prior service cost	58,598,341	61,940,830
▸ Net loss (gain)	<u>(394,105,418)</u>	<u>(288,104,256)</u>
Prepaid (accrued) pension cost	\$ (181,357,842)	\$ (154,016,727)
Adjustment for minimum liability	<u>0</u>	<u>0</u>
Prepaid pension cost (pension liability)	\$ (181,357,842)	\$ (154,016,727)
Intangible Asset Offsetting		
Additional Minimum Liability	\$ 0	\$ 0

NOTE: FAS 87 sign convention has been used in this table. The amounts shown are based on data as of January 1, which may not have been available when the Company's financial statement was prepared. Therefore, these amounts may differ from those in the financial statement.

Actuarial Assumptions and Methods

Economic Assumptions

Interest Rates

- ▶ Discount Rate 6.75%
- ▶ Return on Assets 8.00%

Annual Rates of Increase in:

- ▶ Salaries 5.00%
- ▶ Future Social Security Wage Bases 4.50%
- ▶ Indexed Limits on Compensation and Benefits 3.50%

Demographic Assumptions

Mortality

1983 GAM

Termination

Rates varying by age and sex

Sample rates:

	<i>Age</i>		
	<i>25</i>	<i>40</i>	<i>55</i>
Male	.050	0.0	0.0
Female	.072	0.0	0.0

Participation Age

21 and 1 year of service;
 25 and 1 year of service if eligible prior to July 1,
 1985; date of employment if hired over age 30 for all
 employees

Disability

None

Retirement

Rates varying by age, with average retirement
 age of 63.

Sample rates:

<i>Age</i>	<i>Rate</i>
55	0.01
60	0.10
62	0.25
65	0.75
66	0.50
67	1.00

Form of Payment	Life annuity
Administrative Expense	0.35% of the market value is added to the normal cost for investment expenses
Percentage Married	90% males; 60% females Actuarial present value of benefits for terminated vested participants are loaded 3% to reflect spouse's benefits
Spouse Ages	Wives same age as husbands
Valuation Pay	Annualized base salary as of July 1, 1995 increased by the assumed rate of salary increase to estimate the January 1, 1996 rate of pay
Employee Contributions	Interest credited at 7.56% for vested terminations with contributions remaining in the plan.

Actuarial Methods

Service Cost and Projected Benefit Obligation	Projected unit credit
Market-Related Value of Assets	Roll forward prior year's market-related value with contributions, disbursements, and expected investment income. 20% of the difference between the market value and the expected value is added to the expected value.

Benefits Not Valued

All benefits were valued, except that no specific assumption is made for anyone leaving under the provision for Early Retirement for Displaced Managers.

Change in Methods and Assumptions Since Last Year

Discount rate for benefit obligations changed from 7.5% to 6.75%; salary increase assumption from a graded scale averaging 5.7% to a flat 5.0% scale; wage base increase assumption from 5.5% to 4.5%; CPI increase assumption from 4.5% to 3.5%.

Assets and Pension Accruals

Towers Perrin used asset data supplied by the trustee. The Company furnished the pension costs as of December 31, 1995. There was a charge of \$18,195,486 added for the termination programs.

Participant Data

The Company supplied a census of all participants as of July 1, 1995 and July 1, 1994. Earnings and accrued benefits were projected to January 1. Since final employee data on the termination programs was not available in time for the valuation, estimates were made based on the number of employees who are expected to elect a termination program. Estimated covered payroll as of January 1, 1996 of \$365,000,000 was supplied by the Company.

Participant Data

The Company supplied a census of all participants as of July 1, 1995 and July 1, 1994.

	July 1, 1995	July 1, 1994
In pay status		
▶ Number	3,111	2,476
▶ Average age	70.1	73.1
▶ Annual benefits		
- Total	\$ 40,629,818	\$ 23,805,721
- Average	13,060	9,615
Deferred inactives		
▶ Number	722	542
▶ Average age	44.5	44.1
▶ Annual benefits		
- Total	\$ 5,029,115	\$ 2,914,071
- Average	6,966	5,377
Actives		
▶ Number	6,824	7,743*
▶ Average age	43.9	44.3
▶ Average past service	18.1	18.2
▶ Average future service	18.8	18.3
▶ Valuation pay		
- Total	\$ 340,405,734	\$ 375,270,783
- Average	49,884	48,466
▶ Estimated covered payroll	\$ 365,000,000	\$ 385,000,000

* 7,104 after early retirement program.

Plan Provisions

Effective Date of Plan

The Plan was amended and restated effective January 1, 1993. Most recent amendment effective July 1, 1995.

Participation

Prior to July 1, 1985 -- Eligibility was the earlier of the date an employee attained age 25 with 1 year of service or attainment of age 30. Prior to July 1, 1979, employees were required to contribute in order to participate in the contributory portion of the plan.

Subsequent to July 1, 1985 -- Eligibility is the earlier of the date an employee attains age 21 with 1 year of service or attainment of age 30 (and scheduled for 1,000 hours of service).

Definitions

Annual Rate of Earnings

Average of members' monthly rate for each month during the Plan Year times 12. This excludes bonuses and overtime.

Final Average Earnings

Highest average of the Annual Rate of Earnings during any 5 consecutive years of Credited Service during the 10 consecutive years prior to the earlier of retirement or termination.

Average Social Security Covered Compensation

Average of the Social Security wage bases for the 35-year period ending with the month prior to retirement or termination.

Social Security Retirement Age

Essentially, a graded age that is approximately age 65 if date born is before 1938; age 66 if date born is between 1938 and 1954; age 67 if date born is after 1954.

Primary Social Security

The Social Security benefit payable at age 65 based on act in effect at date of termination and assuming level earnings to age 65.

Plan Year

July 1 through June 30.

MCP Participant	A participant who is entitled to all the benefits of the Managers' Compensation Plan of the Company.
Computation Period	The 12-month period beginning with an employee's date of hire and anniversaries thereof.
Service	<p>Prior to July 1, 1976 -- Credited Service in accordance with the prior plan. Amended effective July 1, 1994 to include years of Company service between the ages of 27 and 30 following completion of one year of service for all employees employed before July 1, 1976.</p> <p>Subsequent to June 30, 1976 -- 1 year of Service for each Computation Period during which 1,000 or more hours are credited.</p>
Credited Service	<p>Prior to July 1, 1976 -- Credited Service in accordance with the prior plan. Amended effective July 1, 1994 to include years of Company service between the ages of 27 and 30 following completion of one year of service for all employees employed before July 1, 1976.</p> <p>Subsequent to June 30, 1976 -- 1 year of Credited Service for each Computation Period during which 2,080 or more hours are credited, prorated for between 1,000 and 2,080 hours. No credit is accrued for less than 1,000 hours of Service except during the year an employee becomes a member and the year of termination.</p>
Contributory Credited Service	Years of Credited Service during which a member makes contributions to the plan or is eligible for the Company's long-term disability plan. No Contributory Credited Service is credited after July 1, 1979.
Normal Form of Annuity	<p>Single participants -- life annuity.</p> <p>Married participants -- 50% joint and survivor annuity.</p>

Annual Normal Retirement Benefit

Eligibility	First day of the month following attainment of age 65.
Prospective Benefit	<p>The sum of (a), (b), (c), (d), (e), (f) and (g), or (h) plus (i), or (j), or for MCP employees, (k).</p> <ul style="list-style-type: none">(a) 2.25% of July 1, 1976 Annual Rate of Earnings for each year of Contributory Credited Service prior to July 1, 1976; minimum, contributory benefit accrued under the prior plan to July 1, 1976.(b) 2.25% of the Annual Rate of Earnings for each year of Contributory Credited Service from July 1, 1976 through June 30, 1979.(c) \$60 for each year of Credited Service prior to July 1, 1971 from age 25 and 1 year of Service to age 30 (maximum Credited Service 5 years).(d) \$60 for each year of Credited Service from July 1, 1971 to July 1, 1979.(e) 2.25% of Annual Rate of Earnings for each year of Credited Service before June 30, 1989, not limiting Annual Earnings Rate.(f) 2.25% of Annual Rate of Earnings for each year of Credited Service between July 1, 1989 and June 30, 1994, limiting Annual Earnings Rate for all plan years to \$235,840.(g) 2.25% of Annual Rate of Earnings for each year of Credited Service after July 1, 1994. Annual Rate of Earnings limited to \$150,000 or such amount as defined by the Code for each plan year.(h) 1.25% of Final Average Earnings as of June 30, 1994 up to 1994 Average Social Security Covered Compensation plus 1.6% of Final Average Earnings as of June 30, 1994 in excess of 1994 Average Social Security

Covered Compensation multiplied by years of Credited Service to June 30, 1994 (maximum 35 years). Annual Earnings Rate limited to \$235,840 or such amount as defined by the Code for each plan year prior to June 30, 1994.

- (i) 1.2% of Final Average Earnings up to Average Social Security Covered Compensation plus 1.6% of Final Average Earnings in excess of Average Social Security Covered Compensation multiplied by years of Credited Service after July 1, 1994. Total Credited Service is limited to 35 years. Annual Earnings Rate limited to \$150,000 or such amount as defined by the Code.
- (j) 1.2% of Final Average Earnings up to Average Social Security Covered Compensation plus 1.6% of Final Average Earnings in excess of Average Social Security Covered Compensation multiplied by years of Credited Service (maximum 35 years). Annual Earnings Rate limited to \$150,000 or such amount as defined by the Code for each plan year.
- (k) For Managers Compensation Plan (MCP) employees only -- 2% of Final Average Earnings less 2% of Primary Social Security for each year of Credited Service to a maximum of 25 years multiplied by the ratio of actual Credited Service at age 65 to potential Credited Service assuming the employee had always participated since first eligible. As of July 1, 1989 this benefit is frozen assuming level Final Average Earnings and Credited Service at age 65, maximum 25 years, and multiplied by the ratio of Credited Service at termination to Credited Service at age 65.

Early Retirement Benefit

Eligibility

Age 55.

Prospective Benefit

For members at 62 or over with 20 years of Service

who retire after July 1, 1971: Normal retirement benefit as described above, accrued to date of retirement is payable from early retirement age.

For members at or after age 55 who have 20 or more years of Credited Service: Normal retirement benefit as described above, accrued to date of retirement reduced 5% for the first year, 10% for each of the next 2 years, and 5% for each additional year that commencement of benefits precedes age 62. As of July 1, 1988 benefits are reduced from three years prior to Social Security retirement age.

For all others: Normal retirement benefit as described above accrued to date of retirement, reduced 6% for each of the first 5 years and 4% for each of the next 5 years that commencement of benefits precedes normal retirement date.

Special Voluntary Early Retirement

Members who will attain age 55 or over by December 31, 1994 and who elected early retirement before December 31, 1994 shall receive the benefits described below. A similar "window" was effective in 1983 and 1986, and another was offered between June 1, 1995 and July 31, 1995 as part of a voluntary severance program for certain union employees.

The sum of (a), (b) and (c).

- (a) Normal Retirement benefit described above with no reduction for early retirement.
- (b) A supplemental payment of 17.5% of pay payable monthly from the date of retirement to the end of the month in which the member attains age 62 with a monthly minimum of \$500 and a monthly maximum of \$1,000.
- (c) A supplemental payment of 4.5% of pay payable monthly from age 62 to the end of the month in which the member attains age 65 with a monthly minimum of \$150 and a monthly maximum of \$250.

Early Retirement for
Displaced Managers

MCP participants who are age 55 or older whose employment with the Company is terminated because the position of employment has been eliminated or so reduced in scope that a displacement has been declared by the Company, shall receive the benefits described below.

