

pp 5
EXHIBIT NO. 2
Volume 4
Filing Guidelines
Sections G - P
OK
8-18-97
HPC
R-93954

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DOCUMENT
FOLDER

- Q. Provide a corporate history including the dates of original incorporation, subsequent mergers and acquisitions. Indicate all counties, cities and other governmental subdivisions to which service is provided, including service areas outside Pennsylvania, and the total number of customers or billed units in the areas served.
- A. Pennsylvania Power & Light Company (PP&L) was founded in 1920 through consolidation of eight electric companies.* It presently serves a 10,000 square mile territory in 29 counties of central-eastern Pennsylvania. This territory contains extensive agricultural and industrial sections as well as over 800 major communities, including the cities of Allentown, Bethlehem, Harrisburg, Lancaster, Scranton, Wilkes-Barre and Williamsport. PP&L serves approximately 1.2 million customers.

The requested corporate history, together with a map of PP&L's service territory and a list of all governmental subdivisions in which service is rendered, is provided in Attachment 1. In addition to the communities indicated on the attached map, PP&L also serves certain other communities which border its chartered territory pursuant to its adjacency rights.

* These companies are listed at page 1 of Attachment 1.

HIGHLIGHTS OF CORPORATE HISTORY

- 1920 PP&L founded through consolidation of eight electric companies*, as a direct subsidiary of Lehigh Power Securities Corporation and an indirect subsidiary of Electric Bond and Share Company.
- 1923 Wilkes-Barre Electric Company merges with PP&L.
- 1925 PP&L acquires ownership of United Electric Company.
- 1929 PP&L acquires ownership of Harrisburg Light & Power Company.
- 1930 PP&L acquires 28 electric and gas companies which serve substantially all of Lancaster County.
- 1938 Conestoga Transmission Company and Lehighon Electric Light & Power Company merge with PP&L.
- 1939 Lehigh Power Securities Corporation is dissolved. PP&L becomes a subsidiary of National Power & Light company, and remains an indirect subsidiary of Electric Bond and Share Company.
- 1945-1947 PP&L becomes independent as a result of a multi-step process (carried out under the Public Utility Holding Company Act of 1935) during which National Power & Light Company and Electric Bond and Share Company divest themselves of PP&L ownership, and PP&L stock is sold to the public.
- 1948 PP&L acquires Palmerton Lighting Company.
- 1951 PP&L divest itself of all gas properties, in accordance with decision to confine operations to the electric business**.
- 1955 Pennsylvania Water & Power Company merges with PP&L.
PP&L purchases one-third ownership of Safe Harbor Water Power Corporation.
- 1956 Scranton Electric Company merges with PP&L.
- 1980 Hershey Electric Company merges with PP&L.
- 1985 PP&L divests itself of all steam service provided to the City of Harrisburg.

* These companies were:

Columbia and Montour Electric company, The Harwood Electric Company, The Lehigh Valley Light & Power Company, Northern Central Gas Company, Northumberland County Gas & Electric Company, Pennsylvania Lighting Company, Pennsylvania Power & Light Company, and The Schuylkill Gas & Electric Company.

** Except some listed steam service provided to the City of Harrisburg.

**OVERSIZED
DOCUMENT(S)**

RP-G.1.
Attachment 1
Page 2 of 4

Pennsylvania Power & Light
Service Area



 AREAS ALSO SERVED
BY OTHER COMPANIES

PENNSYLVANIA POWER & LIGHT COMPANY

Supplement No. 56
Electric Pa. P.U.C. No. 200
Second Revised Page No. 4
Canceling Original and First Revised Page No. 4

TERRITORY COVERED BY THIS TARIFF

BERKS COUNTY

(C)

Boroughs of New Morgan, Robesonia, Shillington, Sinking Spring, Wernersville, West Lawn, Womelsdorf, Wyomissing, and Wyomissing Hills.
Townships of Caernarvon, Cumru, Heidelberg, Lower Heidelberg, South Heidelberg, and Spring.

BUCKS COUNTY

Boroughs of Richlandtown, Sellersville, Silverdale, Telford, and Turmbauersville.
Townships of East Rockhill, Haycock, Hilltown, Milford, Richland, Springfield, and West Rockhill.

CARBON COUNTY

Boroughs of Beaver Meadows, Bowmanstown, East Side, Jim Thorpe, Lansford, Nesquehoning, Palmerton, Parryville, Summit Hill, and Weissport.
Townships of Banks, East Penn, Franklin, Kidder, Lausanne, Lehigh, Lower Towamensing, Mahoning, Packer, Penn Forest, and Towamensing.

CHESTER COUNTY

Boroughs of Atglen, Elverson, and Honey Brook.
Townships of Honey Brook, West Nantmeal, and West Sadsbury.

CLINTON COUNTY

City of Lock Haven.
Boroughs of Avis, Flemington, Loganton, Mill Hall, Renovo, and South Renovo.
Townships of Allison, Bald Eagle, Castanea, Chapman, Colebrook, Crawford, Dunnstable, Gallagher, Greene, Grugan, Logan, Noyes, Pine Creek, Wayne, and Woodward.

COLUMBIA COUNTY

Town of Bloomsburg.
Boroughs of Ashland, Benton, Berwick, Briar Creek, Centralia, Millville, Orangeville, and Stillwater.
Townships of Beaver, Benton, Briar Creek, Catawissa, Cleveland, Conyngham, Fishing Creek, Franklin, Greenwood, Hemlock, Jackson, Locust, Madison, Main, Mifflin, Montour, Mount Pleasant, North Centre, Orange, Pine, Roaring Creek, Scott, South Centre, and Sugarloaf.

CUMBERLAND COUNTY

Boroughs of Camp Hill, Carlisle, Lemoyne, Mechanicsburg, New Cumberland, Newville, Shiremanstown, West Fairview, and Wormleysburg.
Townships of Dickinson, East Pennsboro, Hampden, Lower Allen, Middlesex, Monroe, North Middleton, North Newton, Penn, Silver Spring, South Middleton, South Newton, Upper Allen, and West Pennsboro.

DAUPHIN COUNTY

City of Harrisburg.
Boroughs of Berrysburg, Dauphin, Elizabethville, Gratz, Halifax, Highspire, Hummelstown, Lykens, Millersburg, Paxtang, Penbrook, Pillow, Steelton, and Williamstown.

DAUPHIN COUNTY (Continued)

Townships of Derry, East Hanover, Halifax, Jackson, Jefferson, Lower Paxton, Lower Swatara, Lykens, Middle Paxton, Mifflin, Reed, Rush, South Hanover, Susquehanna, Swatara, Upper Paxton, Washington, Wayne, West Hanover, Wiconisco, and Williams.

JUNIATA COUNTY

Boroughs of Mifflin, Mifflintown, Port Royal, and Thompsontown
Townships of Delaware, Fayette, Fermanagh, Greenwood, Milford, Monroe, Susquehanna, Turbett, and Walker.

LACKAWANNA COUNTY

Cities of Carbondale and Scranton.
Boroughs of Archbald, Blakely (part), Clarks Green, Clarks Summit, Dalton, Dickson City, Dunmore, Jermyn, Jessup, Mayfield, Moosic, Moscow, Old Forge, Olyphant (part), Taylor, Throop, and Vandling.
Townships of Abington, Benton, Carbondale, Clifton, Covington, Elmhurst, Fell, Glenburn, Greenfield, Jefferson, La Plume, Lehigh, Madison, Newton, North Abington, Ransom, Roaring Brook, Scott, South Abington, Spring Brook, and West Abington.

LANCASTER COUNTY

City of Lancaster.
Boroughs of Adamstown, (part), Akron, Christiana, Columbia, Denver, East Petersburg, Elizabethtown, Ephrata (part), Lititz, Manheim, Marietta, Millersville, Mount Joy, Mountville, New Holland, Quarryville, Strasburg, and Terre Hill.
Townships of Bart, Brecknock, Caernarvon, Clay, Colerain, Conestoga, Conoy, Drumore, Earl, East Cocalico, East Donegal, East Drumore, East Earl, East Hempfield, East Lampeter, Eden, Elizabeth, Ephrata, Fulton, Lancaster, Leacock, Little Britain, Manheim, Manor, Martick, Mount Joy, Paradise, Penn, Pequea, Providence, Rapho, Sadsbury, Salisbury, Strasburg, Upper Leacock, Warwick, West Cocalico, West Donegal, West Earl, West Hempfield, and West Lampeter.

LEBANON COUNTY

Borough of Richland.
Townships of Heidelberg and Millcreek.

LEHIGH COUNTY

Cities of Allentown and Bethlehem.
Boroughs of Alburtis, Catasauqua, Coopersburg, Coplay, Emmaus, Fountain Hill, Macungie, and Slatington.
Townships of Hanover, Heidelberg, Lower Macungie, Lower Milford, Lowhill, North Whitehall, Salisbury, South Whitehall, Upper Macungie, Upper Milford, Upper Saucon, Washington, and Whitehall.

(C) Indicates Change

PENNSYLVANIA POWER & LIGHT COMPANY

Supplement No. 56
Electric Pa. P.U.C. No. 200
Second Revised Page No. 4A
Canceling Original and First Revised Page No. 4A

TERRITORY COVERED BY THIS TARIFF (CONTINUED)

LUZERNE COUNTY (C)

Cities of Hazleton, Pittston, and Wilkes-Barre.
Boroughs of Ashley, Avoca, Bear Creek Village, Conyngham, Dupont, Duryea, Exeter, Freeland, Hughestown, Jeddo, Laflin, Laurel Run, Nescopeck, Muangola, Penn Lake Park, West Hazleton, West Pittston, White Haven, and Yatesville.
Townships of Bear Creek, Black Creek, Buck, Butler, Dennison, Dorrance, Exeter, Fairview, Foster, Hanover, Hazle, Hollenbach, Jenkins, Nescopeck, Pittston, Plains, Rice, Salem, Slocum, Sugarloaf, Wilkes-Barre, and Wright.

LYCOMING COUNTY

City of Williamsport.
Boroughs of Duboistown, Hughesville, Jersey Shore, Montgomery, Montoursville, Muncy, Picture Rocks, Salladasburg, and South Williamsport.
Townships of Anthony, Armstrong, Bastress, Brady, Clinton, Eldred, Fairfield, Franklin, Hepburn, Jordan, Limestone, Loyalsock, Lycoming, Mifflin, Mill Creek, Moreland, Muncy, Muncy Creek, Nippenose, Old Lycoming, Penn, Piatt, Porter, Shrewsbury, Susquehanna, Upper Fairfield, Washington, Watson, Wolf, and Woodward.

MONROE COUNTY

Boroughs of East Stroudsburg (part), Mount Pocono, and Stroudsburg (part).
Townships of Barrett, Chestnuthill, Coolbaugh, Eldred, Jackson, Paradise, Pocono, Polk, Price, Smithfield, Stroud, Tobyhanna, and Tunkhannock.

MONTGOMERY COUNTY

Boroughs of East Greenville, Pennsburg, Red Hill, Souderton, and Telford.
Townships of Franconia, Hatfield, and Upper Hanover.

MONTOUR COUNTY

Boroughs of Danville and Washingtonville.
Townships of Anthony, Cooper, Derry, Liberty, Limestone, Mahoning, Mayberry, Valley and West Hemlock.

NORTHAMPTON COUNTY

City of Bethlehem.
Boroughs of Freemansburg, Hellertown, Nazareth (part), North Catasauqua, Northampton, Pen Argyl (part), Stockerton, Tatamy, and Walnutport.
Townships of Allen, Bethlehem, Bushkill, East Allen, Forks, Hanover, Lehigh, Lower Mount Bethel, Lower Nazareth, Lower Saucon, Moore, Palmer, Plainfield, Upper Nazareth, Washington, and Williams.

NORTHUMBERLAND COUNTY

Cities of Shamokin and Sunbury.
Boroughs of Herndon, Kulpmont, Marion Heights, McEwensville, Milton, Mount Carmel, Northumberland, Riverside, Snyderstown, and Turbotville.
Townships of Coal, Delaware, East Cameron, East Chillisquaque, Jackson, Jordan, Lewis, Little Mahanoy, Lower Augusta, Lower Mahanoy, Mount Carmel, Point, Ralpho, Rockefeller, Rush, Shamokin, Turbot, Upper Augusta, Upper Mahanoy, Washington, West Cameron, West Chillisquaque, and Zerbe.

PERRY COUNTY (C)

Boroughs of New Bloomfield, Landisburg, Liverpool, Marysville, Millerstown, New Buffalo, and Newport.
Townships of Buffalo, Carroll, Centre, Greenwood, Howe, Juniata, Liverpool, Miller, Northeast Madison, Oliver, Penn, Rye, Saville, Southwest Madison, Spring, Tuscarora, Tyrone, Watts, and Wheatfield.

PIKE COUNTY

Townships of Blooming Grove, Greene, Lackawaxen, Palmyra, Porter, and Shohola.

SCHUYLKILL COUNTY

City of Pottsville.
Boroughs of Ashland, Auburn, Coaldale, Cressona, Deer Lake, Frackville, Gilberton, Girardville, Gordon, Landingville, Mahanoy City, McAdoo, Mechanicsville, Middleport, Minersville, Mount Carbon, New Philadelphia, New Ringgold, Orwigsburg, Palo Alto, Pine Grove, Port Carbon, Port Clinton, Ringtown, Shenandoah, Tamaqua, Tower City, and Tremont.
Townships of Barry, Blythe, Branch, Butler, Cass, Delano, East Brunswick, East Norwegian, East Union, Eldred, Foster, Frailey, Hegins, Hubley, Kline, Mahanoy, New Castle, North Manheim, North Union, Norwegian, Pine Grove, Porter, Reilly, Rush, Ryan, Schuylkill, South Manheim, Tremont, Union, Upper Mahantongo, Walker, Washington, Wayne, West Brunswick, West Mahanoy, and West Penn.