The sum of (a), (b) and (c).

- (a) Normal Retirement benefit described above with no reduction for early retirement.
- (b) A supplemental payment of 17.5% of pay payable monthly from the date of retirement to the end of the month in which the member attains age 62 with a monthly minimum of \$500 and a monthly maximum of \$1,000.
- (c) A supplemental payment of 4.5% of pay payable monthly from age 62 to the end of the month in which the member attains age 65 with a monthly minimum of \$150 and a monthly maximum of \$250.

Vested Benefits

Employees Eligible

All employees who terminate at age 23 or later after completing 5 or more years of Service.

Prospective Benefit

Same as normal retirement benefits, based upon Credited Service to date of termination, payable at age 65. Payable at age 55 reduced 6% for each of the first 5 years and 4% for each of the next 5 years that commencement of benefits precedes normal retirement date.

Special Vested Benefits Program

Members who qualify for benefits under the Company's Displaced Managers Policy and who terminate employment between January 1, 1995 and December 31, 1996 and who are between the ages of 45 and 55 on the date of termination shall receive the benefits described under Vested Benefits above, except the reduction for early payment shall be dependent on the age at termination as follows:

<u>Age at Time of Termination</u>	<u>Percent of Vested Benefit Payable at Age 55</u>
45 or less	50%
46	55
47	60
48	65
49	70
50	75
51	80
52	85
53	90
54	95
55	100

Disability Benefits

Eligibility

Participants eligible to collect benefits from the Company's long-term disability plan.

Prospective Benefits

Benefits as described for active employees based on Annual Rate of Earnings in effect prior to disability.

Preretirement Death Benefits

Eligibility

Spouses of participants who have attained age 55 or who are eligible for a vested benefit.

Prospective Benefit

50% of the benefit that the participant would have received had he elected early retirement on the later of his date of death or age first eligible for early retirement under the normal form of annuity. If a participant has elected a joint and survivor annuity with his spouse as the survivor before his death and before payments have commenced, then the percentage elected will be the one in effect at the time of his death. Benefits are payable for the life of the spouse beginning at later of date of death or date that the participant would have been first eligible for early retirement.

Participants who had elected coverage under Option I (eliminated as of July 1, 1982) can elect to continue such coverage or rescind it and have their group life insurance restored to the full amount.

Postretirement Death Benefits	None, other than those covered by normal and optional forms of annuities.
Employee Contributions	Each active employee as of February 28, 1981 received a refund of his contributions still held under the plan with interest accrued to June 30, 1981.
Postponed Retirement Benefits	Benefits accrue for Service after normal retirement date.
Optional Forms of Annuities	Life annuities (for married participants), contingent annuities, 5, 10 and 15-year certain and continuous annuities.
Retiree Increase	<p>Effective May 1, 1980, retiree benefits for those retired prior to July 1, 1979 were increased 5% to 35% depending on the number of years retired up to a maximum of \$150 per month increase.</p> <p>Effective March 1, 1984, retiree benefits for those retired prior to July 1, 1982 were increased 3% to 13% depending on the number of years retired.</p> <p>Effective April 1, 1989, retiree benefits for those retired prior to July 1, 1988 were increased 2% to 14% depending on the number of years retired.</p> <p>Effective January 1, 1993, retiree benefits for those retired prior to January 1, 1993 were increased 1.5% to 17.0% depending on the number of years retired.</p>
Maximums on Benefits and Pay	All benefits and pay may not exceed the maximum limitations for the year as defined in the Code. The plan provides for increasing the dollar limits automatically as such changes become effective.

Changes in Plan Provisions Since Prior Year

Plan provisions have not changed since the prior year, except to recognize termination programs for displaced managers and certain union employees. A charge for these programs was taken immediately for accounting purposes.

Actuarial Certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

The actuarial assumptions and methods employed in the development of the contribution limits have been selected by Towers Perrin, with the concurrence of the plan sponsor. ERISA and the Internal Revenue Code require the use of assumptions "each of which is reasonable (taking into account the experience of the plan and reasonable expectations) or which, in the aggregate, result in a total contribution equivalent to that which would be determined if each such assumption were reasonable, ... and which, in combination, offer the actuary's best estimate of anticipated experience under the plan."

The actuarial assumptions employed in the development of the estimated pension costs have been selected by the plan sponsor, with the concurrence of Towers Perrin. Statement No. 87 of the Financial Accounting Standards Board requires that "each significant assumption used shall reflect the best estimate solely with respect to that individual assumption."



Clyde D. Beers, FSA

Towers Perrin

March 1996

RP - C.8.
M. J. Berish

- Q. Explain what assumptions were made with regard to Operations & Maintenance expenses for the base year related to the level or number of employee vacancies. For example, were the budgeted positions assumed to be filled or was an historical average level of vacancies reflected? Explain.
- A. The Company used the actual number of employees at December 31, 1996 to develop the normalized wages and employee benefits applicable to the base year. No adjustment was made for employee positions not currently filled.

RP - C.9.
M. J. Berish

- Q. Identify the budgeted employee positions for the base year which are not currently filled. For each position, provide the wage expense included in the base year, whether the position is a new position or a position vacated by the departure or transfer of a previous employee, and the date at which the position is expected to be filled.
- A. See the response to Question RP - C.8.

Q. Provide the following labor data for the base year:

- (a.) Number of budgeted and actual employees broken down between category type used by the Company by functions (e.g., union, non-union, salaried, hourly, temporary, etc.).
- (b.) Regular payroll broken down between expenses, capitalized and other.
- (c.) Overtime payroll broken down between expenses, capitalized and other.
- (d.) Temporary payroll broken down between expenses, capitalized and other.
- (e.) Other payroll (specify) broken down between expenses, capitalized and other.

A. The following is the requested data:

(a.)	(Year End)	
	<u>Budgeted Employees</u>	<u>Actual Employees</u>
Union	4,063	4,190
Non-union	2,325	2,238
Part-time, co-op	28	20
Temporary	<u>0</u>	<u>75</u>
Total	<u>6,416</u>	<u>6,523</u>

(b.) - (e.)

A breakdown between expense and capital is available for total payroll, but not for the other categories requested.

	<u>Total</u>	<u>Expense</u>	<u>Capital/Other</u>
Total	\$384,872,000	\$291,179,000	\$93,693,000
Regular	339,648,000		
Overtime	29,915,000		
Severance	3,283,000		
Variable Comp.	12,026,000		

RP - C.11.
M. J. Berish

- Q. Provide the percentage wage increases granted by the Company by date and employee classification for the base year.
- A. Union employees were granted a 3.0% increase effective May 20, 1996. Management Compensation Plan employees' base pay increased an average of 1.0%, effective February 26, 1996.

Q. Identify the amount of overtime and show the percent of payroll the base year.

A. The following table shows 1996 total and overtime payroll, and the percent of payroll that was for overtime.

Total Payroll	\$384,872,000
Overtime	\$29,915,000
Percent Overtime	7.8%

RP - C.13.
M. J. Berish

Q. Provide the operation and maintenance expense allocation percentage for payroll and benefits by function and allocated by transmission, distribution and generation and explain the method and basis of such allocation.

	<u>Percentage Applicable to O&M</u>	<u>12 Months Ended December 31, 1996</u>
A.	Payroll Expense	75.7%
	Benefit Expense	79.5%

Actual charges are not allocated to Operation and Maintenance Expense nor to the different functions. They are charged directly by employees working in the various functional areas.

Q. Identify the total revenues associated with bad debt write-offs for the base year. If the Company relates bad debts to other than total sales to ultimate customers, specify what revenues are utilized.

A.

	<u>Customer Accounts</u>	<u>Property Damage</u> <i>(Thousands of Dollars)</i>	<u>Other</u>
Write-offs	\$ 30,905	\$ 155	\$ 561
Revenues	\$2,420,698	\$1,971 (a)	\$161,694 (b)

- (a) Billings for property damage.
(b) Other miscellaneous billings such as line extensions and relocation of facilities and rents.

Q. Provide the following information for the base year by customer class:

- (a) Total gross write-offs of uncollectible accounts
- (b) Total recoveries of uncollectible accounts
- (c) Net write-offs of uncollectible accounts
- (d) Total revenues
- (e) Method and rate of accrual

A.

Residential Non-Residential
(Thousands of Dollars)

(a)	Gross write-offs	\$28,381	\$2,524
(b)	Recoveries	<u>2,490</u>	<u>510</u>
(c)	Net write-offs	25,891	2,014
(d)	Total Revenues	\$1,001,016	\$1,419,682

- (e) The provision for uncollectible accounts is estimated for the year based on projected revenue growth, historical payment patterns and the anticipated impact of new credit and collection activities. The balance sheet reserve for uncollectible accounts is reviewed quarterly. The Company analyzes historical payment patterns of both residential and non-residential customers in order to develop uncollectible accounts percentages for a range of time periods. These percentages are applied to receivable balances to help assess the adequacy of the reserve for uncollectible accounts. The provision for uncollectible accounts is adjusted, if necessary, to bring the reserve for uncollectible accounts to an appropriate balance based on the quarterly review.

Q. Provide a comparison of the actual and budgeted vegetation control/tree trimming costs for the base year.

A. The actual and budgeted vegetation control/tree trimming costs for the 12 months ended December 31, 1996 are as follows:

(Thousands of Dollars)

<u>Actual</u>	<u>Budget</u>
\$12,519	\$12,223

RP-C.17.
Various

- Q. List and explain the nonrecurring or extraordinary expenses incurred in the base year and the expenses included in the base year which do not occur yearly but are of a nature that they do occur over an extended period of years, e.g., nonyearly maintenance programs.
- A. See the response to Question RP-A.3.

- Q. As a separate item, list extraordinary property losses related to property previously included in the cost of service when the gain or loss on this property has occurred in the base year. Submit supporting data for each such extraordinary loss.
- A. The Company had no extraordinary property losses in 1996.

Q. Submit schedules for the base year showing by major components, if included in claimed base year expenses, the expenses incurred in each of the following expense categories:

- (a) Miscellaneous general expenses, including Account 930.
- (b) Regulatory commission expenses.
- (c) Advertising expenses, including advertising engaged in by trade associations whenever the utility has claimed a contribution to the trade association as a ratemaking claim - provide explanation of types and purposes of such advertising.
- (d) Research and development expenses - provide a listing of major projects.
- (e) Charitable and civic contributions, by recipient and amount.

A. See the following Attachments for the requested data:

- (a) Attachment 1 - Miscellaneous General Expenses, Account 930.2

Note: Charges of \$139,569 were recorded in Miscellaneous General Expense - Advertising, Account 930.1.

- (b) Attachment 2 - Regulatory Commission Expenses
- (c) Attachment 3 - Advertising Expenses
- (d) Attachment 4 - Research and Development Expenses
- (e) Attachment 5 - Charitable and Civic Contributions, Account 426

RP - C.19.
ATTACHMENT 1

Name of Respondent PENNSYLVANIA POWER & LIGHT COMPANY	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31; 1996
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MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Electric)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	\$720,436
2	Nuclear Power Research Expenses	None
3	Other Experimental and General Research Expenses	4,462,996
4	Publishing and Distributing Information and Reports to Stockholders; Trustee, Registrar, and Transfer Agent Fees and Expenses, and Other Expenses of Servicing Outstanding Securities of the Respondent	1,750,230
5	Other Expenses (List items of \$5,000 or more in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Group amounts of less than \$5,000 by classes if the number of items so grouped is shown)	
6	Directors' fees:	
7		
8		
9	E. Allen Deaver	15,246
10	Nance K. Dicciani	13,025
11	William J. Flood	16,149
12	Daniel G. Gambet	4,897
13	Elmer D. Gates	16,149
14	Derek C. Hathaway	14,344
15	Stuart Heydt	15,871
16	Clifford L. Jones	14,691
17	John T. Kauffman	4,897
18	Robert Y. Kaufman	4,897
19	Ruth Leventhal	15,038
20	Norman Robertson	17,190
21	David L. Tressler	4,897
22		157,291
23		
24	Directors' Expenses	141,132
25	Directors' Retirement Plan	89,492
26		
27		
28		
29		
30		
31		
32		
33	Page Total do not key in this line-calc only	7,321,577

Name of Respondent PENNSYLVANIA POWER & LIGHT COMPANY	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 1996
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MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Electric).

Line No.	Description (a)	Amount (b)
1	Environmental Cleanup and Remediation Costs:	
2		
3	Hauto SES	1,654,986
4	Carlisle Gas Plant	14,886
5	Remediation Strategy	158,004
6	Superfund Environmental Activities	7,918
7	Williamsport Gas Plant	515,763
8	Harwood SES	77,400
9	Pennsburg SES	31,161
10	Honesdale Gas Plant	5,129
11	Miscellaneous Substations	87,205
12	Miscellaneous Pole Sites	376,455
13		2,928,907
14		
15		
16		
17	Lehigh Fiber Optic Loop	25,437
18	Voluntary Cleanup Program Database	7,194
19	Community Programs & Activities	41,060
20	EPRI Research & Development	223,255
21	Fuel Cell Technology Study	27,587
22	Research & Development	29,843
23		354,376
24		
25		
26		
27		
28		
29		
30		
31		
32	Miscellaneous	140,458
33		
34	Total from page 335-1	7,321,577
35		
36	TOTAL	\$10,745,318

RP - C.19.
ATTACHMENT 2

Name of Respondent PENNSYLVANIA POWER & LIGHT COMPANY	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 1996
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REGULATORY COMMISSION EXPENSES

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years, if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.

2. Report in columns (b) and (c) only the current years expenses that are not deferred and the current years amortization of amounts deferred in previous years.

Line No.	Description (Furnish name of regulatory commission or body, the docket or case number, and a description of the case.) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expenses for Current Year (b) + (c) (d)	Deferred in Account 182.3 at Beginning of Year (e)
1	Pennsylvania Public Utility Commission	\$3,631,031		\$3,631,031	
2	(PUC) Annual Assessment Charges				
3					
4	Federal Energy Regulatory Commission	690,631		690,631	
5	(FERC) Annual Charges - FERC Order				
6	#472 - per Omnibus Budget				
7	Reconciliation Act of 1986				
8					
9	Costs (net of PUC rate recovery) relating		\$448,805	448,805	\$1,397,812
10	to the base rate filing with the PUC in				
11	December 1994 at PUC Docket				
12	No. R-00943271. Amortized from				
13	10/95 to 9/99.				
14					
15	Legal fees in connection with complaints		84,877	84,877	
16	concerning the Company's interruptible				
17	service rates including Docket No.'s				
18	C-00968137 and C-00968031				
19					
20	Legal fees and related expenses in		60,205	60,205	
21	connection with FERC bulk power				
22	agreements and wholesale customer				
23	rates including FERC Docket No.'s				
24	OA96-142, ER96-2516, and SC97-1				
25					
26	Miscellaneous charges under \$25,000		28,673	28,673	
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46	TOTAL	\$4,321,662	\$622,560	\$4,944,222	\$1,397,812

Name of Respondent PENNSYLVANIA POWER & LIGHT COMPANY	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 1996
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REGULATORY COMMISSION EXPENSES (Continued)

3. Show in column (k) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.

4. List in column (f), (g), and (h) expenses incurred during year which were charged currently to income, plant, or other accounts.

5. Minor items (less than \$25,000) may be grouped.

EXPENSES INCURRED DURING YEAR				AMORTIZED DURING YEAR			Line No.
CHARGED CURRENTLY TO			Deferred to Account 182.3 (i)	Contra Account (j)	Amount (k)	Deferred in Account 182.3 End of Year (l)	
Department (f)	Account No. (g)	Amount (h)					
Electric	928	\$3,631,031					1
							2
Electric	928	690,631					3
							4
							5
							6
							7
Electric	928	76,055		928	\$372,750	\$1,025,062	8
							9
							10
							11
							12
							13
Electric	928	84,877					14
							15
							16
							17
							18
Electric	928	60,205					19
							20
							21
							22
							23
							24
Electric	928	28,673					25
							26
							27
							28
							29
							30
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							43
							44
							45
		\$4,571,472			\$372,750	\$1,025,062	46

RP - C.19.
ATTACHMENT 3

Pennsylvania Power & Light Company

Advertising Expenses

(Thousands of Dollars)

<u>Account</u>	<u>Description/Purpose</u>	<u>For the Base Year 1996</u>
42610	Miscellaneous expenses for Operation Help promotion	\$ 50
90810	Encourage safe, efficient & economical energy use	265
90830	Weather Relief Assistance Program (WRAP)	77
90910	Instructional & informational advertising	99
91210	Demonstration and sales promotion activities	607
91310	Promoting electricity usages that offer customer benefits	2,152
93012	Goodwill or institutional advertising	107
	Other	157
	Total Advertising	<u>\$ 3,514</u>

Types of Advertising:

Television	\$ 1,368 *
Radio	189 *
Bill Inserts	212 *
Other Printed Media	1,541 *
Miscellaneous Advertising	204 *
	<u>\$ 3,514</u>

* Please note that these figures are an estimate of the allocation of total advertising expenses to each type of advertisement media. PP&L's accounting records do not provide for a readily available means of distributing all costs to these certain types of advertising categories.

RP - C.19.
ATTACHMENT 4

Name of Respondent PENNSYLVANIA POWER & LIGHT COMPANY	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 1996
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RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES

1. Describe and show below costs incurred and accounts charged during the year for technological research, development, and demonstration (R, D & D) project initiated, continued, or concluded during the year. Report also support given to others during the year for jointly-sponsored projects. (Identify recipient regardless of affiliation.) For any R, D & D work carried on by the respondent in which there is a sharing of costs with others, show separately the respondent's cost for the year and cost chargeable to others. (See definition of research, development, and demonstration in Uniform System of Accounts.)

2. Indicate in column (a) the applicable classification, as shown below. Classifications:

- A. Electric R, D & D Performed Internally
 (1) Generation
 a. Hydroelectric
 i. Recreation, fish, and wildlife
 ii. Other hydroelectric

- b. Fossil-fuel steam
 c. Internal combustion or gas turbine
 d. Nuclear
 e. Unconventional generation
 f. Siting and heat rejection
 (2) System Planning, Engineering and Operation
 (3) Transmission
 a. Overhead
 b. Underground
 (4) Distribution
 (5) Environment (other than equipment)
 (6) Other (Classify and include items in excess of \$5,000.)
 (7) Total Cost Incurred
 B. Electric R, D & D Performed Externally
 (1) Research Support to the Electrical Research Council or the Electric Power Research Institute

Line No.	Classification (a)	Description (b)
1		
2		
3		
4		
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8		See pages 352-2 through 353-4
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10		
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Name of Respondent PENNSYLVANIA POWER & LIGHT COMPANY	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 1996
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RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES (Continued)

<p>(2) Research Support to Edison Electric Institute (3) Research Support to Nuclear Power Groups (4) Research Support to Others (Classify) (5) Total Cost Incurred</p> <p>3. Include in column (c) all R, D & D items performed internally and in column (d) those items performed outside the company costing \$5,000 or more, briefly describing the specific area of R, D & D (such as safety, corrosion control, pollution, automation, measurement, insulation, type of appliance, etc.). Group items under \$5,000 by classifications and indicate the number of items grouped. Under Other, (A.(6) and B.(4)) classify items by type of R, D & D activity.</p> <p>4. Show in column (e) the account number charged with ex-</p>	<p>penses during the year or the account to which amounts were capitalized during the year, listing Account 107, Construction Work in Progress, first. Show in column (f) the amounts related to the account charged in column (e).</p> <p>5. Show in column (g) the total unamortized accumulation of costs of projects. This total must equal the balance in Account 188, Research, Development, and Demonstration Expenditures, Outstanding at the end of the year.</p> <p>6. If costs have not been segregated for R, D & D activities or projects, submit estimates for columns (c), (d), and (f) with such amounts identified by "Est."</p> <p>7. Report separately research and related testing facilities operated by the respondent.</p>
--	---

Costs Incurred Internally Current Year (c)	Costs Incurred Externally Current Year (d)	AMOUNTS CHARGED IN CURRENT YEAR		Unamortized Accumulation (g)	Line No.
		Account (e)	Amount (f)		
					1
					2
					3
					4
					5
					6
					7
					8
					9
					10
					11
					12
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					14
					15
					16
					17
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					31

See pages 352-2 through 353-4

Name of Respondent PENNSYLVANIA POWER & LIGHT COMPANY	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) Dec. 31, 1996	Year of Report Dec. 31, 1996
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RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES

Line No.	Classification (a)	Description (b)
1	A. Electric R, D&D	
2	Performed Internally	
3	(1) Generation	
4	a. Hydroelectric	1 item less than \$5,000
5	b. Fossil-fuel steam	Replace the stator windings in the Sunbury 1A boiler feed pump motor with Wanlas windings.
6		
7		
8		EPRI- redesign, fabricate and test new feed pump impeller to optimize efficiency and operating range.
9		
10		
11		Redesign the fixed throttle bushing seal design of the OEM with a new damping seal.
12		
13		
14		Evaluation of several anti-gauling and erosion resistant coatings for keys, fasteners, valves, and the turbine steam path.
15		
16		
17		Redesign the original balance disk to increase reliability and quality of manufacturing original parts.
18		
19		
20		EPRI tailored collaboration to develop solutions for pulverizer O&M problems.
21		
22		
23	c. Internal combustion or gas turbine	None.
24	d. Nuclear	None.
25	e. Unconventional generation	None.
26	f. Siting and heat rejection	None.
27		
28		
29	(2) System Planning, Engineering and Operation	None.
30		
31		
32	(3) Transmission	
33	a. Overhead	1 item less than \$5,000
34	b. Underground	None.
35		
36	(4) Distribution	None.
37		
38	(5) Environment (other than equipment)	Lehigh University- development work to produce a low temperature SCR catalyst.
39		
40		
41		Funding of EPRI tailored collaboration agreement TC9055-4-12115 for the Montour Basin #1 co-management evaluation.
42		
43		
44		
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47		
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49		

Name of Respondent PENNSYLVANIA POWER & LIGHT COMPANY	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 1996
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RESEARCH, DEVELOPMENT AND DEMONSTRATION ACTIVITIES (Continued)

Costs Incurred Internally Current Year (c)	Costs Incurred Externally Current Year (d)	AMOUNTS CHARGED IN CURRENT YEAR		Unamortized Accumulation (g)	Line No.
		Account (e)	Amount (f)		
					1
					2
					3
3,500		930	3,500		4
166,404		107	166,404		5
					6
					7
102,762		930	102,762		8
					9
					10
25,107		930	25,107		11
					12
					13
32,143		930	32,143		14
					15
					16
15,000		930	15,000		17
					18
					19
10,000		930	10,000		20
					21
					22
					23
					24
					25
					26
					27
354,916			354,916		28
					29
					30
					31
1,241		566	1,241		32
					33
					34
1,241			1,241		35
					36
52,514		930	52,514		37
					38
					39
24,000		930	24,000		40
					41
					42
					43
					44
					45
					46
					47
					48
76,514			76,514		49