SNYDER COUNTY

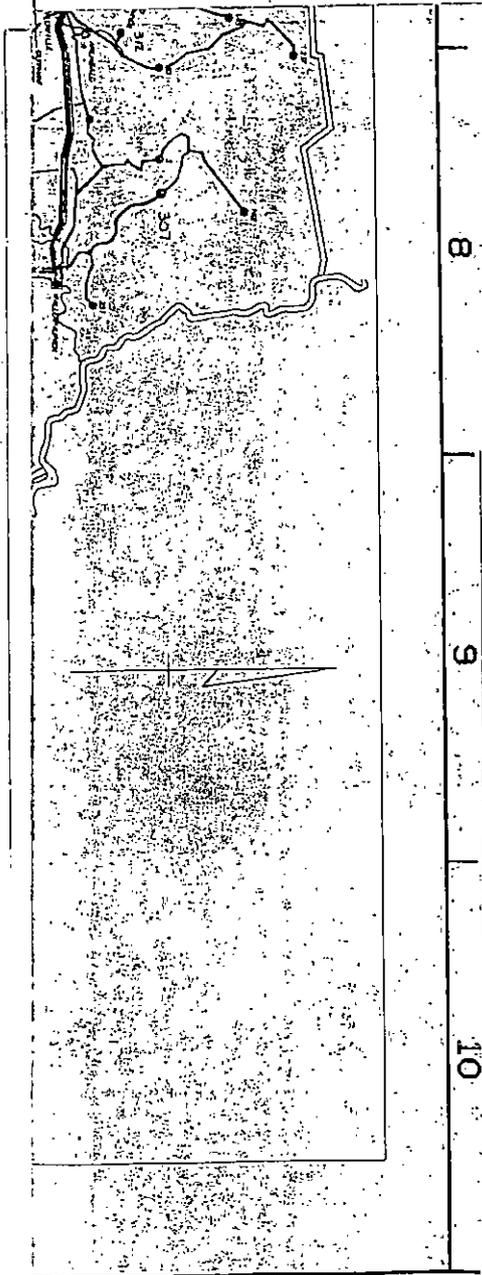
Boroughs of Beavertown, Freeburg, McClure, Middleburg, Selinsgrove, and Shamokin Dam.
Townships of Adams, Beaver, Centre, Chapman, Franklin, Jackson, Middlecreek, Monroe, Penn, Perry, Spring, Union, Washington, West Beaver, and West Perry.

Pages 3 and 4 of this attachment are not available electronically.

- Q. Provide an overall system map, including and labeling the major elements of the distribution system, jurisdictional and nonjurisdictional transmission and generation facilities generating plants, and associated distribution, transmission and generation facilities in paper format. Provide the map in electronic format in a Windows computer file format directly readable by ARCVIEW(tm), version 2.0, (a geographic information system reader published by ESRI, Inc. which can read most common database and map data formats, and can read map data directly from shapefiles, ARC/INFO, PC ARC/INFO, ArcCAD, AutoCAD (DXF and DWG), and Intergraph (DGN) and directly import map data from MapInfo, Atlas GIS, and ASCII).
- A. Attachment 1 provides a paper copy of the overall electric system map. This map is currently not available in electronic format. PP&L will provide this map in electronic format as soon as it is available.

**OVERSIZED
DOCUMENT(S)**

RP-G.2.
Attachment 1



RP-G.3.
J. M. Kleha
M. J. Berish

- Q. Supply a copy of the budget utilized as a basis for any base year claim, and explain the utility's budgeting process.
- A. PP&L's base period data is based on the actual results of operations for the 12 months ended December 31, 1996.

RP - G.4.
J. R. Schadt

- Q. Supply summaries of the utility's projected operating and capital budgets for the two calendar years following the end of the base year.

- A. See Attachment 1 for the projected operating budgets and Attachment 2 for the projected capital budgets.

RP - G.4.
ATTACHMENT 1

Projected Operating Budget
(Millions of Dollars)

	<u>1997</u>	<u>1998</u>
Operating Revenues	\$ 2,822.8	\$ 2,718.3
Operating Expenses		
O&M Expense	1,428.0	1,332.9
Depreciation	377.2	397.9
Income Taxes	316.3	316.9
Deferred Income Taxes	(45.6)	(49.9)
Investment Tax Credit	(9.9)	(9.8)
Taxes Other Than Income	209.3	207.1
	<u>2,275.3</u>	<u>2,195.1</u>
Operating Income	<u>\$ 547.5</u>	<u>\$ 523.2</u>

RP - G.4.
ATTACHMENT 2

Projected Capital Budgets
(Millions of Dollars)

	<u>1997</u>	<u>1998</u>
Construction Expenditures		
Generating facilities	\$65	\$81
Transmission & Distribution facilities	120	126
Environmental	16	21
Other	57	44
Total Construction Expenditures	<u>258</u>	<u>272</u>
Nuclear fuel owned and leased	68	71
Other leased property	24	22
Total Capital Expenditures	<u>\$350</u>	<u>\$365</u>

- Q. Provide the following unadjusted detailed schedules by function and by Federal Energy Regulatory Commission account for the claimed base year and for each of the three preceding comparable years:
- (a) Balance sheet, in the form available.
 - (b) Statement of income.
 - (c) Plant in service.
 - (d) Accumulated depreciation.
- A.
- (a) See Attachment 1.
 - (b) See Attachment 2.
 - (c)(d) See Attachment 3 for 1994 and 1993. See Attachments 2 and 3 of the response to Question RP-E.1. for 1996 and 1995 information.

RP - G.5.
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
COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)				
Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at "12/31/95" (c)	Balance at "12/31/96" (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	200-201	\$9,721,975,116	\$9,900,430,445
3	Construction Work in Progress (107)	200-201	170,445,679	171,561,684
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		9,892,420,795	10,071,992,129
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 111, 115)	200-201	2,904,043,799	3,196,324,925
6	Net Utility Plant (Enter Total of line 4 less 5)	-	6,988,376,996	6,875,667,204
7	Nuclear Fuel (120.1-120.4, 120.6)	202-203	135,191,169	173,670,882
8	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	1,744,403	3,703,333
9	Net Nuclear Fuel (Enter Total of line 7 less 8)	-	133,446,766	169,967,549
10	Net Utility Plant (Enter Total of lines 6 and 9)	-	7,121,823,762	7,045,634,753
11	Utility Plant Adjustments (116)	122		
12	Gas Stored Underground-Noncurrent (117)	-		
13	OTHER PROPERTY AND INVESTMENTS			
14	Nonutility Property (121)	221	3,669,042	5,557,973
15	(Less) Accum. Prov. for Depr. and Amort. (122)	-	287,708	344,241
16	Investments in Associated Companies (123)	-		
17	Investment in Subsidiary Companies (123.1)	224-225	71,474,659	74,970,354
18	(For Cost of Account 123.1, See Footnote Page 224, line 42)	-		
19	Noncurrent Portion of Allowances	228-228		
20	Other Investments (124)		10,791,713	8,831,062
21	Special Funds (125-128)	-	135,471,698	150,896,133
22	TOTAL Other Property and Investments (Total of lines 14 thru 17, 19-21)		221,119,404	239,911,281
23	CURRENT AND ACCRUED ASSETS			
24	Cash (131)	-	1,372,387	2,055,624
25	Special Deposits (132-134)	-	2,426	2,426
26	Working Funds (135)	-	1,582,523	1,505,990
27	Temporary Cash Investments (136)	-	6,000,000	82,332,493
28	Notes Receivable (141)		10,120	10,120
29	Customer Accounts Receivable (142)	-	231,858,350	221,272,312
30	Other Accounts Receivable (143)	-	11,103,204	11,770,719
31	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)	-	34,910,903	25,661,478
32	Notes Receivable from Associated Companies (145)	-	81,857,100	89,415,800
33	Accounts Receivable from Assoc. Companies (146)	-	1,161,031	2,784,581
34	Fuel Stock (151)	227	82,098,348	95,533,759
35	Fuel Stock Expense Undistributed (152)	227	133,894	273,866
36	Residuals (Elec) and Extracted Products	227		
37	Plant Material and Operating Supplies (154)	227	107,478,963	104,467,707
38	Merchandise (155)	227		
39	Other Materials and Supplies (156)	227		
40	Nuclear Materials Held for Sale (157)	202-203/227		
41	Allowances (158.1 and 158.2)	228-228	799,477	3,171,905
42	(Less) Noncurrent portion of Allowances	-		
43	Stores Expenses Undistributed (163)	227	435,417	943,052
44	Gas Stored Underground - Current (164.1)	-		
45	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)	-		
46	Prepayments (165)	-	10,275,435	11,577,632
47	Advances for Gas (166-167)	-		
48	Interest and Dividends Receivable (171)	-	2,380,055	552,182
49	Rents Receivable (172)	-	7,514,685	7,780,352
50	Accrued Utility Revenues (173)	-	92,139,469	84,941,804
51	Miscellaneous Current and Accrued Assets (174)		18,398,346	25,710,065
52	TOTAL Current and Accrued Assets(Enter Total of lines 24 thru 51)		\$621,690,327	\$720,440,911

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
COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS) (Continued)					
Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at *12/31/95 (c)	Balance at *12/31/96* (d)	
53	DEFERRED DEBITS				
54	Unamortized Debt Expenses (181)		\$5,089,845	\$5,512,454	
55	Extraordinary Property Losses (182.1)	230			
56	Unrecovered Plant and Regulatory Study Costs (182.2)	230			
57	Other Regulatory Assets (182.3)	232	1,387,896,003	1,322,616,100	
58	Prelim. Survey and Investigation Charges (Electric) (183)		697,463	1,086,221	
59	Prelim. Sur. and Invest. Charges (Gas) (183.1, 183.2)				
60	Clearing Accounts (184)		1,208,361	1,335,553	
61	Temporary Facilities (185)		8,321	6,156	
62	Miscellaneous Deferred Debits (186)	233	18,742,409	15,466,989	
63	Def. Losses from Disposition of Utility Plt. (187)				
64	Research, Devel. and Demonstration Expend. (188)	352-353			
65	Unamortized Loss on Reacquired Debt (189)		116,953,502	110,244,114	
66	Accumulated Deferred Income Taxes (190)	234	310,947,322	311,921,930	
67	Unrecovered Purchased Gas Costs (191)				
68	TOTAL Deferred Debits (Enter Total of lines 54 thru 67)		1,841,543,226	1,768,189,517	
69	TOTAL Assets and other Debits (Enter Total of lines 10, 11, 12, 22, 52, and 68)		\$9,806,176,719	\$9,774,176,462	

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
COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)				
Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at "12/31/95" (c)	Balance at "12/31/96" (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	\$1,476,048,307	\$1,476,048,307
3	Preferred Stock Issued (204)	250-251	466,374,500	466,374,500
4	Capital Stock Subscribed (202, 205)	252		
5	Stock Liability for Conversion (203, 206)	252		
6	Premium on Capital Stock (207)	252	87,000	87,000
7	Other Paid-In Capital (208-211)	253	26,221,302	55,602,083
8	Installments Received on Capital Stock (212)	252		
9	(Less) Discount on Capital Stock (213)	254		
10	(Less) Capital Stock Expense (214)	254	10,593,205	10,593,205
11	Retained Earnings (215, 215.1, 216)	118-119	997,483,655	1,053,812,491
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	36,416,758	39,912,453
13	(Less) Reacquired Capital Stock (217)	250-251		
14	TOTAL Proprietary Capital (Enter Total of lines 2 thru 13)		2,992,038,317	3,081,243,629
15	LONG-TERM DEBT			
16	Bonds (221)	256-257	2,883,500,000	2,738,500,000
17	(Less) Reacquired Bonds (222)	256-257		
18	Advances from Associated Companies (223)	256-257		
19	Other Long-Term Debt (224)	256-257		116,000,000
20	Unamortized Premium on Long-Term Debt (225)		53,711	30,783
21	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		24,825,626	22,808,817
22	TOTAL Long-Term Debt (Enter Total of lines 16 thru 21)		2,858,728,085	2,831,721,966
23	OTHER NONCURRENT LIABILITIES			
24	Obligations Under Capital Leases - Noncurrent (227)		138,624,358	165,605,976
25	Accumulated Provision for Property Insurance (228.1)			
26	Accumulated Provision for Injuries and Damages (228.2)			
27	Accumulated Provision for Pensions and Benefits (228.3)			
28	Accumulated Miscellaneous Operating Provisions (228.4)		26,966,824	24,968,571
29	Accumulated Provision for Rate Refunds (229)			
30	TOTAL Other Noncurrent Liabilities (Enter Total of lines 24 thru 29)		165,591,182	190,574,547
31	CURRENT AND ACCRUED LIABILITIES			
32	Notes Payable (231)		72,145,000	9,475,000
33	Accounts Payable (232)		122,149,336	126,035,361
34	Notes Payable to Associated Companies (233)			
35	Accounts Payable to Associated Companies (234)		22,514,119	5,539,787
36	Customer Deposits (235)		1,098,571	1,285,463
37	Taxes Accrued (236)	262-263	44,220,659	20,361,457
38	Interest Accrued (237)		65,369,088	60,114,693
39	Dividends Declared (238)		73,379,143	74,734,334
40	Matured Long-Term Debt (239)			
41	Matured Interest (240)		1,851	1,851
42	Tax Collections Payable (241)		4,657,612	4,564,442
43	Miscellaneous Current and Accrued Liabilities (242)		78,883,198	71,896,424
44	Obligations Under Capital Leases-Current (243)		81,016,693	80,955,980
45	TOTAL Current and Accrued Liabilities (Enter Total of lines 32 thru 44)		\$565,435,270	\$454,964,792

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
COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(Continued)					
Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at "12/31/95" (c)	Balance at "12/31/96" (d)	
46	DEFERRED CREDITS				
47	Customer Advances for Construction (252)		\$40,389	\$92,493	
48	Accumulated Deferred Investment Tax Credits (255)	266-267	217,145,324	207,226,304	
49	Deferred Gains from Disposition of Utility Plant (256)				
50	Other Deferred Credits (253)	269	400,300,489	458,390,792	
51	Other Regulatory Liabilities (254)	278	224,054,265	197,570,427	
52	Unamortized Gain on Reacquired Debt (257)				
53	Accumulated Deferred Income Taxes (281-283)	272-277	2,382,843,398	2,352,391,512	
54	TOTAL Deferred Credits (Enter Total of lines 47 thru 53)		3,224,383,865	3,215,671,528	
55					
56					
57					
58					
59					
60					
61					
62					
63					
64					
65					
66					
68	TOTAL Liabilities and Other Credits (Enter Total of lines 14,22,30 45 and 54)		\$9,806,176,719	\$9,774,176,462	