Name of Respondent PENNSYLVANIA POWER & LIGHT COMPANY	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) Dec. 31, 1996	Year of Report Dec. 31, 1996
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RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES

Line No.	Classification (a)	Description (b)
1		
2	(6) Other	Major manufacturing site program which has been established to identify and develop a single large, rail-served site to attract a major new manufacturing industry to the service area.
3		
4		
5		
6		EPRI/Lehigh University liason program.
7		
8		EPRI/Lehigh University boiler tube coating project.
9		
10		Research intended to improve the measurement of, or verify the accuracy of the CEM flow meters.
11		
12		
13		EPRI-Industrial electrotechnology development and deployment partnerships with regional/local centers and member utilities.
14		
15		
16		PP&L's portion of Keystone and Conemaugh R&D expenditures.
17		
18		To research, develop, design and engineer an electric vehicle prototype which has a longer range, more reliable, and less expensive than currently available vehicles.
19		
20		
21		
22		2 items less than \$5,000
23		
24		
25	(7) Total Internal Costs Incurred	
26		
27	B. Electric R, D&D	
28	Performed Externally	
29	(1) Research Support to the Electrical Research Council or the Electric Power Research Institute(EPRI)	General research support
30		
31		
32		
33	(2) Research Support to Edison Electric Institute (EEI)	None.
34		
35		
36	(3) Research Support to Nuclear Power Groups	Penn State University affiliate program which provides a unique vehicle for obtaining easy access to faculty research facilities and skills.
37		
38		
39	(4) Research Support to Others	Oklahoma State University- modeling mixed bed ion exchange water purification systems to determine if power plant water purity can be further improved.
40		
41		
42		
43		PEERC- research on power line communications to distribution switches and service equipment beyond the customers' meter.
44		
45		
46		Biostimulation study of the flow of nutrients from sewage treatment, storm water, etc. into lakes in order to characterize the potential impacts on lake quality and prioritize remediation.
47		
48		
49		

Name of Respondent PENNSYLVANIA POWER & LIGHT COMPANY	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 1996
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RESEARCH, DEVELOPMENT AND DEMONSTRATION ACTIVITIES (Continued)

Costs Incurred Internally Current Year (c)	Costs Incurred Externally Current Year (d)	AMOUNTS CHARGED IN CURRENT YEAR		Unamortized Accumulation (g)	Line No.
		Account (e)	Amount (f)		
200,000		124	200,000		1
					2
					3
					4
21,236		930	21,236		5
					6
50,000		930	50,000		7
					8
7,500		930	7,500		9
					10
18,311		930	18,311		11
					12
34,855		506	34,855		13
					14
(78,368)		930	(78,368)		15
					16
					17
(206)		107/401	(206)		18
					19
					20
					21
					22
253,328			253,328		23
					24
685,999			685,999		25
					26
					27
	4,168,302	930	4,168,302		28
					29
	4,168,302		4,168,302		30
					31
					32
	20,000	524	20,000		33
					34
	20,000		20,000		35
					36
	10,000	524	10,000		37
					38
	40,000	588	40,000		39
					40
	11,824	930	11,824		41
					42
					43
					44
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					47
					48
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Name of Respondent PENNSYLVANIA POWER & LIGHT COMPANY	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) Dec. 31, 1996	Year of Report Dec. 31, 1996
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RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES

Line No.	Classification (a)	Description (b)
1		
2		
3		
4		
5		
6		
7		
8		
9		
10	(5) Total External Costs Incurred	
11		
12		
13	TOTAL	
14		
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Name of Respondent PENNSYLVANIA POWER & LIGHT COMPANY	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) Dec. 31, 1996	Year of Report Dec. 31, 1996
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RESEARCH, DEVELOPMENT AND DEMONSTRATION ACTIVITIES (Continued)

Costs Incurred Internally Current Year (c)	Costs Incurred Externally Current Year (d)	AMOUNTS CHARGED IN CURRENT YEAR		Unamortized Accumulation (g)	Line No.
		Account (e)	Amount (f)		
	25,000	524	25,000		1
					2
					3
					4
	24,081	107	24,081		5
					6
					7
					8
	110,905		110,905		9
	4,299,207		4,299,207		10
					11
					12
685,999	4,299,207		4,985,206		13
					14
					15
					16
					17
					18
					19
					20
					21
					22
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RP - C.19.
ATTACHMENT 5

Pennsylvania Power and Light Company
Charitable and Civic Contributions
For Base Year 1996

<u>RECIPIENT</u>	<u>AMOUNT</u>
AL PAUL LEFTON COMPANY INC - (OPERATION HELP)	49,885.80
ALLENTOWN CENTRAL CATHOLIC HIGH SCHOOL	6,627.19
ALLENTOWN COLLEGE OF	25,430.00
ALLENTOWN ECONOMIC DEVELOPMENT	100,000.00
ALLENTOWN NEIGHBORHOOD HOUSING	40,000.00
AMERICAN RED CROSS	17,220.00
ASSETS - COMMUNITY PATRNSERSHIP PROGRAM - (CPP)	15,000.00
BASE INC - COMMUNITY PARTNERSHIP PROGRAM - (CPP)	25,000.00
BERWICK AREA UNITED WAY	15,800.00
BETHLEHEM ECONOMIC DEVELOPMENT	40,000.00
BLOOMSBURG AREA YMCA	5,000.00
BLOOMSBURG UNIVERSITY	7,845.00
BOROUGH OF DANVILLE	40,000.00
BOROUGH OF WEST HAZLETON	25,000.00
BOYS & GIRLS CLUB OF LANCASTER	84,000.00
CAPITAL REGION ECONOMIC DEV CORP	60,000.00
CARBON COUNTY	57,200.00
CARBONDALE PUBLIC LIBRARY	5,000.00
CARBONDALE TECH TRANSFER CENTER	25,000.00
CEDAR CREST COLLEGE	12,852.00
CENTRAL SUSQUEHANNA VALLEY	8,300.00
CHAMBER OF COMMERCE	32,600.00
CHRISTIAN CHURCHES UNITED	32,000.00
CITY OF BETHLEHEM	100,000.00
CITY OF HARRISBURG	100,000.00
CITY OF HAZLETON	25,000.00
CITY OF LANCASTER	125,000.00
CITY OF SUNBURY	50,000.00
CITY OF WILLIAMSPORT	25,000.00
CLINTON COUNTY UNITED WAY	6,150.00
COAL TOWNSHIP	15,000.00
COLUMBIA COUNTY HOUSING	73,000.00
COLUMBIA COUNTY UNITED FUND INC	15,800.00
COMMISSION ON ECONOMIC	110,500.00
COMMUNITY ACTION COMMITTEE OF THE LEHIGH VALLEY INC	58,010.00
COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY	32,000.00
COMMUNITY ARTS CENTER	5,000.00
COMMUNITY FIRST FUND	20,000.00
CRISPUS ATTUCKS COMMUNITY CTR - (CPP)	29,150.00
DEVELOPING COMMUNITIES/SUCCESS	15,000.00
DOWNTOWN INVESTMENT DISTRICT - (CPP)	9,000.00
DREXEL UNIVERSITY	5,115.00
ECON DEV COUNCIL OF NE PA	50,000.00
ECONOMIC OPPORTUNITY CABINET	48,756.00
ELIZABETHTOWN COLLEGE	6,800.00
FOUNDATION FOR INDEPENDENT COLLEGES	11,900.00
FRANKLIN & MARSHALL COLLEGE	8,200.00
FULTON OPERA HOUSE	5,000.00
FUND FOR THE ADVANCEMENT OF THE STATE SYSTEM	10,000.00

OF HIGHER EDUCATION

GREATER BERWICK CORPORATION	50,000.00
HABITAT FOR HUMANITY - VARIOUS LOCATIONS	33,000.00
HABITAT FOR HUMANITY OF LV	50,000.00
HARRISBURG ENTERPRIZE DEV CO	100,000.00
HARRISBURG FAIR HOUSING COUNCIL	28,000.00
HARRISBURG REDEVELOPMENT	40,000.00
HAWK MOUNTAIN SANCTUARY	5,000.00
HAZLETON GENERAL HOSPITAL	5,000.00
HAZLETON HABITAT FOR HUMANITY	10,000.00
HILL NEIGHBORHOOD ASSOCIATION	50,000.00
HOUSING AUTHORITY UNION COUNTY	35,000.00
JACOB STROUD CORPORATION - (CPP)	65,000.00
KINGS COLLEGE	9,350.00
LAFAYETTE COLLEGE	10,430.00
LANCASTER AREA HABITAT	26,000.00
LANCASTER HOUSING OPPORTUNITY	95,000.00
LEHIGH CARBON COMMUNITY COLLEGE	79,795.00
LEHIGH COUNTY SPORTS FIELD	10,000.00
LEHIGH UNIVERSITY	39,482.50
LOCK HAVEN UNIVERSITY	5,000.00
LYCOMING HOUSING DEVELOPMENT	18,200.00
LYCOMING UNITED WAY	20,500.00
MARYWOOD COLLEGE	10,625.00
METROACTION INC - (CPP)	25,000.00
MILLERSBURG FERRY BOAT ASSOC	15,000.00
MILLERSVILLE UNIVERSITY	5,330.00
MILTON S HERSHEY MEDICAL CENTER	6,000.00
MONROE HABITAT FOR HUMANITY	30,000.00
MORAVIAN COLLEGE	6,490.00
MUHLENBERG COLLEGE	6,015.00
MULBERRY CENTRAL NEIGHBORHOOD	40,000.00
NATIONAL MERIT SCHOLARSHIP CORP	24,840.00
NEW VENTURE CENTER	41,000.00
NEWPORT REVITALIZATION INC	25,000.00
NORTHUMBERLAND COUNTY INDUSRIAL DEVELOPMENT	25,000.00
NORTHUMBERLAND COUNTY PLANNING COMMISSION	44,724.00
OLD ALLENTOWN PRESERVATION ASSOC	32,000.00
PENNSYLVANIA STATE UNIVERSITY	60,730.00
PENNSYLVANIA 2000	10,000.00
REDEVELOPMENT AUTHORITY OF THE CITY OF PITTSTON	25,000.00
SACA DEVELOPMENT CORP - (CPP)	85,000.00
SCHUYLKILL CHAMBER OF COMMERCE	58,283.00
SCHUYLKILL UNITED WAY	8,375.50
SCRANTON CULTURAL CENTER	15,000.00
SCRANTON NEIGHBORHOOD HOUSING	50,000.00
SNYDER COUNTY UNITED WAY	6,650.00
SOUTH ALLISON HILL CIVIC ASSOC	30,000.00
SOUTH CENTRAL PENNSYLVANIA HOUSING DEVEL. FOUNDATION	47,000.00
ST JOSEPH HOSPITAL	5,000.00
ST LUKES HOSPITAL AUXILIARY	7,100.00
STEP INC - (CAPITAL DRIVE & CONTRIBUTION)	22,976.00
STEP-LYCOMING CLINTON COUNTIES	40,000.00
SUMMIT TERRACE ASSOCIATION	7,000.00