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, 1994
COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)				
Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at "12/31/93" (c)	Balance at "12/31/94" (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	200-201	\$8,988,103,007	\$9,386,904,850
3	Construction Work in Progress (107)	200-201	238,600,061	211,288,055
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		9,226,703,068	9,598,192,905
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 111, 115)	200-201	2,404,852,090	2,615,108,055
6	Net Utility Plant (Enter Total of line 4 less 5)	-	6,821,850,978	6,983,084,850
7	Nuclear Fuel (120.1-120.4, 120.6)	202-203	174,978,855	144,455,568
8	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203		864,144
9	Net Nuclear Fuel (Enter Total of line 7 less 8)	-	174,978,855	143,591,424
10	Net Utility Plant (Enter Total of lines 6 and 9)	-	6,996,829,833	7,126,676,274
11	Utility Plant Adjustments (116)	122		
12	Gas Stored Underground-Noncurrent (117)	-		
13	OTHER PROPERTY AND INVESTMENTS			
14	Nonutility Property (121)	221	3,633,848	3,671,940
15	(Less) Accum. Prov. for Depr. and Amort. (122)	-	401,494	409,188
16	Investments in Associated Companies (123)	-		
17	Investment in Subsidiary Companies (123.1)	224-225	49,044,412	95,042,590
18	(For Cost of Account 123.1, See Footnote Page 224, line 42)	-		
19	Noncurrent Portion of Allowances	228-228		
20	Other Investments (124)	-	22,239,961	9,267,956
21	Special Funds (125-128)	-	101,705,548	112,889,013
22	TOTAL Other Property and Investments (Total of lines 14 thru 17, 19-21)		176,222,275	220,462,311
23	CURRENT AND ACCRUED ASSETS			
24	Cash (131)	-	2,197,909	1,649,495
25	Special Deposits (132-134)	-	3,027	2,426
26	Working Funds (135)	-	1,522,408	855,339
27	Temporary Cash Investments (136)	-		
28	Notes Receivable (141)	-	10,170	10,120
29	Customer Accounts Receivable (142)	-	212,600,103	218,732,281
30	Other Accounts Receivable (143)	-	9,870,264	12,048,808
31	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)	-	29,429,084	29,082,855
32	Notes Receivable from Associated Companies (145)	-	67,161,249	89,390,398
33	Accounts Receivable from Assoc. Companies (146)	-	835,191	1,250,080
34	Fuel Stock (151)	227	94,943,052	125,085,012
35	Fuel Stock Expense Undistributed (152)	227	621,594	459,186
36	Residuals (Elec) and Extracted Products	227		
37	Plant Material and Operating Supplies (154)	227	124,133,046	121,829,394
38	Merchandise (155)	227		
39	Other Materials and Supplies (156)	227		
40	Nuclear Materials Held for Sale (157)	202-203/227		
41	Allowances (158.1 and 158.2)	228-228		
42	(Less) Noncurrent portion of Allowances	-		
43	Stores Expenses Undistributed (163)	227	1,516,098	1,674,657
44	Gas Stored Underground - Current (164.1)	-		
45	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)	-		
46	Prepayments (165)	-	8,898,099	10,574,732
47	Advances for Gas (166-167)	-		
48	Interest and Dividends Receivable (171)	-	98,133	32,655
49	Rents Receivable (172)	-	7,125,134	7,215,075
50	Accrued Utility Revenues (173)	-	120,588,654	88,667,987
51	Miscellaneous Current and Accrued Assets (174)	-	15,581,340	18,727,848
52	TOTAL Current and Accrued Assets (Enter Total of lines 24 thru 51)		\$638,276,387	\$669,122,638

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, 1994
COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS) (Continued)					
Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at "12/31/93" (c)	Balance at "12/31/94" (d)	
53	DEFERRED DEBITS				
54	Unamortized Debt Expenses (181)		\$3,957,157	\$4,855,071	
55	Extraordinary Property Losses (182.1)	230			
56	Unrecovered Plant and Regulatory Study Costs (182.2)	230			
57	Other Regulatory Assets (182.3)	232	1,559,707,433	1,334,085,594	
58	Prelim. Survey and Investigation Charges (Electric) (183)		1,088,807	549,925	
59	Prelim. Sur. and Invest. Charges (Gas) (183.1, 183.2)				
60	Cleaning Accounts (184)		(241,892)	935,383	
61	Temporary Facilities (185)		(7,550)	(4,411)	
62	Miscellaneous Deferred Debits (186)	233	28,386,179	22,202,711	
63	Def. Losses from Disposition of Utility Pkt. (187)				
64	Research, Devel. and Demonstration Expend. (188)	352-353			
65	Unamortized Loss on Recaptured Debt (189)		101,836,052	113,456,264	
66	Accumulated Deferred Income Taxes (190)	234	329,353,200	342,066,918	
67	Unrecovered Purchased Gas Costs (191)				
68	TOTAL Deferred Debits (Enter Total of lines 54 thru 67)		2,024,079,386	1,818,157,456	
69	TOTAL Assets and other Debits (Enter Total of lines 10, 11, 12, 22, 52, and 68)		\$9,835,407,881	\$9,834,418,679	

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, 1994
COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)				
Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at "12/31/93" (c)	Balance at "12/31/94" (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	\$1,370,782.934	\$1,440,527.235
3	Preferred Stock Issued (204)	250-251	506,374.500	466,374.500
4	Capital Stock Subscribed (202, 205)	252		
5	Stock Liability for Conversion (203, 206)	252		
6	Premium on Capital Stock (207)	252	87,000	87,000
7	Other Paid-In Capital (208-211)	253		972,170
8	Installments Received on Capital Stock (212)	252		
9	(Less) Discount on Capital Stock (213)	254		
10	(Less) Capital Stock Expense (214)	254	10,993.425	10,591.132
11	Retained Earnings (215, 215.1, 216)	118-119	1,051,971.369	1,014,142.058
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	13,986.511	9,984.689
13	(Less) Recquired Capital Stock (217)	250-251		
14	TOTAL Proprietary Capital (Enter Total of lines 2 thru 13)		2,932,208.889	2,921,496.520
15	LONG-TERM DEBT			
16	Bonds (221)	256-257	2,673,750.000	2,968,750.000
17	(Less) Recquired Bonds (222)	256-257		
18	Advances from Associated Companies (223)	256-257		
19	Other Long-Term Debt (224)	256-257	77,480	38,740
20	Unamortized Premium on Long-Term Debt (225)		124,687	85,825
21	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		24,981.722	28,085.541
22	TOTAL Long-Term Debt (Enter Total of lines 16 thru 21)		2,648,970.445	2,940,789.024
23	OTHER NONCURRENT LIABILITIES			
24	Obligations Under Capital Leases - Noncurrent (227)		170,284.913	151,083.441
25	Accumulated Provision for Property Insurance (228.1)			
26	Accumulated Provision for Injuries and Damages (228.2)			
27	Accumulated Provision for Pensions and Benefits (228.3)			
28	Accumulated Miscellaneous Operating Provisions (228.4)		31,870.800	28,894.886
29	Accumulated Provision for Rate Refunds (229)		12,745.756	
30	TOTAL Other Noncurrent Liabilities (Enter Total of lines 24 thru 29)		214,901.469	179,978.327
31	CURRENT AND ACCRUED LIABILITIES			
32	Notes Payable (231)		117,000.000	64,000.000
33	Accounts Payable (232)		146,759.360	138,986.836
34	Notes Payable to Associated Companies (233)			
35	Accounts Payable to Associated Companies (234)		2,459.500	1,654.296
36	Customer Deposits (235)		1,108.943	1,116.741
37	Taxes Accrued (236)	262-263	61,390.033	42,389.358
38	Interest Accrued (237)		59,564.144	63,924.477
39	Dividends Declared (238)		70,409.819	71,710.200
40	Matured Long-Term Debt (239)			
41	Matured Interest (240)		2,452	1,851
42	Tax Collections Payable (241)		4,424.618	4,546.664
43	Miscellaneous Current and Accrued Liabilities (242)		73,920.437	89,969.878
44	Obligations Under Capital Leases-Current (243)		78,739.567	73,681.675
45	TOTAL Current and Accrued Liabilities (Enter Total of lines 32 thru 44)		\$615,778.873	\$551,982.035

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, 1994
COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(Continued)				
Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at "12/31/93" (c)	Balance at "12/31/94" (d)
46	DEFERRED CREDITS			
47	Customer Advances for Construction (252)		\$35,717	\$40,389
48	Accumulated Deferred Investment Tax Credits (255)	266-267	239,940,390	227,823,051
49	Deferred Gains from Disposition of Utility Plant (256)			
50	Other Deferred Credits (253)	269	235,728,778	330,111,093
51	Other Regulatory Liabilities (254)	278	364,021,256	309,616,680
52	Unamortized Gain on Reacquired Debt (257)			
53	Accumulated Deferred Income Taxes (281-283)	272-277	2,583,822,064	2,372,581,560
54	TOTAL Deferred Credits (Enter Total of lines 47 thru 53)		3,423,548,205	3,240,172,773
55				
56				
57				
58				
59				
60				
61				
62				
63				
64				
65				
66				
68	TOTAL Liabilities and Other Credits (Enter Total of lines 14,22,30 45 and 54)		\$9,835,407,881	\$9,834,418,679

RP - G.5.
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 INCOME FOR THE YEAR

Report amounts for accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another utility column (i,k,m,o) in a similar manner to a utility department. Spread the amount(s) over lines 02 thru 24 as appropriate. Include these amounts in columns (c) and (d) totals.

2. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

3. Report data for lines 7, 9, and 10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1, and 407.2.

4. Use page 122-123 for important notes regarding the statement of income or any account thereof.

5. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power and gas purchases.

6. Give concise explanations concerning significant amounts of any refunds made or received during the year

Line No.	Account (a)	Ref. Page No. (b)	Total	
			Year Ending "12/31/96 Base Year	Year Ending "12/31/95 (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	300-301	\$2,909,086,658	\$2,750,226,135
3	Operating Expenses			
4	Operation Expenses (401)	320-323	1,356,259,043	1,194,727,944
5	Maintenance Expenses (402)	320-323	188,258,566	213,383,109
6	Depreciation Expense (403)	336-337	361,863,261	347,727,769
	Amort. & Depl. of Utility Plant (404-405)	336-337	11,049	7,366
	Amort. of Utility Plant Acq. Adj. (406)	336-337	1,271,520	1,106,928
9	Amort. of Property Losses, Unrecovered Plant and Regulatory Study Costs (407)			
10	Amort. of Conversion Expenses (407)			
11	Regulatory Debits (407.3)		25,144,742	23,543,830
12	(Less) Regulatory Credits (407.4)		34,711,492	66,026,969
13	Taxes Other Than Income Taxes (408.1)	262-263	203,343,603	200,561,185
14	Income Taxes - Federal (409.1)	262-263	189,886,494	196,449,330
15	- Other (409.1)	262-263	63,502,121	62,380,163
16	Provision for Deferred Income Taxes (410.1)	234,272-277	147,420,725	144,403,086
17	(Less) Provision for Deferred Income Taxes - Cr. (411.1)	234,272-277	137,165,248	129,992,670
18	Investment Tax Credit Adj. - Net (411.4)	266	(9,919,020)	(10,677,727)
19	(Less) Gains from Disp. of Utility Plant (411.6)			
20	Losses from Disp. of Utility Plant (411.7)			
21	(Less) Gains from Disposition of Allowances (411.8)		755,238	413,134
22	Losses from Disposition of Allowances (411.9)			
23	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 22)		2,354,410,126	2,177,180,210
24	Net Utility Operating Income (Enter Total of line 2 less 23)(Carry forward to page 117, line 25)		\$554,676,532	\$573,045,925

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 INCOME FOR THE YEAR (Continued)

...g from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.

7. If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be included on page 122-123.

8. Enter on page 122-123 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.

9. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 2 to 23, and report the information in the blank space on page 122-123 or in a footnote.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		Line No
Base Year (e)	Previous Year (f)	Base Year (g)	Previous Year (h)	Base Year (i)	Previous Year (j)	
						1
\$2,909,086,658	\$2,750,226,135					2
						3
1,356,259,043	1,194,727,944					4
188,258,566	213,383,109					5
361,863,261	347,727,769					6
11,049	7,366					7
1,271,520	1,106,928					8
						9
						10
25,144,742	23,543,830					11
34,711,492	66,026,969					12
203,343,603	200,561,185					13
189,886,494	196,449,330					14
63,502,121	62,380,163					15
147,420,725	144,403,086					16
						17
137,165,248	129,992,670					18
(9,919,020)	(10,677,727)					19
						20
						21
755,238	413,134					22
						23
2,354,410,126	2,177,180,210					24
\$554,676,532	\$573,045,925					24

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
STATEMENT OF INCOME FOR THE YEAR (Continued)				
Line No.	Account (a)	Ref. Page No. (b)	TOTAL	
			Year Ending "12/31/96" Base Year	Year Ending "12/31/95" (d)
25	Net Utility Operating Income (Carried forward from page 114)		\$554,676,532	\$573,045,925
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)			
30	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)			
31	Revenues From Nonutility Operations (417)			
32	(Less) Expenses of Nonutility Operations (417.1)			
33	Nonoperating Rental Income (418)		(552,132)	(75,567)
34	Equity in Earnings of Subsidiary Companies (418.1)	119	5,775,695	29,529,026
35	Interest and Dividend Income (419)		6,510,566	6,121,534
36	Allowance for Other Funds Used During Construction (419.1)		5,690,871	4,164,078
37	Miscellaneous Nonoperating Income (421)		4,687,284	40,212,573
38	Gain on Disposition of Property (421.1)		75,187	470,637
39	TOTAL Other Income (Enter Total of lines 29 thru 38)		22,187,471	80,422,281
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)		32,128	1,486
42	Miscellaneous Amortization (425)	340		
43	Miscellaneous Income Deductions (426.1-426.5)	340	6,365,150	71,969,735
44	TOTAL Other Income Deductions (Total of lines 41 thru 43)		6,397,278	71,971,221
45	Taxes Applic. to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	262-263	86,852	92,738
47	Income Taxes - Federal (409.2)	262-263	42,624	(4,937,763)
48	Income Taxes - Other (409.2)	262-263	19,107	(1,565,228)
49	Provision for Deferred Inc. Taxes (410.2)	234,272-277	930,372	11,628,979
50	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234,272-277	849,787	1,369,504
51	Investment Tax Credit Adj.- Net (411.5)			
52	(Less) Investment Tax Credits (420)			
53	TOTAL Taxes on Other Inc. and Ded. (Enter Total of 46 thru 52)		229,168	3,849,222
54	Net Other Income and Deductions (Enter Total of lines 39,44,53)		15,561,025	4,601,838
55	Interest Charges			
56	Interest on Long-Term Debt (427)		206,769,821	213,413,256
57	Amortization of Debt Disc. and Expense (428)	258-259	2,384,894	2,376,353
58	Amortization of Loss on Reacquired Debt (428.1)		7,221,105	7,448,107
59	(Less) Amort. of Premium on Debt - Credit (429)	258-259	22,929	32,114
60	(Less) Amortization of Gain on Reacquired Debt - Credit (429.1)			
61	Interest on Debt to Assoc. Companies (430)	340		
62	Other Interest Expense (431)	340	2,620,735	9,663,902
63	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		5,578,179	7,305,971
64	Net Interest Charges (Total of lines 56 thru 63)		213,395,447	225,563,533
65	Income Before Extraordinary Items (Enter Total of lines 25, 54 and 64)		356,842,110	352,084,230
66	Extraordinary Items			
67	Extraordinary Income (434)			
68	(Less) Extraordinary Deductions (435)			
69	Net Extraordinary Items (Enter Total of line 67 less line 68)			
70	Income Taxes - Federal and Other (409.3)	262-263		
71	Extraordinary Items After Taxes (Enter Total of line 69 less line 70)			
72	Net Income (Enter Total of lines 65 and 71)		\$356,842,110	\$352,084,230

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, 1994
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STATEMENT OF INCOME FOR THE YEAR

1. Report amounts for accounts 412 and 413. Revenue and Expenses from Utility Plant Leased to Others, in another utility column (i,k,m,o) in a similar manner to a utility department. Spread the amount(s) over lines 02 thru 24 as appropriate. Include these amounts in columns (c) and (d) totals.

2. Report amounts in account 414. Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

3. Report data for lines 7, 9, and 10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1, and 407.2.

4. Use page 122 for important notes regarding the statement of income or any account thereof.

5. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power and gas purchases.

6. Give concise explanations concerning significant amounts of any refunds made or received during the year

Line No.	Account (a)	Ref. Page No. (b)	Total	
			Year Ending "12/31/94" (c)	Year Ending "12/31/93" (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	300-301	\$2,723,662,784	\$2,725,738,679
3	Operating Expenses			
4	Operation Expenses (401)	320-323	1,321,462,976	1,258,902,123
5	Maintenance Expenses (402)	320-323	205,903,821	230,502,909
6	Depreciation Expense (403)	336-338	313,793,115	284,503,573
7	Amort. & Depl. of Utility Plant (404-405)	336-338		
8	Amort. of Utility Plant Acq. Adj. (406)	336-338	954,714	868,194
9	Amort. of Property Losses, Unrecovered Plant and Regulatory Study Costs (407)			
10	Amort. of Conversion Expenses (407)			
11	Regulatory Debits (407.3)		16,937,975	
12	(Less) Regulatory Credits (407.4)		56,128,610	51,833,004
13	Taxes Other Than Income Taxes (408.1)	262-263	202,352,567	203,830,793
14	Income Taxes - Federal (409.1)	262-263	196,942,952	162,565,830
15	- Other (409.1)	262-263	76,097,338	63,009,637
16	Provision for Deferred Income Taxes (410.1)	234,272-277	92,220,982	124,790,149
17	(Less) Provision for Deferred Income Taxes - Cr. (411.1)	234,272-277	134,963,230	101,577,996
18	Investment Tax Credit Adj. - Net (411.4)	266	(12,117,339)	(13,369,711)
19	(Less) Gains from Disp. of Utility Plant (411.6)			
20	Losses from Disp. of Utility Plant (411.7)			15,968
21	(Less) Gains from Disposition of Allowances (411.8)		487,144	408,849
22	Losses from Disposition of Allowances (411.9)			
23	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 22)		2,222,970,117	2,161,799,616
24	Net Utility Operating Income (Enter Total of line 2 less 23)(Carry forward to page 117, line 25)		\$500,692,667	\$563,939,063

See Notes to Financial Statements for a discussion of rate refunds made during the year and a pending rate proceeding affecting costs incurred for power purchases.

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, 1994	
STATEMENT OF INCOME FOR THE YEAR (Continued)							
resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.				allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.			
7. If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be attached at page 122.				9. Explain in a footnote if the previous year's figures are different from that reported in prior reports.			
8. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of				10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 2 to 23, and report the information in the blank space on page 122 or in a supplemental statement.			
ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY			
Current Year (e)	Previous Year (f)	Current Year (g)	Previous Year (h)	Current Year (i)	Previous Year (j)	Line No	
						1	
\$2,723,662,784	\$2,725,738,679					2	
						3	
1,321,462,976	1,258,902,123					4	
205,903,821	230,502,909					5	
313,793,115	284,503,573					6	
						7	
954,714	868,194					8	
						9	
						10	
16,937,975						11	
56,128,610	51,833,004					12	
202,352,567	203,830,793					13	
196,942,952	162,565,830					14	
76,097,338	63,009,637					15	
92,220,982	124,790,149					16	
						17	
134,963,230	101,577,996					18	
(12,117,339)	(13,369,711)					19	
	15,968					20	
487,144	408,849					21	
						22	
2,222,970,117	2,161,799,616					23	
\$500,692,667	\$563,939,063					24	

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, 1994
STATEMENT OF INCOME FOR THE YEAR (Continued)				
Line No.	Account (a)	Ref. Page No. (b)	TOTAL	
			Year Ending "12/31/94" (c)	Year Ending "12/31/93" (d)
25	Net Utility Operating Income (Carried forward from page 114)		\$500,692,667	\$563,939,063
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)			
30	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)			
31	Revenues From Nonutility Operations (417)			
32	(Less) Expenses of Nonutility Operations (417.1)			
33	Nonoperating Rental Income (418)		107	(58,565)
34	Equity in Earnings of Subsidiary Companies (418.1)	119	(1,841,822)	5,353,535
35	Interest and Dividend Income (419)		4,852,983	3,869,727
36	Allowance for Other Funds Used During Construction (419.1)		4,686,450	7,981,293
37	Miscellaneous Nonoperating Income (421)		16,059	42,865
38	Gain on Disposition of Property (421.1)		62,282	220,041
39	TOTAL Other Income (Enter Total of lines 29 thru 38)		7,776,059	17,408,896
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)		4,088	40,659
42	Miscellaneous Amortization (425)	340		
43	Miscellaneous Income Deductions (426.1-426.5)	340	71,038,879	6,548,083
44	TOTAL Other Income Deductions (Total of lines 41 thru 43)		71,042,967	6,588,742
45	Taxes Applicable to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	262-263	84,000	84,000
47	Income Taxes - Federal (409.2)	262-263	(19,782,235)	(355,212)
48	Income Taxes - Other (409.2)	262-263	(7,702,470)	(142,413)
49	Provision for Deferred Inc. Taxes (410.2)	234.272-277	114,487	35,826
50	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234.272-277	2,227,415	1,984,568
51	Investment Tax Credit Adj.- Net (411.5)			
52	(Less) Investment Tax Credits (420)			
53	TOTAL Taxes on Other Inc. and Ded. (Enter Total of 46 thru 52)		(29,513,633)	(2,362,367)
54	Net Other Income and Deductions (Enter Total of lines 39, 44, 53)		(33,753,275)	13,182,521
55	Interest Charges			
56	Interest on Long-Term Debt (427)		214,384,017	224,415,520
57	Amortization of Debt Disc. and Expense (428)	258-259	2,184,860	1,840,760
58	Amortization of Loss on Recquired Debt (428.1)		7,001,102	5,237,178
59	(Less) Amort. of Premium on Debt - Credit (429)	258-259	33,990	42,965
60	(Less) Amortization of Gain on Recquired Debt - Credit (429.1)			
61	Interest on Debt to Assoc. Companies (430)	340		
62	Other Interest Expense (431)	340	6,954,139	4,545,177
63	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		7,890,766	6,999,870
64	Net Interest Charges (Total of lines 56 thru 63)		222,599,362	228,995,800
65	Income Before Extraordinary Items (Enter Total of lines 25, 54 and 64)		244,340,030	348,125,784
66	Extraordinary Items			
67	Extraordinary Income (434)			
68	(Less) Extraordinary Deductions (435)			
69	Net Extraordinary Items (Enter Total of line 67 less line 68)			
70	Income Taxes - Federal and Other (409.3)	262-263		
71	Extraordinary Items After Taxes (Enter Total of line 69 less line 70)			
72	Net Income (Enter Total of lines 65 and 71)		\$244,340,030	\$348,125,784

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ATTACHMENT 3

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, 1994
SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION				
Line No.	Item (a)	Total (b)	Electric (c)	
1	UTILITY PLANT			
2	In Service			
3	Plant in Service (Classified)	\$9,271,174,167	\$9,271,174,167	
4	Property Under Capital Leases	80,385,405	80,385,405	
5	Plant Purchased or Sold			
6	Completed Construction not Classified			
7	Experimental Plant Unclassified			
8	TOTAL (Enter Total of lines 3 thru 7)	9,351,559,572	9,351,559,572	
9	Leased to Others			
10	Held for Future Use	35,345,278	35,345,278	
11	Construction Work in Progress	211,288,055	211,288,055	
12	Acquisition Adjustments			
13	TOTAL Utility Plant (Enter Total of lines 8 thru 12)	9,598,192,905	9,598,192,905	
14	Accum. Prov. for Depr., Amort., & Depl.	2,615,108,055	2,615,108,055	
15	Net Utility Plant (Enter Total of line 13 less 14)	\$6,983,084,850	\$6,983,084,850	
16	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION			
17	In Service:			
18	Depreciation	\$2,602,848,221	\$2,602,848,221	
19	Amort. and Depl. of Producing Nat. Gas Land and Land Rights			
20	Amort. of Underground Storage Land and Land Rights			
21	Amort. of Other Utility Plant	12,259,834	12,259,834	
22	TOTAL in Service (Enter Total of lines 18 thru 21)	2,615,108,055	2,615,108,055	
23	Leased to Others			
24	Depreciation			
25	Amortization and Depletion			
26	TOTAL Leased to Others (Enter Total of lines 24 and 25)			
27	Held for Future Use			
28	Depreciation			
29	Amortization			
30	TOTAL Held for Future Use (Enter Total of lines 28 and 29)			
31	Abandonment of Leases (Natural Gas)			
32	Amort. of Plant Acquisition Adjustment			
33	TOTAL Accumulated Provisions (Should agree with line 14 above)(Enter Total of lines 22, 26, 30, 31 and 32)	\$2,615,108,055	\$2,615,108,055	

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, 1993
SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION				
Line No.	Item (a)	Total (b)	Electric (c)	
1	UTILITY PLANT			
2	In Service			
3	Plant in Service (Classified)	\$8,879,601,553	\$8,879,601,553	
4	Property Under Capital Leases	75,629,908	75,629,908	
5	Plant Purchased or Sold			
6	Completed Construction not Classified			
7	Experimental Plant Unclassified			
8	TOTAL (Enter Total of lines 3 thru 7)	8,955,231,461	8,955,231,461	
9	Leased to Others			
10	Held for Future Use	32,871,546	32,871,546	
11	Construction Work in Progress	238,600,061	238,600,061	
12	Acquisition Adjustments			
13	TOTAL Utility Plant (Enter Total of lines 8 thru 12)	9,226,703,068	9,226,703,068	
14	Accum. Prov. for Depr., Amort., & Depl.	2,404,852,090	2,404,852,090	
15	Net Utility Plant (Enter Total of line 13 less 14)	\$6,821,850,978	\$6,821,850,978	
16	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION			
17	In Service:			
18	Depreciation	\$2,396,033,570	\$2,396,033,570	
19	Amort. and Depl. of Producing Nat. Gas Land and Land Rights			
20	Amort. of Underground Storage Land and Land Rights			
21	Amort. of Other Utility Plant	8,818,520	8,818,520	
22	TOTAL in Service (Enter Total of lines 18 thru 21)	2,404,852,090	2,404,852,090	
23	Leased to Others			
24	Depreciation			
25	Amortization and Depletion			
26	TOTAL Leased to Others (Enter Total of lines 24 and 25)			
27	Held for Future Use			
28	Depreciation			
29	Amortization			
30	TOTAL Held for Future Use (Enter Total of lines 28 and 29)			
31	Abandonment of Leases (Natural Gas)			
32	Amort. of Plant Acquisition Adjustment			
33	TOTAL Accumulated Provisions (Should agree with line 14 above)(Enter Total of lines 22, 26, 30, 31 and 32)	\$2,404,852,090	\$2,404,852,090	

- Q. Provide a description of the property of the utility and an explanation of the system's operation. Supply the following, using available projections, if actual data is unavailable:
- (a) A schedule of generating capability during the base year, net dependable capacity in kilowatts by unit, plant capacity factor by unit, and total fuel consumption by type and cost for each unit, if available, or for each station, and operation and maintenance expenses by station.
 - (b) A schedule showing for the base year and for the 12-month period immediately preceding the base year the scheduled and unscheduled outages -- in excess of 48 hours -- for each station, the equipment or unit involved, the date the outage occurred, duration of the outage, maintenance expenses incurred for each outage if available, and amounts reimbursable from suppliers or insurance companies.
 - (c) A schedule for each unit retired during the base year or subsequent to the end of the base year which shows the unit's kilowatt capacity, hours of operation during the base year, net output generated, cents/kilowatt hour of maintenance and fuel expenses, and date of retirement.
 - (d) A schedule showing the latest projections of capacity additions and retirements -- costs and kilowatts -- and reserve capacity at the time of peak for at least ten years beyond the base year, including the in-service dates -- actual or expected.
- A. The Company's total owned and leased generation resources as of December 31, 1996 were 8396 MW (winter ratings). These resources include a diversified mix of generating plants. About 50% of the resources are coal-fired, 24% nuclear-fueled, 19% oil or natural gas-fired steam, 4% combustion turbine and diesels, and 2% hydroelectric. These figures reflect PP&L's ownership of about 12% of the Keystone coal-fired plant and about 11% of the Conemaugh coal-fired plant, both located in western Pennsylvania. In addition, PP&L owns 1/3 of the Safe Harbor Hydro Station. The Susquehanna Steam Electric Station (SSES) nuclear units are jointly owned by PP&L (90%) and the Allegheny Electric Cooperative, Inc. (AEC) (10%). Additionally, PP&L purchases output of 474 MW from non-utility generation. Attachment 1 provides details about these resources.

In addition, PP&L has an integrated transmission network with more than 1,100 miles of transmission lines operating at 230 kV or above, and more than 50,000 miles of lines operating at less than 230 kV.

PP&L is a member of the Pennsylvania-New Jersey-Maryland Interconnection Association (PJM) and also shares in the jointly-owned PJM-Extra High Voltage (EHV) system.

(a) Attachment 1 provides each unit's net dependable capacity as of December 31, 1996. Attachment 2 provides the capacity factors, total fuel consumption by type and operation and maintenance expenses by unit.

(b) Attachment 3 provides the scheduled and unscheduled outages in excess of 48 hours for each PP&L unit during 1995 and 1996. PP&L does not record maintenance expenses for scheduled and unscheduled outages on a separate accounting basis.

(c) The only capacity removed from PP&L's system during the base year was the Martins Creek and Sunbury combustion turbines (CTs) following the expiration of the lease on May 17, 1996. The capacity factors, total fuel consumption and operation and maintenance expenses for these CTs is shown on Attachment 2.

(d) PP&L currently has no plans for capacity additions and/or retirements in the ten years beyond the base year. The latest projection of capacity changes and reserve capacity at the time of peak for the next 10 years are shown on Attachment 4.