SUNNYSIDE HOUSING CORPORATION	35,000.00
TABOR COMMUNITY SERVICES	21,300.00
TAMAQUA AREA 2004 PARTNERSHIP	50,000.00
THE CENTER/STEP - ADJUSTMENT	-5,000.00
THE LANCASTER ALLIANCE	30,000.00
THE SALVATION ARMY-CITADEL CORPS	10,500.00
TREHAB	8,500.00
UNITED WAY - VARIOUS	96,845.00
UNITED WAY INC - DANVILLE AREA	7,900.00
UNITED WAY OF GREATER HAZLETON	19,700.00
UNITED WAY OF GREATER LEHIGH VAL	162,500.00
UNITED WAY OF LANCASTER CO	37,500.00
UNIVERSITY OF SCRANTON	13,825.00
UPPER NORTHUMBERLAND COUNTY	5,400.00
VISIONS INTERNATIONAL INC - (CPP)	95,000.00
WAYNE COUNTY REDEVELOPMENT	50,000.00
WILLIAMSPORT/LYCOMING HABITAT	45,000.00
WVIA TV	10,000.00
WYOMING VALLEY HABITAT/HUMANITY	10,000.00
YWCA OF GREATER HARRISBURG	25,250.00
Other Contributions Less Than \$5,000 Each	<u>369,973.34</u>

Subtotal for Charitable Contributions 4,388,230.33

<u>Budget Item</u>	<u>Description</u>	
11	Payroll	25,302.76
12	Employee Taxes and Benefits	8,111.37
34	Postage	696.15
36	Rents	92,609.31
41	Other Charitable Contributions	300.00
55	MWF Overhead Costs	508.72
59	Distribution of Clearing Accounts	5,504.43
99	Miscellaneous	251,606.05

Total Charitable and Civic Contributions 4,772,869.12

- Q. Provide an analysis by function of charges by affiliates, for the base year and the 12-month period immediately preceding the base year, for services rendered and included in the operating expenses of the filing company. Explain the nature of the service and the basis on which charges or allocations are made, including a copy of an applicable contract. Also, explain major variances in excess of 10% or over \$1 million, whichever is less, between the charges for the base year and the corresponding charges for the 12-month period immediately preceding the base year.
- A. Interstate Energy Company (IEC), an affiliate of PP&L, operates and maintains PP&L's Martins Creek Tank Farm (MCTF) and related facilities. IEC's charges to PP&L for performing this service are:

12 Months Ended December 31, 1996	\$1,348,000
12 Months Ended December 31, 1995	<u>1,166,000</u>
Increase	<u>\$ 182,000</u>

IEC's charges include direct operation and maintenance costs and indirect costs allocated based on direct manhours. A copy of the Tank Farm operating agreement as filed with the Commission at Docket No. G-00920208 is provided as Attachment 1.

The variance between the 12 months ended December 31, 1996 and 12 months ended December 31, 1995, which was billed by IEC to PP&L, is attributable to a tank maintenance project which involved the cleaning and inspection of tanks T-1 and T-7. This project resulted in additional charges to PP&L in 1996 of \$193,000.

RP - C.20.
ATTACHMENT 1

TANK FARM OPERATING AGREEMENT

This Tank Farm Operating Agreement ("Agreement") is entered into as of this 31st day of July, 1992, by and between PENNSYLVANIA POWER & LIGHT COMPANY ("PP&L"), a Pennsylvania corporation, and INTERSTATE ENERGY COMPANY ("IEC"), a Delaware corporation.

WHEREAS, PP&L is a certificated public utility which leases certain facilities for the collection, storage and delivery of petroleum products to PP&L's electric generating station located in Martins Creek, Pennsylvania; and

WHEREAS, these facilities of PP&L commonly are known as PP&L's Martins Creek Tank Farm; and

WHEREAS, IEC, a wholly-owned subsidiary of PP&L, is a certificated public utility which owns pipeline facilities for the transportation of petroleum products to PP&L's Martins Creek Tank Farm; and

WHEREAS, prior to July 31, 1992, both PP&L's Martins Creek Tank Farm and IEC's pipeline were being operated by Gulf Interstate Energy, Inc. ("GIEI"), an independent non-affiliated corporation; and

WHEREAS, on July 16, 1992, both PP&L and IEC separately entered into contract termination agreements with GIEI in which IEC and PP&L agreed to the termination of the operating agreements between PP&L and GIEI and between IEC and GIEI effective July 31, 1992; and

WHEREAS, IEC has assumed the operation and maintenance duties formerly performed by Gulf Interstate Energy, Inc. and intends to begin to operate and maintain its pipeline itself, effective on August 1, 1992; and

WHEREAS, PP&L desires to have IEC, a certificated public utility, which is a wholly-owned subsidiary of PP&L, manage, direct and perform the management, operation and maintenance of PP&L's Martins Creek Tank Farm, keep and maintain certain books, records and accounts therefor and make the necessary and proper reports incident thereto; and

WHEREAS, IEC is willing to perform such duties in accordance with the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual promises set forth herein, and intending to be legally bound, the parties agree as follows:

1. IEC shall undertake all activities necessary to manage, operate and maintain PP&L's Martins Creek Tank Farm and related facilities of PP&L, including but not limited to any and all acts and things necessary, requisite or proper for the safe and efficient operation, maintenance, upkeep, repair and improvement of the Martins Creek Tank Farm and related facilities.

2. IEC shall prepare and preserve a complete set of operating and investment records, and an accurate and

complete set of books, budgets, records and accounts which will reflect any and all operational and financial transactions related to PP&L's Martins Creek Tank Farm, and will enable PP&L or IEC to furnish all such information and reports as may be required by any federal, state or local regulatory body having jurisdiction.

3. PP&L shall reimburse IEC for all actual costs incurred under this Agreement as full payment for IEC's duties and responsibilities under this Agreement. IEC shall bill PP&L monthly for all costs incurred under this Agreement.

4. In the event that PP&L changes, modifies, alters or expands its operations at the Martins Creek Tank Farm in any way, and PP&L desires IEC to change, modify, alter or expand its management, operation or maintenance of the Martins Creek Tank Farm in any way, PP&L shall notify IEC of such desired change, modification, alteration or expansion in a timely fashion. IEC shall undertake the changed, modified, altered or expanded activities as specified by PP&L unless IEC exercises its right to termination as set forth below.

5. This Agreement shall be effective immediately and can be terminated by either party upon ninety (90) days written notice of such termination.

6. This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, Pennsylvania Power & Light Company and Interstate Energy Company have executed this Agreement on the day and year first set forth above.

PENNSYLVANIA POWER & LIGHT COMPANY

By: *Frank A. Long*

Name: Frank A. Long

Title: Senior Vice President

INTERSTATE ENERGY COMPANY

By: *Robert J. Shovlin*

Name: Robert J. Shovlin

Title: Vice President

RP - C.21.
M. J. Berish

- Q. Describe costs relative to leasing equipment, including computer rentals, and office space, including terms and conditions of the leases. State method for calculating monthly or annual payments.
- A. The costs, terms and conditions of PP&L's major leasing agreements as of December 31, 1996 are provided on Attachment 1.

RP - C.21.
ATTACHMENT 1

Pennsylvania Power & Light Company

Annual Rental
as of
December 31, 1996

<u>Equipment/Lessor</u>	<u>Term</u>	<u>12 Month Rental as of Dec. 31, 1996 (\$ 000's)</u>	<u>Method of Calculating Payment</u>
Oil Storage Facilities			
Chase Manhattan Bank	9/23/77-9/23/97	2,699	level quarterly payments
Combustion Turbine Blocks			
Girard - PP&L Trust	5/17/71-5/17/96	429	level semi-annual payments
Fleet Trains			
The Commonwealth Plan	Extended Rental	3	level monthly payments
The Commonwealth Plan	Extended Rental	2	level monthly payments
Commonwealth Plan Inc	6/30/78-6/30/98	215	level quarterly payments
Bank of New York	7/7/79-10/1/96	183	level semi-annual payments
Minnesota Mutual Life Insurance	7/7/79-10/1/96	126	level semi-annual payments
General Equipment Leases			
BLC Corporation	open-end lease	14,626	(a)
NNW	open-end lease	15,840	(a)
Office Space	various	1,440	various
Nuclear Fuel Lease			
Pennsylvania Power & Light Energy Trust	2/19/82-1/31/2022	(b)	(b)

(a) Monthly payment level reduction of principle with variable interest rate.

(b) Nuclear fuel rental payments are made quarterly to cover the amortization of the cost nuclear fuel based on the quantity of heat produced for electric generation plus applicable financing charges. The unamortized cost of nuclear fuel under lease was \$170 Million at December 31, 1996.

RP - C.22.
M. J. Berish

- Q. Submit a statement of past and anticipated changes, since the previous rate case, in major accounting procedures. Explain any differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current rate case and that used in prior rate cases, and list the internal and independent audit reports for the most recent two-year period.
- A. See Attachment 1 for changes in accounting policies, and Attachment 2 for listings of internal and third-party audit reports issued in 1995 and 1996.

RP - C.22.
ATTACHMENT 1

PENNSYLVANIA POWER & LIGHT COMPANY
ACCOUNTING CHANGES SINCE LAST RATE CASE

1995

- On September 27, 1995, the PUC issued a final order with respect to the base rate case filed by PP&L on December 30, 1994. The PUC Decision allowed PP&L to levelize the annual amount of depreciation on pre-1989 property for its Susquehanna station at \$173 million for the period October 1, 1995 through December 31, 1998. This levelization eliminates the previously scheduled annual increase in depreciation expense resulting from use of the modified sinking fund method of depreciation.
- The PUC Decision permitted recovery of the PUC-jurisdictional amount of retiree health care costs resulting from the adoption of SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." In addition, the PUC Decision permitted PP&L to recover, over a period of about 17 years, the amount of SFAS 106 costs that would have been deferred from January 1, 1993, through September 30, 1995, pursuant to a PUC order but for a Commonwealth Court decision that PP&L could not recover these deferred costs. As a result of the PUC Decision, which provided for recovery of \$27 million of previously expensed SFAS 106 costs, PP&L recorded a \$15.7 million after-tax credit to income in the third quarter of 1995.
- The PUC Decision permitted PP&L to recover through customer rates the PUC-jurisdictional amount, \$65.7 million, of the cost of its 1994 VERP over a period of five years. As a result, PP&L recorded a \$37.8 million after-tax credit to expense in the third quarter of 1995 to reverse the charge for this program that was recorded in the fourth quarter of 1994.
- The PUC Decision permitted recovery over a 10-year period of certain deferred operating and capital costs, net of energy savings, incurred from the time Susquehanna Unit No. 2 was placed in commercial operation until the effective date of base rate recognition for that Unit, but the PUC denied recovery of similar costs for Susquehanna Unit No. 1. As a result of the PUC Decision with respect to Susquehanna Unit No. 1, PP&L recorded a one-time charge in the third quarter of 1995 which, after taxes, reduced net income by \$20.4 million.
- In October 1995, the FERC approved PP&L's request to recover postretirement benefits other than pensions through its contractual agreements with other major electric utilities, subject to refund after FERC review. PP&L is billing these utilities their share of postretirement costs other than pensions incurred since January 1993.

PENNSYLVANIA POWER & LIGHT COMPANY
ACCOUNTING CHANGES SINCE LAST RATE CASE

1996

- In January 1996, PP&L filed a request with the FERC to incorporate a change in the method of calculating depreciation in several of its contractual agreements with other major utilities. PP&L also sought to increase the charges to those customers for nuclear decommissioning costs. This case was settled in principle with the four customers in January 1997 with no material effect on PP&L. Formal settlement documents were filed with the FERC in March 1997.
- Effective January 1, 1996, PP&L adopted SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS 121 requires a company to review certain assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an asset is determined to be impaired, an impairment loss is recognized. Based on current conditions, PP&L does not anticipate any impairment as a result of adopting SFAS 121.
- Effective January 1, 1996, PP&L adopted SFAS 123, "Accounting for Stock-Based Compensation." SFAS 123 addresses the recommended accounting and required disclosures for stock-based employee compensation plans, which include all arrangements by which employees receive shares of stock or other equity instruments of the employer or the employer incurs liabilities to employees in amounts based on the price of the employer's stock. PP&L's current accounting for restricted stock awards conforms to requirements as defined in SFAS 123. The adoption of SFAS 123 will not have a significant impact on net income.