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ATTACHMENT 1

PP&L Installed Capacity

(as of December 31, 1996)

Unit	Net Dependable Capability		Notes
	Summer	Winter	
	(MW)	(MW)	
Susquehanna 1	981	996	(PP&L share 90%)
Susquehanna 2	985	999	(PP&L share 90%)
Brunner Island 1	321	334	
Brunner Island 2	378	390	
Brunner Island 3	735	745	
Brunner Island Diesels	8	8	
Montour 1	760	770	
Montour 2	745	755	
Sunbury 1	70	76	
Sunbury 2	70	76	
Sunbury 3	94	103	
Sunbury 4	128	134	
Sunbury Diesels	6	6	
Martins Creek 1	140	150	
Martins Creek 2	140	150	
Martins Creek 3	807	807	
Martins Creek 4	785	785	
Martins Creek Diesels	5	5	
Holtwood Hydro	102	102	
Holtwood 17	72	73	
Keystone 1	105	105	(PP&L share 12.34%)
Keystone 2	105	105	(PP&L share 12.34%)
Keystone Diesels	2	2	(PP&L share 12.34%)
Conemaugh 1	97	97	(PP&L share 11.39%)
Conemaugh 2	97	97	(PP&L share 11.39%)
Conemaugh Diesels	1	1	(PP&L share 11.39%)
Wallenpaupack Hydro	44	44	
Safe Harbor Hydro	139	139	(PP&L share 33.33%)
Allentown CTs	56	72	
Harrisburg CTs	56	72	
Harwood CTs	28	36	
Williamsport CTs	28	36	
West Shore CTs	28	36	
Fishbach CTs	28	36	
Jenkins CTs	28	36	
Lock Haven CTs	14	18	
Non-Utility Generation	474	474	
Total Installed Capacity	8662	8870	

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ATTACHMENT 2

Station	Fuel	Capacity Factor	Total Fuel Consumption Tons	Fuel Cost 1000 \$	Fuel MWD-Therm	Operation & Maintenance Expense	Net Generation	Service Hours
Susquehanna		87.35	na	85,884	1,978,398	155,811,760	15,192,060	
Unit 1	Uranium	80.24	na	41,004	914,904	na	6,977,603	7,435
Unit 2	Uranium	94.46	na	44,879	1,063,494	na	8,214,457	8,346
Notes: All Susquehanna data - PP&L 90% Ownership portion.								
Brunner Island Station		58.9	2,924,036	116,380		37,658,000	7,573,705	8,784
Unit 1	Bit Coal	59.9	716,463	na		na	1,758,400	8,403
Unit 2	Bit Coal	58.8	774,911	na		na	2,013,789	8,031
Unit 3	Bit Coal	58.5	1,432,662	na		na	3,801,516	6,751
Diesels	No 2 Oil	0.5	27,816 gal	18.7		54,241	375	51
Holtwood Unit 17	Anth Coal	78.1	345,961	6,830		6,763,000	500,911	7,792
Martins Creek Coal		56.4	642,571	22,488		12,972,000	1,475,329	8,427
Unit 1	Bit Coal	64.2	363,073	na		na	840,895	7,891
Unit 2	Bit Coal	48.5	279,498	na		na	634,434	6,384
Diesels	No 2 Oil	0.4	13,329 gal	8.1		5,976	169	34
Martins Creek Oil		6.7	bbls #6 Oil	41,373	Gas MBTU's	20,380,000	963,535	2,083
Unit 3	Oil/Gas	4.9	714,828	na	na	na	356,511	1,105
Unit 4	Oil/Gas	8.4	872,658	na	1,684,414	na	607,024	1,743
Montour Station		57.3	3,040,988	112,705		40,755,000	7,622,252	8,759
Unit 1	Bit Coal	61.7	1,663,904	na		na	4,145,635	7,711
Unit 2	Bit Coal	52.8	1,377,084	na		na	3,476,617	5,859
Sunbury Station		71.9	1,387,614	35,518		21,595,000	2,457,594	8,784
Unit 1-3	Anth/bit	75.6	1,051,026	na		na	1,694,398	8,784
Unit 4	Bit Coal	64.8	336,588	na		na	763,196	8,358
Diesels	No 2 Oil	0.5	18,486 gal	11.5		3,409	237	48
Holtwood Hydro	Water	71.0%	na	na		5,417,000	634,188	8,075
Wallenpaupack Hydro	Water	35.3%	na	na		1,099,000	136,000	3,751
Keystone		84.7%	4,912,000	184,308		45,831,000	12,626,645	8,602
Unit 1	Bit Coal	92.3%	na	na		na	6,881,442	na
Unit 2	Bit Coal	77.1%	na	na		na	5,745,203	na
Diesels	No 2 Oil	2.1%	na	103	na	191,961	2,075	213
Note: All Keystone data is for the total station, not PP&L's 12.34% ownership.								
Conemaugh		76.3%	4,357,959	141,303		55,987,000	11,390,009	8,521
Unit 1	Bit Coal	71.4%	na	na		na	5,318,683	na
Unit 2	Bit Coal	81.5%	na	na		na	6,071,326	na
Diesels	No 2 Oil	1.4%	na	54		126,383	1,378	132
Note: All Conemaugh data is for the total station, not PP&L's 11.39% ownership.								
Safe Harbor Hydro	Water	43.2%	na	na		21,650,831	1,577,873	na
Allentown CT's	No 2 Oil	0.6%	408,997	221		762,127	3,534	244
Harrisburg CT's	No 2 Oil	0.8%	535,396	314		308,330	4,512	302
Harwood CT's	No 2 Oil	0.5%	160,947	97		76,417	1,289	638
Williamsport CT's	No 2 Oil	0.7%	219,783	124		82,627	1,946	132
West Shore CT's	No 2 Oil	0.6%	172,894	97		256,535	1,599	105
Fishbach CT's	No 2 Oil	0.4%	130,959	74		45,934	1,218	82
Jenkins CT's	No 2 Oil	0.6%	180,570	105		54,374	1,592	107
Lock Haven CT's	No 2 Oil	0.2%	41,171	23		38,064	324	28
Martins Creek CT's	No 2 Oil	0.1%	116,260	52		502,936	1,021	51
Sunbury CT's	No 2 Oil	0.0%	22,993	7		153,088	182	11

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ATTACHMENT 3

ALL FULL UNIT OUTAGES GREATER THAN 48 HOURS

<u>UNIT</u>	<u>YEAR</u>	<u>MONTH</u>	<u>DAY</u>	<u>OUTAGE TYPE</u>	<u>HOURS</u>	<u>DAYS</u>
BRUNNER ISLAND UNIT 1	1995	5	5	Full Planned (Annual Overhaul)	658	27.4
BRUNNER ISLAND UNIT 1	1995	11	2	Full Maintenance	79	3.3
BRUNNER ISLAND UNIT 1	1995	12	7	Full Forced	79	3.3
BRUNNER ISLAND UNIT 1	1996	5	24	Full Maintenance	59	2.5
BRUNNER ISLAND UNIT 1	1996	6	18	Full Forced	54	2.3
BRUNNER ISLAND UNIT 1	1996	9	6	Full Planned (Annual Overhaul)	186	7.8
BRUNNER ISLAND UNIT 2	1995	1	14	Full Maintenance	56	2.3
BRUNNER ISLAND UNIT 2	1995	10	6	Full Planned (Annual Overhaul)	1841	76.7
BRUNNER ISLAND UNIT 2	1996	1	14	Full Maintenance	183	7.6
BRUNNER ISLAND UNIT 2	1996	3	12	Full Maintenance	126	5.3
BRUNNER ISLAND UNIT 2	1996	6	7	Full Maintenance	60	2.5
BRUNNER ISLAND UNIT 2	1996	9	12	Full Forced	55	2.3
BRUNNER ISLAND UNIT 2	1996	11	8	Full Planned (Annual Overhaul)	136	5.7
BRUNNER ISLAND UNIT 3	1995	3	16	Full Forced	55	2.3
BRUNNER ISLAND UNIT 3	1995	4	25	Full Forced	75	3.1
BRUNNER ISLAND UNIT 3	1995	4	28	Full Forced	68	2.8
BRUNNER ISLAND UNIT 3	1995	5	11	Full Forced	68	2.8
BRUNNER ISLAND UNIT 3	1995	7	3	Full Forced	58	2.4
BRUNNER ISLAND UNIT 3	1995	9	9	Full Maintenance	75	3.1
BRUNNER ISLAND UNIT 3	1995	9	14	Full Forced	54	2.3
BRUNNER ISLAND UNIT 3	1995	12	4	Full Forced	59	2.5
BRUNNER ISLAND UNIT 3	1995	12	21	Full Forced	88	3.7
BRUNNER ISLAND UNIT 3	1996	3	22	Full Planned (Annual Overhaul)	218	9
BRUNNER ISLAND UNIT 3	1996	4	1	Full Maintenance	173	7.2
BRUNNER ISLAND UNIT 3	1996	4	9	Full Forced	83	3.5
BRUNNER ISLAND UNIT 3	1996	4	19	Full Maintenance	58	2.4
BRUNNER ISLAND UNIT 3	1996	5	10	Full Maintenance	59	2.5
BRUNNER ISLAND UNIT 3	1996	9	20	Full Planned (Annual Overhaul)	1415	59
HOLTWOOD UNIT 17	1995	1	13	Full Planned (Annual Overhaul)	544	22.7
HOLTWOOD UNIT 17	1995	5	24	Full Forced	50	2.1
HOLTWOOD UNIT 17	1995	5	30	Full Forced	176	7.3
HOLTWOOD UNIT 17	1995	6	7	Full Forced	161	6.7
HOLTWOOD UNIT 17	1995	7	1	Full Forced	229	9.5
HOLTWOOD UNIT 17	1995	9	30	Full Maintenance	225	9.4
HOLTWOOD UNIT 17	1996	4	12	Full Maintenance	472	19.7
HOLTWOOD UNIT 17	1996	7	26	Full Forced	162	6.8
HOLTWOOD UNIT 17	1996	10	25	Full Planned (Annual Overhaul)	212	8.8
HOLTWOOD UNIT 17	1996	11	3	Full Forced	111	4.6

ALL FULL UNIT OUTAGES GREATER THAN 48 HOURS

<u>UNIT</u>	<u>YEAR</u>	<u>MONTH</u>	<u>DAY</u>	<u>OUTAGE TYPE</u>	<u>HOURS</u>	<u>DAYS</u>
MARTINS CREEK UNIT 1	1995	8	30	Full Planned (Annual Overhaul)	438	18.3
MARTINS CREEK UNIT 1	1996	1	22	Full Forced	144	6
MARTINS CREEK UNIT 1	1996	3	12	Full Maintenance	96	4
MARTINS CREEK UNIT 1	1996	7	23	Full Forced	71	3
MARTINS CREEK UNIT 1	1996	8	31	Full Forced	115	4.8
MARTINS CREEK UNIT 1	1996	9	20	Full Forced	132	5.5
MARTINS CREEK UNIT 1	1996	10	23	Full Forced	57	2.4
MARTINS CREEK UNIT 1	1996	12	15	Full Forced	100	4.2
MARTINS CREEK UNIT 2	1995	4	24	Full Forced	54	2.3
MARTINS CREEK UNIT 2	1995	8	8	Full Forced	54	2.3
MARTINS CREEK UNIT 2	1995	8	14	Full Forced	65	2.7
MARTINS CREEK UNIT 2	1995	8	26	Full Forced	95	4
MARTINS CREEK UNIT 2	1995	9	1	Full Forced	155	6.5
MARTINS CREEK UNIT 2	1995	9	9	Full Forced	520	21.7
MARTINS CREEK UNIT 2	1995	10	3	Full Forced	202	8.4
MARTINS CREEK UNIT 2	1995	10	13	Full Forced	431	18
MARTINS CREEK UNIT 2	1995	11	22	Full Forced	221	9.2
MARTINS CREEK UNIT 2	1996	1	3	Full Forced	52	2.2
MARTINS CREEK UNIT 2	1996	1	22	Full Forced	65	2.7
MARTINS CREEK UNIT 2	1996	1	25	Full Forced	82	3.4
MARTINS CREEK UNIT 2	1996	3	5	Full Forced	51	2.1
MARTINS CREEK UNIT 2	1996	4	13	Full Forced	79	3.3
MARTINS CREEK UNIT 2	1996	4	25	Full Forced	57	2.4
MARTINS CREEK UNIT 2	1996	5	10	Full Forced	54	2.3
MARTINS CREEK UNIT 2	1996	6	17	Full Forced	87	3.6
MARTINS CREEK UNIT 2	1996	6	21	Full Forced	66	2.8
MARTINS CREEK UNIT 2	1996	7	23	Full Forced	87	3.6
MARTINS CREEK UNIT 2	1996	7	29	Full Forced	109	4.5
MARTINS CREEK UNIT 2	1996	10	2	Full Planned (Annual Overhaul)	769	32
MARTINS CREEK UNIT 2	1996	11	3	Full Maintenance	493	20.5
MARTINS CREEK UNIT 2	1996	11	27	Full Forced	64	2.7
MARTINS CREEK UNIT 3	1995	9	25	Full Maintenance	269	11.2
MARTINS CREEK UNIT 3	1996	1	22	Full Forced	182	7.6
MARTINS CREEK UNIT 3	1996	7	24	Full Maintenance	114	4.8
MARTINS CREEK UNIT 3	1996	11	2	Full Planned (Annual Overhaul)	1392	58
MARTINS CREEK UNIT 3	1996	12	29	Full Maintenance	49	2
MARTINS CREEK UNIT 4	1995	1	1	Full Planned (Annual Overhaul)	107	4.5
MARTINS CREEK UNIT 4	1995	2	9	Full Forced	1632	68
MARTINS CREEK UNIT 4	1995	9	23	Full Maintenance	79	3.3

ALL FULL UNIT OUTAGES GREATER THAN 48 HOURS

<u>UNIT</u>	<u>YEAR</u>	<u>MONTH</u>	<u>DAY</u>	<u>OUTAGE TYPE</u>	<u>HOURS</u>	<u>DAYS</u>
MARTINS CREEK UNIT 4	1996	1	12	Full Maintenance	71	3
MARTINS CREEK UNIT 4	1996	1	22	Full Forced	150	6.3
MARTINS CREEK UNIT 4	1996	4	4	Full Planned (Annual Overhaul)	1464	61
MARTINS CREEK UNIT 4	1996	6	3	Full Maintenance	85	3.5
MARTINS CREEK UNIT 4	1996	6	7	Full Forced	190	7.9
MARTINS CREEK UNIT 4	1996	7	20	Full Maintenance	60	2.5
MONTOUR UNIT 1	1995	1	6	Full Forced	64	2.7
MONTOUR UNIT 1	1995	3	24	Full Planned (Annual Overhaul)	1688	70.3
MONTOUR UNIT 1	1995	6	9	Full Forced	188	7.8
MONTOUR UNIT 1	1995	7	7	Full Maintenance	57	2.4
MONTOUR UNIT 1	1995	7	29	Full Forced	55	2.3
MONTOUR UNIT 1	1995	9	23	Full Maintenance	173	7.2
MONTOUR UNIT 1	1996	1	16	Full Forced	252	10.5
MONTOUR UNIT 1	1996	1	27	Full Planned (Annual Overhaul)	222	9.3
MONTOUR UNIT 1	1996	2	5	Full Forced	68	2.8
MONTOUR UNIT 1	1996	7	14	Full Forced	106	4.4
MONTOUR UNIT 1	1996	8	21	Full Forced	56	2.3
MONTOUR UNIT 1	1996	10	11	Full Planned (Annual Overhaul)	340	14.2
MONTOUR UNIT 2	1995	4	7	Full Planned (Annual Overhaul)	111	4.6
MONTOUR UNIT 2	1995	9	8	Full Forced	66	2.8
MONTOUR UNIT 2	1995	9	12	Full Forced	67	2.8
MONTOUR UNIT 2	1995	11	9	Full Maintenance	80	3.3
MONTOUR UNIT 2	1995	12	27	Full Forced	108	4.5
MONTOUR UNIT 2	1996	2	7	Full Forced	85	3.5
MONTOUR UNIT 2	1996	3	1	Full Forced	188	7.8
MONTOUR UNIT 2	1996	3	14	Full Forced	302	12.6
MONTOUR UNIT 2	1996	4	4	Full Forced	58	2.4
MONTOUR UNIT 2	1996	4	12	Full Planned (Annual Overhaul)	1209	50.4
MONTOUR UNIT 2	1996	6	2	Full Maintenance	76	3.2
MONTOUR UNIT 2	1996	6	5	Full Forced	600	25
MONTOUR UNIT 2	1996	7	26	Full Forced	165	6.9
MONTOUR UNIT 2	1996	9	19	Full Maintenance	102	4.3
SUNBURY UNITS 1-3	1995	3	20	Full Planned (Annual Overhaul)	216	9
SUNBURY UNITS 1-3	1995	6	9	Full Planned (Annual Overhaul)	1834	76.4
SUNBURY UNITS 1-3	1995	8	25	Full Maintenance	275	11.5
SUNBURY UNITS 1-3	1996	3	1	Full Planned (Annual Overhaul)	372	15.5
SUNBURY UNITS 1-3	1996	3	15	Full Planned (Annual Overhaul)	507	21.1
SUNBURY UNITS 1-3	1996	11	7	Full Planned (Annual Overhaul)	458	19.1
SUNBURY UNIT 4	1995	1	1	Full Planned (Annual Overhaul)	1528	63.7

ALL FULL UNIT OUTAGES GREATER THAN 48 HOURS

<u>UNIT</u>	<u>YEAR</u>	<u>MONTH</u>	<u>DAY</u>	<u>OUTAGE TYPE</u>	<u>HOURS</u>	<u>DAYS</u>
SUNBURY UNIT 4	1995	4	13	Full Maintenance	54	2.3
SUNBURY UNIT 4	1996	1	31	Full Forced	51	2.1
SUNBURY UNIT 4	1996	4	1	Full Forced	81	3.4
SUNBURY UNIT 4	1996	5	3	Full Forced	164	6.8
SUNBURY UNIT 4	1996	11	30	Full Forced	86	3.6
SUSQUEHANNA UNIT 1	1995	3	25	Full Planned (Annual Overhaul)	1025	42.7
SUSQUEHANNA UNIT 1	1995	11	11	Full Maintenance	607	25.3
SUSQUEHANNA UNIT 1	1996	8	1	Full Forced	103	4.3
SUSQUEHANNA UNIT 1	1996	9	7	Full Planned (Annual Overhaul)	796	33.2
SUSQUEHANNA UNIT 1	1996	10	10	Full Maintenance	319	13.3
SUSQUEHANNA UNIT 1	1996	10	28	Full Forced	132	5.5

RP - G.6

ATTACHMENT 4

PP&L's Resources / Winter Peak Load

11/96 LOAD FORECAST

(Megawatts)

Planning Period	(1) Peaks (MW)		(2) Existing Capacity	(3) Capacity Additions & Rerates	(4) Capacity Retirements & Derates	(5) Utility Purchases/Sales			(6) NUGs	(7) Net Installed Including NUG	(8) Demand-Side Resources		(9) Net Resources	Reserve as Percent of Winter Peak
	Summer	Winter				AE	BG&E	JCP&L			IL (Load Value)	IL (Used as a Resource)		
1996	5855	6825	8396	0	0	-129	-132	-756	474	7853	290	335	8188	20.0%
1997	5945	6910	8396	0	0	-129	-132	-567	339	7907	290	335	8242	19.3%
1998	6015	6935	8396	0	0	0	-132	-378	339	8225	290	339	8564	23.5%
1999	6065	7030	8396	0	0	0	-132	-189	339	8414	290	339	8753	24.5%
2000	6165	7120	8396	0	0	0	-132	0	339	8603	290	339	8942	25.6%
2001	6200	7130	8396	0	0	0	0	0	339	8735	290	339	9074	27.3%
2002	6320	7250	8396	0	0	0	0	0	339	8735	290	339	9074	25.2%
2003	6430	7350	8396	0	0	0	0	0	326	8722	290	339	9061	23.3%
2004	6540	7470	8396	0	0	0	0	0	326	8722	290	339	9061	21.3%
2005	6650	7580	8396	0	0	0	0	0	326	8722	290	339	9061	19.5%
2006	6760	7690	8396	0	0	0	0	0	326	8722	290	339	9061	17.8%
2007	6870	7800	8396	0	0	0	0	0	326	8722	290	339	9061	16.2%

Column Notes:

- (1) PP&L's 11/96 Load Forecast - Peaks include expected transactions with Luzerne Electric and other FERC customers. The peak load data is for PL System, not PL Group.
- (2) PP&L's total existing capacity shown reflects the winter ratings of all units as of December 1st of the planning period.
- (3) Capacity rerates could include the effect of turbine replacement at Martins Creek 3 (13 MW) and Martins Creek 4 (35 MW), previously identified in the PP&L 1997-98 Construction Budget. However, the timing and magnitude of these rating changes are uncertain at the present time.
- (4) PP&L has no firm plans for capacity retirements or derates. This, however, could change as conditions in the utility industry change.
- (5) The Purchases/Sales indicated reflect the Capacity and Energy arrangements with AE, BG&E and JCP&L.
 - Atlantic Electric (AE): Agreement with AE for 129 MW (winter rating) of PL coal fired generation 10/1/91 thru 3/20/98.
 - Baltimore Gas & Electric (BG&E): Agreement with BG&E for the sale of capacity and energy associated with 5.94 % of SSES 10/1/91 thru 5/31/01.
 - Jersey Central Power & Light (JCP&L): Agreement with JCP&L to purchase a 945 MW slice of System Capacity and Energy thru 12/95.
After 1995 the sale decreases uniformly (20%/yr) until expiration 12/31/99.
- (6) NUG Contracts that are terminated / expire:
 - Continental CoGen: 3/97 based on contract buyout (100 MW)
 - Archbald: 6/97 based on contract buyout (18 MW)
 - Hammermill: 11/27/97 contract expires (22 MW)
 - Paxton Creek: 12/31/02 contract expires. (13 MW)
- (7) "Net Installed Including NUG" is the measure of PP&L's total supply-side resources available to meet the energy needs of its customers.
- (8) Demand-Side Resources available to PP&L which can be used to enhance system reliability and PP&L's resource mix.
- (9) Net Resources are the sum of PP&L's Net Installed Capacity Including NUG and Interruptible Load Credit.

RP - G.7.
D. A. Krall

- Q. Provide the most recent Annual Resource Planning Report prepared for the company and the cost analysis covering selection of alternative forms of generating capacity, if not already provided.
- A. PP&L's Annual Resource Planning Report dated May 1996 (1996 ARPR) contains the screening process PP&L applies in its cost analysis for selection of alternative forms of generating capacity. Because the 1996 ARPR is voluminous and contains confidential information, it is not being provided as part of this response. A redacted version of the report can be examined at the PUC's file room or at PP&L's main offices at 2 North Ninth Street, Allentown, Pa. A version of the Company's 1996 ARPR containing the redacted confidential information will be made available for review at PP&L's main offices by any party who executes a Stipulated Protective Agreement.

RP - G.8.
D. A. Krall

Q. Describe the generation planning criteria used by the company. Provide any reports or documents that characterize the generation planning criteria. Describe any changes made or contemplated as a result of restructuring.

A. See PP&L's response to Question RP-G.7.

RP - H.1.
R. E. Hill

Q. Provide a schedule (Schedule 1) showing the major components of claimed capitalization, and the derivation of the weighted costs of capital for the rate case claim. This schedule shall include a descriptive statement concerning the major elements of changes in claimed capitalization, cost rates and overall return from comparable historical data.

A. See Attachment 1 to the response to Question RP-A.3. for the major components of claimed capitalization and derivation of the weighted cost of capital.

Major changes from the prior period capitalization and cost rates are as follows:

- PP&L retired \$30 million of 5-5/8% First Mortgage Bonds due on June 1, 1996.
- PP&L issued \$116 million of unsecured promissory notes due in March 2001. The proceeds were used to redeem \$40 million of First Mortgage Bonds, 8-1/8% Series due 1999, and \$75 million of First Mortgage Bonds, 7-5/8% Series due 2002.
- Common Equity increased due to the following
 - \$32 million Capital Contribution from PP&L Resources, Inc.
 - Earnings reinvested

- Q. Provide a schedule showing the calculation of the embedded cost of long-term debt, by issue, supporting the related rate case claim. The schedule shall contain the following information:
- (a.) Date of issue.
 - (b.) Date of maturity.
 - (c.) Amount issued.
 - (d.) Amount outstanding.
 - (e.) Amount retired.
 - (f.) Amount reacquired.
 - (g.) Gain or loss on reacquisition.
 - (h.) Coupon rate.
 - (i.) Discount or premium at issuance.
 - (j.) Issuance expenses.
 - (k.) Net proceeds.
 - (l.) Sinking fund requirements.
 - (m.) Effective cost rate.
 - (n.) Total average weighted effective cost rate. Clearly note projected new issues, retirements and other major changes from the data for the comparable 12-month period immediately preceding the base year.
- A. See Attachment 1 for the schedules showing the calculation of the embedded cost of long term debt, by issue, as of December 31, 1996.

The major changes between the December 31, 1995 data and the December 31, 1996 data are as follows:

- PP&L retired \$30 million of 5-5/8% First Mortgage Bonds due on June 1, 1996.
- PP&L issued \$116 million of unsecured promissory notes due in March 2001. The proceeds were used to redeem \$40 million of First Mortgage Bonds, 8-1/8% Series due 1999, and \$75 million of First Mortgage Bonds, 7-5/8% Series due 2002.

PENNSYLVANIA POWER & LIGHT COMPANY

Calculation of Composite Cost Rate of Long-Term Debt
At December 31, 1996
(Thousands of Dollars)

<u>First Mortgage Bonds</u>	<u>Amount Outstanding</u>	<u>Percent to Total</u>	<u>Effective Interest Rate</u>	<u>Average Weighted Cost Rate</u>	
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	<u>\$ 2,424,750</u>	<u>100.00 %</u>		<u>7.53 %</u>	
 <u>Pollution Control Series H</u>					
6.40 % Series Due 2021	90,000	28.69	6.56	1.88	
 <u>Pollution Control Series I</u>					
5.50 % Series Due 2027	53,250	16.97	5.68	0.96	
 <u>Pollution Control Series J</u>					
6.40 % Series Due 2029	115,500	36.81	6.53	2.40	
 <u>Pollution Control Series K</u>					
6.15 % Series Due 2029	55,000	17.53	6.37	1.12	
Total	<u>\$ 313,750</u>	<u>100.00 %</u>		<u>6.36 %</u>	
 <u>Unsecured Term Notes</u>					
Due 3/14/01	<u>\$ 116,000</u>	<u>100.00</u>	6.00	6.00	
Total First Mortgage Bonds	\$ 2,424,750	84.95	7.53	6.40	
Total Pollution Control Bonds	313,750	10.99	6.36	0.70	
Total Unsecured Term Notes	<u>116,000</u>	<u>4.06</u>	6.00	<u>0.24</u>	
	<u>2,854,500</u>	<u>100.00 %</u>		<u>7.34 %</u>	
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	<u>\$ 2,744,256</u>			7.89 % (d)	<u>\$ 216,607</u>

(a) 7.34% x \$2,854,500

(b) Annualized amortization of loss on reacquired debt.

(c) Annualized amortization of gain on reacquired debt.

(d) \$216,607/ \$2,744,853

PENNSYLVANIA POWER & LIGHT COMPANY

Schedule of Long-Term Debt and Calculation
of Average Weighted Cost Rate at December 31, 1996

Account	Description of Issue	Nominal Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding	Amount Retired	Coupon Rate - %	Premium or (Discount) at Issuance	Issuance Expense	Net Proceeds	Annual Sinking Fund Requirement(1)	Average Term in Years	Net Proceeds Ratio	Effective Interest Rate
22126	6-3/4 % Series Due 1997	11/1/67	11/1/97	30,000,000	30,000,000		6.75	378,300	54,843	30,323,457	300,000	30	101.08	6.67
22173	5-1/2 % Series Due 1998	4/1/63	4/1/98	150,000,000	150,000,000		5.50	(1,264,500)	168,141	148,567,359		5	99.04	5.72
22127	7 % Series Due 1999	1/1/69	1/1/99	40,000,000	40,000,000		7.00	(36,400)	65,884	39,897,718	400,000	30	99.74	7.02
22175	8 % Series Due 2000	6/1/63	6/1/00	125,000,000	125,000,000		6.00	(993,750)	137,817	123,868,433		7	99.09	6.18
22130	7-1/4 % Series Due 2001	2/1/71	2/1/01	60,000,000	60,000,000		7.25	30,000	96,892	59,933,108	600,000	30	99.89	7.28
22166	7-3/4 % Series Due 2002	5/1/62	5/1/02	150,000,000	150,000,000		7.75	(1,182,000)	190,078	148,627,922		10	99.09	7.80
22132	7-1/2 % Series Due 2003	1/1/73	1/1/03	80,000,000	80,000,000		7.50	79,200	115,987	79,963,213		30	99.95	7.50
22171	6-7/8 % Series Due 2003	2/1/63	2/1/03	100,000,000	100,000,000		6.875	(1,185,000)	315,508	98,499,492		10	98.50	7.09
22180	6-7/8 % Series Due 2004	3/1/64	3/1/04	150,000,000	150,000,000		6.875	(1,888,500)	201,710	147,909,790		10	98.61	7.07
22174	6-1/2 % Series Due 2005	4/1/63	4/1/05	125,000,000	125,000,000		6.50	(2,045,000)	109,199	122,845,801		12	98.28	6.71
22176	6.55 % Series Due 2006	3/1/64	3/1/06	150,000,000	150,000,000		6.55	(1,345,500)	204,838	148,449,662		12	98.97	6.68
22183	7.70 % Series Due 2009	10/1/64	10/1/09	200,000,000	200,000,000		7.70	(1,250,000)	156,264	198,593,736		15	99.30	7.78
22181	7-3/8 % Series Due 2014	3/1/64	3/1/14	100,000,000	100,000,000		7.375	(1,655,000)	143,878	98,201,022		20	94.2	7.55
22166	9-1/4 % Series Due 2019	10/1/69	10/1/19	250,000,000	215,000,000		9.25	(2,311,250)	275,087	212,413,663		30	98.80	9.37
22167	9-3/8 % Series Due 2021	7/1/61	7/1/21	150,000,000	99,750,000		9.375	(1,330,665)	107,402	98,311,933		30	98.58	9.52
22169	8-1/2 % Series Due 2022	5/1/62	5/1/22	150,000,000	150,000,000		8.50	(1,636,500)	189,347	148,174,153		30	98.78	8.81
22172	7-7/8 % Series Due 2023	2/1/63	2/1/23	200,000,000	200,000,000		7.875	(3,230,000)	187,187	196,582,813		30	98.29	8.03
22176	6-3/4 % Series Due 2023	10/1/63	10/1/23	150,000,000	150,000,000		6.75	(2,844,000)	195,349	148,980,851		30	97.97	8.01
22177	7-30 % Series Due 2024	3/1/64	3/1/24	150,000,000	150,000,000		7.30	(2,037,000)	172,338	147,780,662		30	98.53	7.42
Total First Mortgage Bonds					2,424,750,000									
<u>Pollution Control Series H</u>														
22170	6-40 % Series Due 2021	11/1/62	11/1/21	90,000,000	90,000,000		6.40	(787,500)	1,047,512	88,164,988		29	97.96	6.56
<u>Pollution Control Series I</u>														
22178	5-50 % Series Due 2027	2/15/64	2/15/27	53,250,000	53,250,000		5.50	(998,438)	446,730	51,804,832		33	97.29	5.68
<u>Pollution Control Series J</u>														
22182	6-40 % Series Due 2029	9/1/64	9/1/29	115,500,000	115,500,000		6.40	(990,990)	1,051,846	113,457,162		35	98.23	6.53
<u>Pollution Control Series K</u>														
22184	6-15 % Series Due 2029	8/1/65	8/1/29	55,000,000	55,000,000		6.15	(870,650)	801,947	53,327,403		34	96.96	6.37
Total Pollution Control Bonds					313,750,000									
<u>Unsecured Term Notes</u>														
	5.7875% Series Due 3/14/01 (Variable Rate)	3/14/66	3/14/01	116,000,000	116,000,000		5.92	0	406,000	115,594,000		5	99.65	6.00
Total Unsecured Term Notes					116,000,000									