RP - C.22.
ATTACHMENT 2

PP&L RESOURCES, INC.

FINAL REPORT ON THE 1995 AUDIT PLAN

INDEX OF ALL AUDITS COMPLETED DURING 1995

Report Title

FROM ORIGINAL AUDIT PLAN

Implementation of Safety Performance Improvement Team
Recommendations
Nuclear Department Contract Administration with INS
Williams Power Contract
Delta Dental Contract
Non-Utility Generation Contract With Northeastern Power Company
Role of Vectra Technologies in Procurement
Officers' Expense Accounts
Non-Utility Generation Contract With Schuylkill Energy
Rubber Goods Testing Program
Plant Integrated Computer System Project - Susq. SES
Technical Inspection Program

REQUESTED/ADDED DURING YEAR

Accident Reporting Practices in Harrisburg Region
Mobile Work Force Employee Expense Account Reporting
Time Reporting Practices at Customer Contact Center
Assessment of Intercompany Transactions
PPLNET Common Access ("X") Drive
Contract Administration of the EDS Master Alliance
and Service Agreement
Methodology Used to Identify Excess Inventory at
the Company's Fossil Plants

ALLEGATIONS

Conflict of Interest - M&ED Employee
Contractor Gift-Giving Activities
Unethical Procurement Activities
Mobile Work Force - Personal Crate Delivery
Supv. Maps and Records
Chemistry Contract Allegation - SSES

PP&L RESOURCES, INC.
AUDIT REPORTS ISSUED
BY THIRD PARTIES AND GOVERNMENTAL AGENCIES

1995

Financial Audits

<u>Performed By</u>	<u>Description/Comments</u>
Deloitte & Touche	Interstate Energy Company - 12/31/94
Deloitte & Touche	Employee Savings Plan - 12/31/94
Deloitte & Touche	Deferred Savings Plan - MCP - 12/31/94
Deloitte & Touche	Individual Retirement Savings Plan - 12/31/94
Deloitte & Touche	Employee Stock Ownership Plan - 12/31/94
Deloitte & Touche	Bargaining Unit Retiree Health Plan - 12/31/94
Deloitte & Touche	Bargaining Unit Retiree Group Life Insurance Plan - 12/31/94
Deloitte & Touche	MCP Retiree Health Plan - 12/31/94
Deloitte & Touche	MCP Retiree Group Life Insurance Plan - 12/31/94
Deloitte & Touche	Operation Help - 12/31/94
Deloitte & Touche	Pennsylvania Mines Corporation Retirement Plan
Deloitte & Touche	Pennsylvania Mines Corporation Black Lung Benefit Trust
Deloitte & Touche	Pennsylvania Mines Corporation Non-Bargaining Employees' 401(K) Salary Deferral Plan
Internal Revenue Service	Audit of Deduction Taken in PP&L's Amended Federal Return Related to Customer Refund for Power Plant Inventory Adjustment
PA Dept. of Revenue	Audit of Sales & Use Taxes Remitted to State

Regulatory Compliance Type Audits

<u>Performed By</u>	<u>Description/Comments</u>
PaPUC (Bureau of Audits)	Report on the Audit of PP&L's Energy Cost Rate For Year Ended 12/31/93
PaPUC (Bureau of Audits)	Report on Audit of Interstate Energy Company Pipeline Cost Rate For Year Ended 12/31/94
PaPUC Bureau of Consumer Services	Audit of Customer Service Procedures on Disconnections

Other

Atlantic Electric	Power Sales
Andersen Consulting	Telecommunications
APTECH	Technical Inspection Program
PaPUC	Preliminary Report of Draft PUC Report on Procurement Practices
KPMG Peat Marwick	Audit of PJM Interconnection
Price Waterhouse LLP	PP&L Retirement Plan Audit for Years Years Ended June 30, 1995 and 1994
FERC	Compliance Audit

PENNSYLVANIA POWER & LIGHT COMPANY
INTERNAL AUDITING REPORTS ISSUED IN 1996

<u>Audit Reference Number</u>	<u>Date Issued</u>	<u>Title</u>
612-96	1/29/96	Audit of Materials and Supplies Inventory -- Susquehanna SES
919-96	1/31/96	<i>Confidential</i> - Review of Incident Between Corporate Security and Access Processing Facility Personnel
721-96	2/20/96	Review of the Materials and Supplies Inventory - Fossil Plants
711-2-96	3/5/96	Audit of Power Purchase Agreements HEC-Paxton Creek, City of Harrisburg-MSW, and City of Harrisburg-AWTP
921-96	3/11/96	<i>Confidential</i> - Review of Allegation of Misuse of Personnel Data (Dean Witter Letters to Displaced Employees)
404-96	3/11/96	Audit of Electrotechnology Applications Center at Northampton Community College
409-96	3/12/96	<i>Confidential</i> - Review of the Executive Compensation Incentive Award Program
724-96	3/18/96	Assessment of the System Chemical Laboratory (Chem Lab)
811-96	3/20/96	Audit of the Customer Contact Operations and Revenue Collection
923-96	4/1/96	<i>Confidential</i> - Audit of Possible Conflict of Interest and Violation of the Standards of Integrity by Northeast Region Right-of-Way Agent
924-96	4/4/96	<i>Confidential</i> - Investigation of Sexually-Oriented Material Found on PPLNET Share Drives

<u>Audit Reference Number</u>	<u>Date Issued</u>	<u>Title</u>
925-96	4/4/96	<u>Confidential</u> - Concerns Regarding Confidentiality of Drug Testing Results
405-96	5/3/96	Review of Administration of PP&L People for Good Government
920-96	5/16/96	Report on Complaints of Misconduct, Sexual Harassment Discrimination and Hostile Environment at SSES
925-1-96	5/24/96	Review of PP&L'S DOT Drug Testing Process
453-96	5/30/96	Audit of Blue Cross/Blue Shield Health Care Plans
922-96	5/30/96	<u>Confidential</u> - Review of Allegation of the Misuse of Confidential Customer Information
926-96	5/30/96	<u>Confidential</u> - Report on Review of Employee Relocation Expenses
927-96	5/31/96	<u>Confidential</u> - Review of Issues Regarding Nuclear Safety Concerns Program
731-96	6/17/96	Review of Billings to Susquehanna Aquacultures, Inc.
723-96	6/17/96	Audit of Power Purchase Agreements with Archbald Power Company, Foster Wheeler-Mount Carmel, and Viking Energy of Northumberland
613-96	6/18/96	Audit of SSES Inventory Management Activities
819-96	6/18/96	Review of Computer Sciences Corporation's Billings for RAP and SIGHT Projects

<u>Audit Reference Number</u>	<u>Date Issued</u>	<u>Title</u>
928-96	6/20/96	Investigation of An Employee's Receipt of Operation Help Funds and Matching Electric Service Credits
410-96	6/24/96	Review of PP&L Software Licensing Process
821-96	7/22/96	Report on Residential Electric Service Account Collections Performed by Outside Attorneys
619-96	7/25/96	<u>Confidential</u> -- Investigation of 'E' Diesel Breaker Misalignment
618-96	7/25/96	<u>Confidential</u> -- Investigation of July 14, 1996 Unit 2 Scram
964-96	7/26/96	Assessment of Control Issues at the Customer Contact Center
718-96	7/26/96	Review of Fossil Fuel Information System
617-96	8/9/96	<u>Confidential</u> -- Limited Review of Employee Assistance Services (EAS) Program and Related Matters
619-1-96	8/13/96	<u>Confidential</u> -- Review of NPO Testing of 'E' Diesel Alarm 0C577E
901-96	9/3/96	<u>Confidential</u> -- Review of Alleged Misuse of the PP&L Corporate Card
722-96	9/10/96	Review of Management Controls for Continuous Emissions Monitoring Program
723-1-96	9/11/96	Audit of Power Purchase Agreement with Wheelabrator Frackville Energy
822-96	9/25/96	<u>Confidential</u> -- Investigation of a Contractor's Complaint Regarding PP&L's Bidding Practices

<u>Audit Reference Number</u>	<u>Date Issued</u>	<u>Title</u>
523-96	9/26/96	Audit of Lump-Sum and Supplemental Payments to Displaced/Retiring Employees
620-96	9/27/96	<i>Confidential</i> - Review of Allegations Made Against a Health Physics Assistant Foreman - SSES
902-96	9/27/96	<i>Confidential</i> - Investigation of Contractor Involvement with Sexually-Oriented Material Found on the PPLNet "X Drive" - August 1996 Incident
526-96	10/9/96	Audit of Officers and Other Employee Expense Accounts
825-96	10/10/96	<i>Confidential</i> -- Investigation of a Vendor's Complaint Regarding a Mailroom Employee
813-96	11/7/96	Review of Extension of Service Policies
903-96	11/15/96	Review of Circumstances Surrounding a Tampered Seal, Altered Meter and Potential Theft of Service
621-96	12/11/96	<i>Confidential</i> -- Investigation of General Station Inspections and Preventive Maintenance Activities of Operator Rounds in Reactor Buildings at SSES
622-96	12/23/96	<i>Confidential</i> -- Investigation of a Simplex Fire Alarm Panel Failure and Three Personnel Contamination Monitor (PCM) Incidents at Susquehanna SES
418-96	12/23/96	Pre-Implementation Consultative Review of Investor Services System

<u>Audit Reference Number</u>	<u>Date Issued</u>	<u>Title</u>
421-96	12/23/96	Pre-Implementation Consultative Review of the Accounts Payable Process
412-96	12/30/96	Internet Security Review
419-96	12/31/96	Pre-Implementation Consultative Review of the Payroll Disbursement Process

PP&L RESOURCES, INC.