(1) The sinking fund requirements may be met with property additions or bonds

NOTE: No bonds under any series outstanding have been reacquired by the Company

RP - H.3.
R. E. Hill

- Q. In the event that a claim made for a true or economic cost of debt exceeds that shown in the preceding nominal cost schedule because of convertible features, sale with warrants or for any other reason, a full statement of the basis for such a claim should be provided.
- A. No claim is being made for a true or economic cost of debt that exceeds that shown in the preceding nominal cost schedule.

- Q. Provide the following information concerning bank notes payable for the base year.
- (a.) Line of credit at each bank.
 - (b.) Average daily balances of notes to each bank, by name of bank.
 - (c.) Interest rate charged on each bank note (Prime Rate, formula rate, or other).
 - (d.) Purpose of each bank note (for example, construction, fuel storage, working capital, debt retirement).
 - (e.) Prospective future need for this type of financing.
- A. (a&b.) The requested information is provided in Attachment 1.
- (c.) The interest rate charged on bank notes outstanding would be subject to the terms of the Company's credit agreements which generally call for loans to be formula rates tied to certificate of deposit rates, Eurodollar deposit rates or the prime rate. The only loan made under these agreements occurred under the Term Credit Agreement for \$116,000,000 on March 14, 1996. Under this agreement the Company pays interest at LIBOR plus .35%.
 - (d.) The Company has established its credit facilities primarily as a means to provide liquidity back-up for the Company's commercial paper program and to ensure an investment grade rating on its commercial paper.
 - (e.) The Company expects to continue to utilize bank notes to support its commercial paper program in the future.

A \$250 million revolving credit arrangement is maintained with a group of banks in return for the payment of commitment fees. Any loans made under this credit arrangement would mature not later than September 22, 1999.

The Company entered into a Term Credit Agreement in the amount of \$116,000,000 with a group of banks. The Company may borrow under this agreement at rates based on Eurodollar deposits or prime. At December 31, 1996, \$116,000,000 of loans were outstanding. The Term Credit Agreement terminates on March 14, 2001.

The Company has additional credit arrangements with another group of banks in return for the payment of commitment fees. The banks have committed to lend the Company up to \$45 million under these credit arrangements at interest rates based upon Eurodollar deposit rates or the prime rate. These credit arrangements mature on May 1, 1997 with provisions to extend every six months.

**Pennsylvania Power & Light Company
Bank Note and Credit Line Data
Base Year Ended December 31, 1996**

Lines of Credit

<u>Bank Name</u>	<u>Revolver</u>	<u>Term Credit Agreement</u>	<u>Other</u>	<u>Average Daily Balance</u>
Chase Manhattan Bank	\$ 85,000,000	\$ 7,000,000		\$ 5,600,000
Citibank, N.A.	30,000,000			
Bank of New York	35,000,000	10,000,000		8,000,000
J. P. Morgan Delaware	35,000,000			
First National Bank of Chicago	35,000,000	25,000,000		20,000,000
Credit Suisse		24,000,000		19,200,000
Toronto Dominion		10,000,000		8,000,000
Union Bank of Switzerland		10,000,000	\$15,000,000	8,000,000
Mellon Bank	30,000,000	20,000,000		16,000,000
Deutsche Bank			15,000,000	
Sumitomo Bank			15,000,000	
Sanwa Bank	<u> </u>	<u>10,000,000</u>	<u> </u>	<u>8,000,000</u>
	\$250,000,000	\$116,000,000	\$45,000,000	\$92,800,000
Commitment Fee	<u>0.125%</u>		<u>0.125%</u>	
Total Annual Commitment Fee	\$312,500		\$56,250	

- Q. Provide detailed information concerning the other short-term debt outstanding.
- A. PP&L's primary source of short-term financing is the sale of its commercial paper. A schedule showing the month-end balances of commercial paper and weighted average interest rate for the base year is shown on Attachment 1.

At December 31, 1996, PP&L had other short-term debt outstanding. Pursuant to a loan and security agreement between the Indiana County Industrial Development Authority (Authority), the First National Bank of Chicago and the Company, the authority loaned to the Company \$9,475,000 to provide interim financing for the Company's share of the costs to install scrubbers at the Conemaugh Steam Electric Station to comply with the Clean Air Act Amendments of 1990. These loans bear interest at 85% of LIBOR and mature on June 10, 1997. The Conemaugh Station is jointly owned by several utilities.

Pennsylvania Power & Light Company
Commercial Paper Outstanding

Base Year 1996

	<u>Month-End</u>	<u>Amount</u>	<u>Weighted Average Rate</u>
1996	January	\$57,000,000	5.67%
	February	18,000,000	5.46
	March	-0-	--
	April	98,000,000	5.50
	May	13,800,000	5.45
	June	30,800,000	5.65
	July	1,000,000	5.65
	August	-0-	--
	September	-0-	--
	October	35,800,000	5.41
	November	8,300,000	5.43
	December	-0-	--

Q. Describe long-term debt reacquisition by issue by company and parent as follows:

- (a.) Reacquisition by issue by year.
- (b.) Total gain or loss on reacquisitions by issue by year.
- (c.) Accounting for gain or loss for income tax and book purposes.
- (d.) Proposed treatment of gain or loss on such reacquisition for ratemaking purposes.

A. Attachment 1 provides the requested information.

PENNSYLVANIA POWER & LIGHT COMPANY

Long-term Debt Recquisition by Issue

Description	Amount	Net Gain on Reacquired Debt (2)	Total Loss on Reacquired Debt (3)	Unamortized Loss as of December 31, 1996
1983				
5-5/8% PC Series A due 1984-2003 (1)	\$1,000,000	\$ 325,465		N/A
1984				
5-5/8% PC Series A due 1984-2003 (1)	160,000	58,353		N/A
1985				
5-5/8% PC Series A due 1984-2003 (1)	1,540,000	357,402		N/A
1986				
14% Series due December 1, 1990	125,000,000		\$ 5,490,898	
15-5/8% Series due 2010	100,000,000		14,022,896	\$ 8,933,268
5-5/8% PC Series A due 1984-2003 (1)	900,000	125,164		N/A
1987				
16-1/8% due 1992	100,000,000		5,249,827	0
13-1/4% Series due 2012	100,000,000		11,529,725	7,264,026
5-5/8% PC Series A due 1984-2003 (1)	840,000	138,794		N/A
1988				
16-1/2% Series due 1987-1991	31,200,000		1,197,550	0
13-1/8% Series due 2013	125,000,000		13,759,884	9,264,932
5-5/8% PC Series A due 1984-2003 (1)	2,565,000	249,210		N/A
1989				
13-1/2% Series due 1994	125,000,000		5,503,632	4,069,824
12-3/4% Series due 2014	125,000,000		13,787,793	10,514,049
5-5/8% PC Series A due 1984-2003 (1)	900,000	70,710		N/A
1990				
12-1/8% Series due 1991-1993	30,000,000		860,500	0
12% Series due 2015	125,000,000		13,037,869	9,778,500
5-5/8% PC Series A due 1984-2003 (1)	35,000	3,910		N/A
1991				
5-5/8% PC Series A due 1984-2003 (1)	1,060,000	58,125		N/A
1992				
9-5/8% Series due 1996	125,000,000		2,125,381	1,152,896
10-7/8% Series due 2016	125,000,000		10,585,931	8,988,976

PENNSYLVANIA POWER & LIGHT COMPANY

Long-term Debt Recacquisition by Issue

Description	Amount	Net Gain on Reacquired Debt (2)	Total Loss on Reacquired Debt (3)	Unamortized Loss as of December 31, 1996
1993				
7-7/8%-8-1/8% PC Series C due 2000-2010	\$ 20,000,000		\$ 940,413	\$ 809,964
11-1/4%-11-1/2% PC Series D due 2002-2012	70,000,000		3,410,648	2,937,386
9-1/4% Series due 2004	80,000,000		459,626	400,640
9-3/4% Series due 2005	125,000,000		773,476	674,515
9-3/4% Series due November 1, 2005	100,000,000		444,903	273,166
9-1/2% Series due 2016	125,000,000		9,395,977	6,551,226
9-1/4% Series due 1998	125,000,000		3,925,076	1,015,590
9-5/8% Series due 1998	125,000,000		4,149,462	2,075,092
9% Series due 2016	125,000,000		8,993,234	8,063,841
1994				
5-5/8% PC Series A due 1984-2003 (1)	15,500,000		94,917	87,001
10-5/8% PC Series E due 2014	37,750,000		1,930,733	1,764,568
9% Series due 2000	50,000,000		249,252	191,620
8-1/2% Series due 2007	100,000,000		827,436	636,570
10% Series due 2019	125,000,000		10,533,430	9,565,492
8-1/4% Series due 2006	150,000,000		648,782	468,958
10-5/8% PC Series F due 2014	115,500,000		4,325,015	4,046,224
1995				
9-3/8% PC Series G due 2015	55,000,000		2,511,825	2,412,861
9-3/8% Series due 2021	50,250,000		5,289,859	5,065,620
9-1/4% Series due 2019	35,000,000		2,962,890	2,828,007
1996				
8-1/8% Series due 1999	40,000,000		187,779	158,014
7-5/8% Series due 2002	75,000,000		298,569	251,288
Total A/C #189 Unamortized Loss on Reacquired Debt				<u>\$ 110,244,114</u>

(1) These bonds were reacquired in the open market and were used to satisfy sinking fund requirements of this issue.

(2) The unamortized debt expense and discount/premium associated with bonds that were reacquired at a gain were netted against the gain. In accordance with General Instruction 17 of the Uniform System of Accounts, the net gain was credited to Account 429.1, Amortization of Gain on Reacquired Debt.

(3) The unamortized debt expense and discount/premium associated with bonds that are reacquired at a loss were added to the premium paid to reacquire the bonds. In accordance with General Instruction 17 of the Uniform System of Accounts, the loss is amortized over the remaining life of the bonds, or, if the bonds were refinanced, the life of the new issue.

Accounting for gains or losses for income taxes purposes:

Net gain on reacquired debt set forth on page 1 was included in gross income for income tax purposes. Loss on reacquired debt set forth above was deducted as incurred for income tax purposes.

Proposed treatment of gains and losses for ratemaking purposes:

The Company proposes that the current practice of adhering to General Instruction 17 of the Uniform System of Accounts be continued.

- Q. Provide a schedule showing the calculation of the embedded cost of preferred stock equity by issue, supporting the related rate case claim. The schedule shall contain the following information:
- (a) Date of issue.
 - (b) Date of maturity.
 - (c) Amount issued.
 - (d) Amount outstanding.
 - (e) Amount retired.
 - (f) Amount reacquired.
 - (g) Gain or loss on reacquisition.
 - (h) Dividend rate.
 - (i) *Discount or premium at issuance.*
 - (j) Issuance expenses.
 - (k) Net proceeds.
 - (l) Sinking fund requirements.
 - (m) Effective cost rate.
 - (n) Total average weighted effective cost rate.

Projected new issues, retirements and other major changes from the data should be clearly noted.

- A. See Attachment 1 for schedules showing the calculation of the embedded cost of preferred stock equity by issue as of December 31, 1996. There were no issues, retirements, or other major changes during 1996.

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 (1)	<u>(11,464)</u>				<u>3,818</u>
	<u>\$454,911</u>			7.10 % (1)	<u>\$ 32,292</u>

(1) \$32,292/ \$454,911

PENNSYLVANIA POWER & LIGHT COMPANY

Computation of Preferred Stock Effective Cost Rate by Series
At December 31, 1996

Description of Issue	Date of Issue	Date of Maturity(1)	Amount Issued	Amount Outstanding	Amount Retired	Gain on Reacquisition	Issuance Expenses Net of Premium	Net Proceeds(2)	Sinking Fund Requirements		Nominal Dividend Rate	Average Term in Years(1)	Net Proceeds Ratio	Effective Cost Rate (3)
									Annual Requirements (Shares)	Redemption Period				
Cumulative Preferred Stock														
3.35 % Series	5/2/46	*	\$ 4,178,300	\$ 4,178,300			\$ 21,029	\$ 4,157,271	-	-	3.35 %	*	99.50 %	3.37 %
4.60 % Series	10/21/48	*	6,300,000	6,300,000			248,899	6,051,101	-	-	4.60	*	96.05	4.79
4.40 % Series	8/5/52	*	22,877,300	22,877,300			318,821	22,560,479	-	-	4.40	*	98.62	4.46
4.1/2 % Series	12/10/45	*	53,018,900	53,018,900			154,373 (4)	47,435,627 (5)	-	-	4.50	*	89.47	5.03
	12/22/54	*												
6.33 % Series	6/10/93	7/1/08	100,000,000	100,000,000			1,056,645	98,943,355	50,000	2003-2007	6.33	14.25	98.94	6.44
									750,000	2008				
6.125 % Series	8/17/93	10/1/08	115,000,000	115,000,000			1,114,078	113,885,922	57,500	2003-2007	6.125	14.25	99.03	6.22
									862,500	2008				
6.75 % Series	10/5/93	*	85,000,000	85,000,000			851,022	84,148,978	-	-	6.75	*	99.00	6.82
5.95 % Series	3/23/94	4/1/01	30,000,000	30,000,000			264,883	29,735,117	-	-	5.95	7.00	99.12	6.11
6.05 % Series	3/23/94	4/1/02	25,000,000	25,000,000			224,926	24,775,074	-	-	6.05	8.00	99.10	6.19
6.15 % Series	3/23/94	4/1/03	25,000,000	25,000,000			224,926	24,775,074	-	-	6.15	9.00	99.10	6.28

(1) Date of Maturity and Average Term in Years are listed for issues with sinking fund requirements. Issues marked with an * do not have sinking fund requirements and therefore these fields are not applicable to these issues.