**THIRD PARTY AUDITS INITIATED BY INDEPENDENT ACCOUNTANTS,
REGULATORY AGENCIES OR UTILITY COMPANIES**

1996

Financial Audits

<u>Performed By</u>	<u>Description/Comments</u>
Price Waterhouse LLP	Interstate Energy Company - 12/31/95
Price Waterhouse LLP	Employee Savings Plan - 12/31/95
Price Waterhouse LLP	Deferred Savings Plan - MCP - 12/31/95
Price Waterhouse LLP	Individual Retirement Savings Plan - 12/31/95
Price Waterhouse LLP	Employee Stock Ownership Plan - 12/31/95
Price Waterhouse LLP	Bargaining Unit Retiree Health Plan - 12/31/95
Price Waterhouse LLP	Bargaining Unit Retiree Group Life Insurance Plan - 12/31/95
Price Waterhouse LLP	MCP Retiree Health Plan - 12/31/95
Price Waterhouse LLP	MCP Retiree Group Life Insurance Plan - 12/31/95
Price Waterhouse LLP	Operation Help - 12/31/95
Price Waterhouse LLP	Pennsylvania Mines Corporation Retirement Plan
Price Waterhouse LLP	Pennsylvania Mines Corporation Black Lung Benefit Trust
Price Waterhouse LLP	Pennsylvania Mines Corporation Non-Bargaining Employees' 401(K) Salary Deferral Plan
KPMG Peat Marwick	Audit of PJM Interchange Accounting Procedures -- PJM Planning Period of 6/1/95 Through 5/31/96
Coopers & Lybrand	Merrill Creek Reservoir Project -- Audit of the Schedules of Operating Expenditures and related Billings to Joint Owners for the years ended December 31, 1995 and 1994 and Schedule of Utility Plant Expenditures and Related Billings for the year ended December 31, 1995
Coopers & Lybrand	Audit of the Financial Statements of Allegheny Electric Cooperative, Inc. For the Year Ended October 31, 1996

Financial Audits (cont'd)

<u>Performed By</u>	<u>Description/Comments</u>
Price Waterhouse LLP	PP&L Retirement Plan Audit for Years Ended June 30, 1996
KPMG Peat Marwick	Audits of Keystone-Conemaugh Stations - Report on Financial Statements - Review on Expanded Audit Procedures - Review of Fuel Procurement Practices
KPMG Peat Marwick	Audit of PJM Interconnection -- Schedules of Combined Monthly Billings and Combined Monthly Savings For the Years Ended May 31, 1996 and 1995
KPMG Peat Marwick	Audit of PJM Interconnection Association -- Financial Statements and Supplementary Schedules As Of December 31, 1995 and 1994

Regulatory Compliance Type Audits

PaPUC (Bureau of Audits)	Report on the Audit of PP&L's Energy Cost Rate For Year Ended 12/31/94
PaPUC (Bureau of Audits)	Report on the Audit of PP&L's Energy Cost Rate for Year Ended 12/31/95
PaPUC (Bureau of Audits)	Report on Audit of Interstate Energy Company Pipeline Cost Rate For Year Ended 12/31/95
PaPUC (Bureau of Audits)	Report on Procurement Operations
PaPUC (Bureau of Audits)	Audit of Stranded Costs
Federal Energy Regulatory Commission (FERC)	Compliance Audit Focused on Accounting and Reporting Requirements
Securities & Exchange Commission (SEC)	Transfer Agent Compliance Examination
Office of Federal Contract Compliance Programs (OFCCP)	Audit of the General Office Affirmative Action Plan
PaPUC (Bureau of Audits)	Evaluation of PP&L's Implementation of Selected Recommendations From Schumaker & Company's 1994 Stratified Management and Operations Audit Report

Regulatory Compliance Type Audits (cont'd)

<u>Performed By</u>	<u>Description/Comments</u>
PaPUC (Bureau of Consumer Services)	Informal Review of Revenue Collection Procedures
Internal Revenue Service	Audit of Deduction Taken in PP&L's Amended Federal Return Related to Customer Refund for Power Plant Inventory Adjustment
Internal Revenue Service	Audit of the PP&L 1992 Federal Income Tax Return
PA Dept. of Revenue	Audit of Sales & Use Taxes Remitted to State

Audits By/For Outside Utility Companies

Jersey Central Power & Light Company	Audit of the Monthly Billings of the Power Purchase Agreement for the Year 1994
UGI Corporation	Monthly Billings of Power Supply Agreement for the Year 1995
Atlantic City Electric	Monthly Billings of Capacity & Energy Agreement for the Year 1994
Atlantic City Electric	Monthly Billings of Capacity & Energy Agreement for the Year 1995
Baltimore Gas & Electric (BG&E)	Monthly Billings of Capacity & Energy Agreement for the Year 1994
Coopers & Lybrand	Audit of Charges Billed Allegheny Electric Cooperative For Its Fiscal Year November 1, 1994 Through October 31, 1995

Other

Loder, Drew & Associates	Audit of PP&L's Accounts Payable Department
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RP - C.21.
M. J. Berish

- Q. Describe costs relative to leasing equipment, including computer rentals, and office space, including terms and conditions of the leases. State method for calculating monthly or annual payments.
- A. The costs, terms and conditions of PP&L's major leasing agreements as of December 31, 1996 are provided on Attachment 1.

RP - C.21.
ATTACHMENT 1

Pennsylvania Power & Light Company

Annual Rental
as of
December 31, 1996

<u>Equipment/Lessor</u>	<u>Term</u>	<u>12 Month Rental as of Dec. 31, 1996</u> (\$ 000's)	<u>Method of Calculating Payment</u>
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Combustion Turbine Blocks			
Girard - PP&L Trust	5/17/71-5/17/96	- 429	level semi-annual payments
Fleet Trains			
The Commonwealth Plan	Extended Rental	3	level monthly payments
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Commonwealth Plan Inc	6/30/78-6/30/98	215	level quarterly payments
Bank of New York	7/7/79-10/1/96	183	level semi-annual payments
Minnesota Mutual Life Insurance	7/7/79-10/1/96	126	level semi-annual payments
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Office Space	various	1,440	various
Nuclear Fuel Lease			
Pennsylvania Power & Light Energy Trust	2/19/82-1/31/2022	(b)	(b)

(a) Monthly payment level reduction of principle with variable interest rate.

(b) Nuclear fuel rental payments are made quarterly to cover the amortization of the cost nuclear fuel based on the quantity of heat produced for electric generation plus applicable financing charges. The unamortized cost of nuclear fuel under lease was \$170 Million at December 31, 1996.

RP - C.22.
M. J. Berish

- Q. Submit a statement of past and anticipated changes, since the previous rate case, in major accounting procedures. Explain any differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current rate case and that used in prior rate cases, and list the internal and independent audit reports for the most recent two-year period.
- A. See Attachment 1 for changes in accounting policies, and Attachment 2 for listings of internal and third-party audit reports issued in 1995 and 1996.

RP - C.22.
ATTACHMENT 1

PENNSYLVANIA POWER & LIGHT COMPANY
ACCOUNTING CHANGES SINCE LAST RATE CASE

1995

- On September 27, 1995, the PUC issued a final order with respect to the base rate case filed by PP&L on December 30, 1994. The PUC Decision allowed PP&L to levelize the annual amount of depreciation on pre-1989 property for its Susquehanna station at \$173 million for the period October 1, 1995 through December 31, 1998. This levelization eliminates the previously scheduled annual increase in depreciation expense resulting from use of the modified sinking fund method of depreciation.
- The PUC Decision permitted recovery of the PUC-jurisdictional amount of retiree health care costs resulting from the adoption of SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." In addition, the PUC Decision permitted PP&L to recover, over a period of about 17 years, the amount of SFAS 106 costs that would have been deferred from January 1, 1993, through September 30, 1995, pursuant to a PUC order but for a Commonwealth Court decision that PP&L could not recover these deferred costs. As a result of the PUC Decision, which provided for recovery of \$27 million of previously expensed SFAS 106 costs, PP&L recorded a \$15.7 million after-tax credit to income in the third quarter of 1995.
- The PUC Decision permitted PP&L to recover through customer rates the PUC-jurisdictional amount, \$65.7 million, of the cost of its 1994 VERP over a period of five years. As a result, PP&L recorded a \$37.8 million after-tax credit to expense in the third quarter of 1995 to reverse the charge for this program that was recorded in the fourth quarter of 1994.
- The PUC Decision permitted recovery over a 10-year period of certain deferred operating and capital costs, net of energy savings, incurred from the time Susquehanna Unit No. 2 was placed in commercial operation until the effective date of base rate recognition for that Unit, but the PUC denied recovery of similar costs for Susquehanna Unit No. 1. As a result of the PUC Decision with respect to Susquehanna Unit No. 1, PP&L recorded a one-time charge in the third quarter of 1995 which, after taxes, reduced net income by \$20.4 million.
- In October 1995, the FERC approved PP&L's request to recover postretirement benefits other than pensions through its contractual agreements with other major electric utilities, subject to refund after FERC review. PP&L is billing these utilities their share of postretirement costs other than pensions incurred since January 1993.

PENNSYLVANIA POWER & LIGHT COMPANY
ACCOUNTING CHANGES SINCE LAST RATE CASE

1996

- In January 1996, PP&L filed a request with the FERC to incorporate a change in the method of calculating depreciation in several of its contractual agreements with other major utilities. PP&L also sought to increase the charges to those customers for nuclear decommissioning costs. This case was settled in principle with the four customers in January 1997 with no material effect on PP&L. Formal settlement documents were filed with the FERC in March 1997.

- Effective January 1, 1996, PP&L adopted SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS 121 requires a company to review certain assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an asset is determined to be impaired, an impairment loss is recognized. Based on current conditions, PP&L does not anticipate any impairment as a result of adopting SFAS 121.

- Effective January 1, 1996, PP&L adopted SFAS 123, "Accounting for Stock-Based Compensation." SFAS 123 addresses the recommended accounting and required disclosures for stock-based employee compensation plans, which include all arrangements by which employees receive shares of stock or other equity instruments of the employer or the employer incurs liabilities to employees in amounts based on the price of the employer's stock. PP&L's current accounting for restricted stock awards conforms to requirements as defined in SFAS 123. The adoption of SFAS 123 will not have a significant impact on net income.

RP - C.22.
ATTACHMENT 2

PP&L RESOURCES, INC.

FINAL REPORT ON THE 1995 AUDIT PLAN

INDEX OF ALL AUDITS COMPLETED DURING 1995

Report Title

FROM ORIGINAL AUDIT PLAN

Implementation of Safety Performance Improvement Team
Recommendations
Nuclear Department Contract Administration with INS
Williams Power Contract
Delta Dental Contract
Non-Utility Generation Contract With Northeastern Power Company
Role of Vectra Technologies in Procurement
Officers' Expense Accounts
Non-Utility Generation Contract-With Schuylkill Energy
Rubber Goods Testing Program
Plant Integrated Computer System Project - Susq. SES
Technical Inspection Program

REQUESTED/ADDED DURING YEAR

Accident Reporting Practices in Harrisburg Region
Mobile Work Force Employee Expense Account Reporting
Time Reporting Practices at Customer Contact Center
Assessment of Intercompany Transactions
PPLNET Common Access ("X") Drive
Contract Administration of the EDS Master Alliance
and Service Agreement
Methodology Used to Identify Excess Inventory at
the Company's Fossil Plants

ALLEGATIONS

Conflict of Interest - M&ED Employee
Contractor Gift-Giving Activities
Unethical Procurement Activities
Mobile Work Force - Personal Crate Delivery
Supv. Maps and Records
Chemistry Contract Allegation - SSES

PP&L RESOURCES, INC.
AUDIT REPORTS ISSUED
BY THIRD PARTIES AND GOVERNMENTAL AGENCIES

1995

Financial Audits

<u>Performed By</u>	<u>Description/Comments</u>
Deloitte & Touche	Interstate Energy Company - 12/31/94
Deloitte & Touche	Employee Savings Plan - 12/31/94
Deloitte & Touche	Deferred Savings Plan - MCP - 12/31/94
Deloitte & Touche	Individual Retirement Savings Plan - 12/31/94
Deloitte & Touche	Employee Stock Ownership Plan - 12/31/94
Deloitte & Touche	Bargaining Unit Retiree Health Plan - 12/31/94
Deloitte & Touche	Bargaining Unit Retiree Group Life Insurance Plan - 12/31/94
Deloitte & Touche	MCP Retiree Health Plan - 12/31/94
Deloitte & Touche	MCP Retiree Group Life Insurance Plan - 12/31/94
Deloitte & Touche	Operation Help - 12/31/94
Deloitte & Touche	Pennsylvania Mines Corporation Retirement Plan
Deloitte & Touche	Pennsylvania Mines Corporation Black Lung Benefit Trust
Deloitte & Touche	Pennsylvania Mines Corporation Non-Bargaining Employees' 401(K) Salary Deferral Plan
Internal Revenue Service	Audit of Deduction Taken in PP&L's Amended Federal Return Related to Customer Refund for Power Plant Inventory Adjustment
PA Dept. of Revenue	Audit of Sales & Use Taxes Remitted to State

Regulatory Compliance Type Audits

<u>Performed By</u>	<u>Description/Comments</u>
PaPUC (Bureau of Audits)	Report on the Audit of PP&L's Energy Cost Rate For Year Ended 12/31/93
PaPUC (Bureau of Audits)	Report on Audit of Interstate Energy Company Pipeline Cost Rate For Year Ended 12/31/94
PaPUC Bureau of Consumer Services	Audit of Customer Service Procedures on Disconnections

Other

Atlantic Electric	Power Sales
Andersen Consulting	Telecommunications
APTECH	Technical Inspection Program
PaPUC	Preliminary Report of Draft PUC Report on Procurement Practices
KPMG Peat Marwick	Audit of PJM Interconnection
Price Waterhouse LLP	PP&L Retirement Plan Audit for Years Years Ended June 30, 1995 and 1994
FERC	Compliance Audit

PENNSYLVANIA POWER & LIGHT COMPANY
INTERNAL AUDITING REPORTS ISSUED IN 1996

<u>Audit Reference Number</u>	<u>Date Issued</u>	<u>Title</u>
612-96	1/29/96	Audit of Materials and Supplies Inventory -- Susquehanna SES
919-96	1/31/96	<i>Confidential</i> - Review of Incident Between Corporate Security and Access Processing Facility Personnel
721-96	2/20/96	Review of the Materials and Supplies Inventory - Fossil Plants
711-2-96	3/5/96	Audit of Power Purchase Agreements HEC-Paxton Creek, City of Harrisburg-MSW, and City of Harrisburg-AWTP
921-96	3/11/96	<i>Confidential</i> - Review of Allegation of Misuse of Personnel Data (Dean Witter Letters to Displaced Employees)
404-96	3/11/96	Audit of Electrotechnology Applications Center at Northampton Community College
409-96	3/12/96	<i>Confidential</i> - Review of the Executive Compensation Incentive Award Program
724-96	3/18/96	Assessment of the System Chemical Laboratory (Chem Lab)
811-96	3/20/96	Audit of the Customer Contact Operations and Revenue Collection
923-96	4/1/96	<i>Confidential</i> - Audit of Possible Conflict of Interest and Violation of the Standards of Integrity by Northeast Region Right-of-Way Agent
924-96	4/4/96	<i>Confidential</i> - Investigation of Sexually-Oriented Material Found on PPLNET Share Drives

<u>Audit Reference Number</u>	<u>Date Issued</u>	<u>Title</u>
925-96	4/4/96	<i>Confidential</i> - Concerns Regarding Confidentiality of Drug Testing Results
405-96	5/3/96	Review of Administration of PP&L People for Good Government
920-96	5/16/96	Report on Complaints of Misconduct, Sexual Harassment Discrimination and Hostile Environment at SSES
925-1-96	5/24/96	Review of PP&L'S DOT Drug Testing Process
453-96	5/30/96	Audit of Blue Cross/Blue Shield Health Care Plans
922-96	5/30/96	<i>Confidential</i> - Review of Allegation of the Misuse of Confidential Customer Information
926-96	5/30/96	<i>Confidential</i> - Report on Review of Employee Relocation Expenses
927-96	5/31/96	<i>Confidential</i> - Review of Issues Regarding Nuclear Safety Concerns Program
731-96	6/17/96	Review of Billings to Susquehanna Aquacultures, Inc.
723-96	6/17/96	Audit of Power Purchase Agreements with Archbald Power Company, Foster Wheeler-Mount Carmel, and Viking Energy of Northumberland
613-96	6/18/96	Audit of SSES Inventory Management Activities
819-96	6/18/96	Review of Computer Sciences Corporation's Billings for RAP and SIGHT Projects

<u>Audit Reference Number</u>	<u>Date Issued</u>	<u>Title</u>
928-96	6/20/96	Investigation of An Employee's Receipt of Operation Help Funds and Matching Electric Service Credits
410-96	6/24/96	Review of PP&L Software Licensing Process
821-96	7/22/96	Report on Residential Electric Service Account Collections Performed by Outside Attorneys
619-96	7/25/96	<u>Confidential</u> -- Investigation of 'E' Diesel Breaker Misalignment
618-96	7/25/96	<u>Confidential</u> -- Investigation of July 14, 1996 Unit 2 Scram
964-96	7/26/96	Assessment of Control Issues at the Customer Contact Center
718-96	7/26/96	Review of Fossil Fuel Information System
617-96	8/9/96	<u>Confidential</u> -- Limited Review of Employee Assistance Services (EAS) Program and Related Matters
619-1-96	8/13/96	<u>Confidential</u> -- Review of NPO Testing of 'E' Diesel Alarm 0C577E
901-96	9/3/96	<u>Confidential</u> -- Review of Alleged Misuse of the PP&L Corporate Card
722-96	9/10/96	Review of Management Controls for Continuous Emissions Monitoring Program
723-1-96	9/11/96	Audit of Power Purchase Agreement with Wheelabrator Frackville Energy
822-96	9/25/96	<u>Confidential</u> -- Investigation of a Contractor's Complaint Regarding PP&L's Bidding Practices

<u>Audit Reference Number</u>	<u>Date Issued</u>	<u>Title</u>
523-96	9/26/96	Audit of Lump-Sum and Supplemental Payments to Displaced/Retiring Employees
620-96	9/27/96	<u>Confidential</u> - Review of Allegations Made Against a Health Physics Assistant Foreman - SSES
902-96	9/27/96	<u>Confidential</u> - Investigation of Contractor Involvement with Sexually-Oriented Material Found on the PPLNet "X Drive" - August 1996 Incident
526-96	10/9/96	Audit of Officers and Other Employee Expense Accounts
825-96	10/10/96	<u>Confidential</u> -- Investigation of a Vendor's Complaint Regarding a Mailroom Employee
813-96	11/7/96	Review of Extension of Service Policies
903-96	11/15/96	Review of Circumstances Surrounding a Tampered Seal, Altered Meter and Potential Theft of Service
621-96	12/11/96	<u>Confidential</u> -- Investigation of General Station Inspections and Preventive Maintenance Activities of Operator Rounds in Reactor Buildings at SSES
622-96	12/23/96	<u>Confidential</u> -- Investigation of a Simplex Fire Alarm Panel Failure and Three Personnel Contamination Monitor (PCM) Incidents at Susquehanna SES
418-96	12/23/96	Pre-Implementation Consultative Review of Investor Services System

<u>Audit Reference Number</u>	<u>Date Issued</u>	<u>Title</u>
421-96	12/23/96	Pre-Implementation Consultative Review of the Accounts Payable Process
412-96	12/30/96	Internet Security Review
419-96	12/31/96	Pre-Implementation Consultative Review of the Payroll Disbursement Process

PP&L RESOURCES, INC.

**THIRD PARTY AUDITS INITIATED BY INDEPENDENT ACCOUNTANTS,
REGULATORY AGENCIES OR UTILITY COMPANIES**

1996

Financial Audits

<u>Performed By</u>	<u>Description/Comments</u>
Price Waterhouse LLP	Interstate Energy Company - 12/31/95
Price Waterhouse LLP	Employee Savings Plan - 12/31/95
Price Waterhouse LLP	Deferred Savings Plan - MCP - 12/31/95
Price Waterhouse LLP	Individual Retirement Savings Plan - 12/31/95
Price Waterhouse LLP	Employee Stock Ownership Plan - 12/31/95
Price Waterhouse LLP	Bargaining Unit Retiree Health Plan - 12/31/95
Price Waterhouse LLP	Bargaining Unit Retiree Group Life Insurance Plan - 12/31/95
Price Waterhouse LLP	MCP Retiree Health Plan - 12/31/95
Price Waterhouse LLP	MCP Retiree Group Life Insurance Plan - 12/31/95
Price Waterhouse LLP	Operation Help - 12/31/95
Price Waterhouse LLP	Pennsylvania Mines Corporation Retirement Plan
Price Waterhouse LLP	Pennsylvania Mines Corporation Black Lung Benefit Trust
Price Waterhouse LLP	Pennsylvania Mines Corporation Non-Bargaining Employees' 401(K) Salary Deferral Plan
KPMG Peat Marwick	Audit of PJM Interchange Accounting Procedures – PJM Planning Period of 6/1/95 Through 5/31/96
Coopers & Lybrand	Merrill Creek Reservoir Project -- Audit of the Schedules of Operating Expenditures and related Billings to Joint Owners for the years ended December 31, 1995 and 1994 and Schedule of Utility Plant Expenditures and Related Billings for the year ended December 31, 1995
Coopers & Lybrand	Audit of the Financial Statements of Allegheny Electric Cooperative, Inc. For the Year Ended October 31, 1996

Financial Audits (cont'd)

<u>Performed By</u>	<u>Description/Comments</u>
Price Waterhouse LLP	PP&L Retirement Plan Audit for Years Ended June 30, 1996
KPMG Peat Marwick	Audits of Keystone-Conemaugh Stations - Report on Financial Statements - Review on Expanded Audit Procedures - Review of Fuel Procurement Practices
KPMG Peat Marwick	Audit of PJM Interconnection -- Schedules of Combined Monthly Billings and Combined Monthly Savings For the Years Ended May 31, 1996 and 1995
KPMG Peat Marwick	Audit of PJM Interconnection Association -- Financial Statements and Supplementary Schedules As Of December 31, 1995 and 1994

Regulatory Compliance Type Audits

PaPUC (Bureau of Audits)	Report on the Audit of PP&L's Energy Cost Rate For Year Ended 12/31/94
PaPUC (Bureau of Audits)	Report on the Audit of PP&L's Energy Cost Rate for Year Ended 12/31/95
PaPUC (Bureau of Audits)	Report on Audit of Interstate Energy Company Pipeline Cost Rate For Year Ended 12/31/95
PaPUC (Bureau of Audits)	Report on Procurement Operations
PaPUC (Bureau of Audits)	Audit of Stranded Costs
Federal Energy Regulatory Commission (FERC)	Compliance Audit Focused on Accounting and Reporting Requirements
Securities & Exchange Commission (SEC)	Transfer Agent Compliance Examination
Office of Federal Contract Compliance Programs (OFCCP)	Audit of the General Office Affirmative Action Plan
PaPUC (Bureau of Audits)	Evaluation of PP&L's Implementation of Selected Recommendations From Schumaker & Company's 1994 Stratified Management and Operations Audit Report

Regulatory Compliance Type Audits (cont'd)

<u>Performed By</u>	<u>Description/Comments</u>
PaPUC (Bureau of Consumer Services)	Informal Review of Revenue Collection Procedures
Internal Revenue Service	Audit of Deduction Taken in PP&L's Amended Federal Return Related to Customer Refund for Power Plant Inventory Adjustment
Internal Revenue Service	Audit of the PP&L 1992 Federal Income Tax Return
PA Dept. of Revenue	Audit of Sales & Use Taxes Remitted to State

Audits By/For Outside Utility Companies

Jersey Central Power & Light Company	Audit of the Monthly Billings of the Power Purchase Agreement for the Year 1994
UGI Corporation	Monthly Billings of Power Supply Agreement for the Year 1995
Atlantic City Electric	Monthly Billings of Capacity & Energy Agreement for the Year 1994
Atlantic City Electric	Monthly Billings of Capacity & Energy Agreement for the Year 1995
Baltimore Gas & Electric (BG&E)	Monthly Billings of Capacity & Energy Agreement for the Year 1994
Coopers & Lybrand	Audit of Charges Billed Allegheny Electric Cooperative For Its Fiscal Year November 1, 1994 Through October 31, 1995

Other

Loder, Drew & Associates	Audit of PP&L's Accounts Payable Department
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