(2) Amount outstanding less issuance expenses net of premium

(3) For issues without sinking fund requirements the effective cost rate is computed by dividing the nominal dividend rate by the net proceeds ratio.

(4) Includes \$87,000 premium.

(5) Net proceeds after deducting \$5,428,900 attributable to cost of Company refinanced issues carried forward.

PENNSYLVANIA POWER & LIGHT COMPANY
 DETERMINATION OF UNAMORTIZED PREMIUMS AND
 ORIGINAL ISSUE COSTS ON REACQUIRED PREFERRED AND PREFERENCE STOCK
 AS OF December 31, 1996

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	JAN 1, 1997	
Date	Unrecovered	Average	Monthly	Amortization	Amortization	Unamortized	DEC 31, 1997		
Redeemed	Premium	Original Issue Costs	Remaining Life-Mos.	Amortization(a)	through 12/31/96-Mos.	Premium/OIC 12/31/1996(c)	Amortization(e)		
Preferred Stock(d)									
9.24% Series	2/1/92	\$258,900	\$371,446	101	\$6,241	59 00	\$368,219	\$262,127	\$74,892
9.00% Series	2/1/92	77,630	152,830	171	1,348	59 00	79,532	150,928	16,176
7.40% Series	7/1/93	236,800	84,230	120	2,675	42 00	112,350	208,680	32,100
8.75% Series	7/1/93	1,074,000	134,765	111	10,890	42 00	457,380	751,385	130,680
8.00% Series	7/1/93	500,000	116,531	111	5,554	42 00	233,268	383,263	66,648
8.60% Series	7/15/93	297,976	393,860	171	4,046	42 50	171,955	519,881	48,552
7.375% Series	11/1/93	2,106,823	492,810	221	11,763	38 00	446,994	2,152,639	141,156
7.82% Series	11/1/93	590,500	329,639	32	28,754	32 00	920,139	0	0
6.875% Series	5/1/94	0	202,499	23	8,804	23 00	202,499	0	0
7.00% Series	5/1/94	0	611,359	32	19,105	32 00	611,359	0	0
Preference Stock									
\$15.00 Series	2/19/86	10,000,000	1,549,988	136	84,926	130.32	11,067,556	482,432	1,019,112
\$13.68 Series	4/1/86	7,000,000	1,755,915	163	53,717	129 00	6,929,493	1,826,422	644,604
\$13.00 Second Series	6/13/86	7,000,000	1,553,360	144	59,398	126 57	7,518,005	1,035,355	712,776
\$11.60 Series	2/18/87	7,000,000	1,443,951	141	59,886	118 36	7,088,107	1,355,844	718,632
\$ 8.00 Series	9/15/93	351,944	582,445	171	5,464	39 50	215,828	718,561	65,568
\$ 8.40 Series	9/15/93	401,333	678,905	171	6,317	39.50	249,522	830,716	75,804
\$ 8.70 Series	9/15/93	400,667	621,621	171	5,978	39 50	236,131	786,157	71,736
		<u>\$37,296,573</u>	<u>\$11,076,154</u>		<u>\$374,866</u>		<u>\$36,908,337</u>	<u>\$11,464,390</u>	<u>\$3,818,436</u>

(a) $((1) + (2)) / (3) = (4)$

(b) $(5) \times (4) = (6)$

(c) $(1) + (2) - (6) = (7)$

(d) Unrecovered Original Issue Costs include litigation fees and settlements with former holders pro-rated based on principal amount at time of redemption.

(e) $(4) \times 12$ months

RP - H.8.
R. E. Hill

- Q. Provide a schedule of all issuances of common stock, whether or not underwriters are used, for the base year.
- A. Attachment 1 provides the requested information.

Issuance of Common Stock

	<u>Shares Outstanding</u>
<u>1996</u>	
Balance, January 1, 1996	159,403,266
Dividend Reinvestment Plan, January 24, 1996	603,174
Dividend Reinvestment Plan, February 16, 1996	40,466
Dividend Reinvestment Plan, March 7, 1996	55,834
Dividend Reinvestment Plan, April 19, 1996	626,749
Dividend Reinvestment Plan, May 13, 1996	48,502
Dividend Reinvestment Plan, June 10, 1996	51,743
Dividend Reinvestment Plan, July 9, 1996	645,109
Dividend Reinvestment Plan, August 8, 1996	65,072
Dividend Reinvestment Plan, September 10, 1996	53,629
Dividend Reinvestment Plan, October 16, 1996	686,615
Dividend Reinvestment Plan, November 8, 1996	50,960
Dividend Reinvestment Plan, December 6, 1996	45,445
ESOP dividend based contribution, December 20, 1996	288,852
	<hr/>
Balance, December 31, 1996	<u>162,665,416</u>

Q. Submit details on the utility and parent company common stock offerings during the base year as follows or complete 10-Ks, if available:

- (a) Date of Prospectus
- (b) Date of Offering
- (c) Record Date
- (d) Offering period--dates and numbers of days
- (e) Amount and number of shares offered
- (f) Offering ratio, if rights offering
- (g) Percent subscribed
- (h) Offering price
- (i) Gross proceeds per share
- (j) Expenses per share
- (k) Net proceeds per share (9 minus 10)
- (l) Market price per share

- i. At record date
- ii. At offering date
- iii. One month after close

(m) Average market price during offering

- i. Price per share
- ii. Rights per share--average value of rights

- (n) Latest reported earnings per share at time of offering
- (o) Latest reported dividends at time of offering.

A. Neither Pennsylvania Power & Light Company nor PP&L Resources, Inc. had public offerings of common stock during 1996. See Attachment 1 to the response to Question RP - H.13 for the PP&L Resources, Inc. and Pennsylvania Power & Light Company 10-K for the year ended December 31, 1996.

RP - H.10.
R. E. Hill

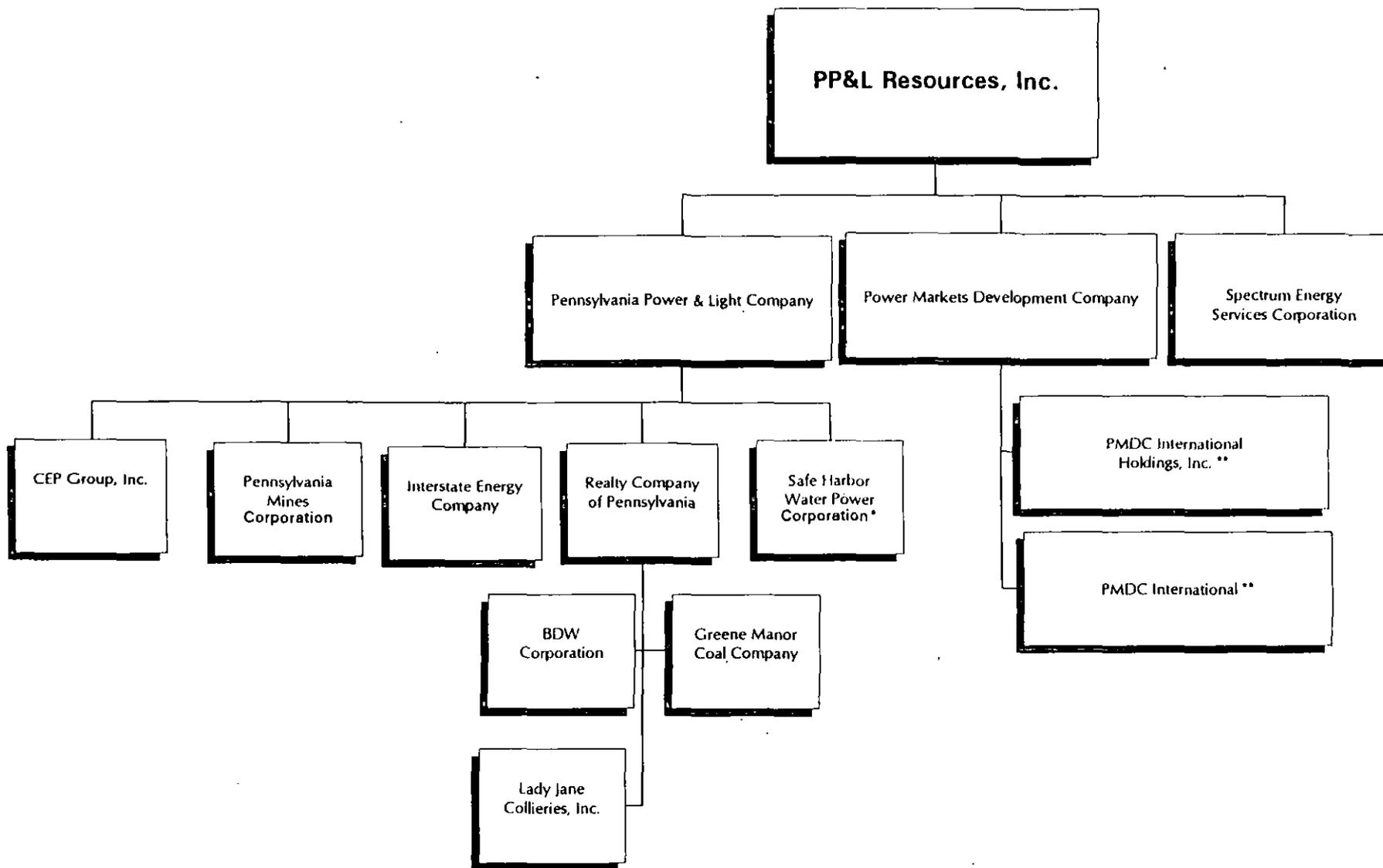
- Q. Provide capitalization data for parent company and for the system--consolidated.
- A. See Attachment 1 to the response to Question RP - H.13. for the PP&L Resources, Inc. and Pennsylvania Power & Light Company 10-K for the year ended December 31, 1996, which includes the requested data.

RP - H.11.
M. J. Berish

- Q. Provide the latest available balance sheet and income statement for the parent company and system - consolidated.
- A. See Attachment 1 to the response to Question RP - H.13. for the PP&L Resources, Inc. and Pennsylvania Power & Light Company 10-K for the year ended December 31, 1996 which includes the requested data.

RP - H.12.
Various

- Q. Provide an organizational chart explaining the filing utility's corporate relationship to its affiliates--system structure.
- A. The requested chart as of December 31, 1996 is set forth in Attachment 1.



* Jointly owned with Baltimore Gas and Electric Company

** All PMDC's equity commitments and investments have been made by subsidiaries of these two companies

PP&L Resources, Inc. organization chart as of December 31, 1996.

RP - H.13.
R. E. Hill

- Q. The latest available quarterly operating and financial report, annual report to the stockholders and prospectus shall be supplied for the utility and for the utility's parent, if the relationship exists.
- A. See Attachment 1 for the PP&L Resources, Inc. and Pennsylvania Power & Light Company 10-K for the year ended December 31, 1996. See Attachment 2 for the 1996 PP&L Resources, Inc. Summary Annual Report to Shareowners. See Attachment 3 for the latest prospectus for Pennsylvania Power & Light Company.

RP - H.13.
ATTACHMENT 1



PP&L Resources, Inc.
Pennsylvania Power & Light Company

FORM 10 - K

**Annual Report
to the Securities
and Exchange
Commission**

**For the Year Ended
December 31, 1996**

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the fiscal year ended December 31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from _____ to _____

Commission File Registrant; State of Incorporation; IRS Employer
Number Address and Telephone Number Identification No.

1-11459 PP&L Resources, Inc. 23-2758192
(Exact name of Registrant as
specified in its charter)
(Pennsylvania)
Two North Ninth Street
Allentown, PA 18101
(610) 774-5151

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on
which registered

Common Stock New York & Philadelphia Stock Exchanges

Securities registered pursuant to Section 12(g) of the Act: None

Commission File Registrant; State of Incorporation; IRS Employer
Number Address and Telephone Number Identification No.

1-905 PENNSYLVANIA POWER & LIGHT COMPANY 23-0959590
(Exact name of Registrant as
specified in its charter)
(Pennsylvania)
Two North Ninth Street
Allentown, PA 18101
(610) 774-5151

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on
which registered

Preferred Stock
4-1/2% New York & Philadelphia Stock Exchanges
3.35% Series Philadelphia Stock Exchange
4.40% Series New York & Philadelphia Stock Exchanges
4.60% Series Philadelphia Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

PP&L Resources, Inc. []
Pennsylvania Power & Light Company [X]

Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

PP&L Resources, Inc.	Yes <u> X </u>	No _____
Pennsylvania Power & Light Company	Yes <u> X </u>	No _____

The aggregate market value of the voting common stock held by non-affiliates of PP&L Resources, Inc. at January 31, 1997 was \$3,715,517,738. PP&L Resources, Inc. held all 157,300,382 outstanding common shares, no par value, of Pennsylvania Power & Light Company. The aggregate market value of the voting preferred stock held by non-affiliates of Pennsylvania Power & Light Company at January 31, 1997 was \$435,250,434.

The number of shares of PP&L Resources, Inc. Common Stock, \$.01 par value, outstanding on January 31, 1997 was 163,319,461.

Documents incorporated by reference:

Registrants have incorporated herein by reference certain sections of their 1997 Notices of Annual Meetings and Proxy Statements which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 1996. Such Proxy Statements will provide the information required by Part III of this Report.

PP&L RESOURCES, INC.
PENNSYLVANIA POWER & LIGHT COMPANY

FORM 10-K ANNUAL REPORT TO
THE SECURITIES AND EXCHANGE COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 1996

TABLE OF CONTENTS

This combined Form 10-K is separately filed by PP&L Resources, Inc. and Pennsylvania Power & Light Company. Prior to the filing of the combined Form 10-Q for the quarter ended June 30, 1995, PP&L Resources, Inc. was not a reporting company for the purposes of the Securities Exchange Act of 1934 and Pennsylvania Power & Light Company filed its own separate reports on Form 10-K. Information contained herein relating to Pennsylvania Power & Light Company is filed by PP&L Resources, Inc. and separately by Pennsylvania Power & Light Company on its own behalf. Pennsylvania Power & Light Company makes no representation as to information relating to PP&L Resources, Inc. or its subsidiaries, except as it may relate to Pennsylvania Power & Light Company.

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Glossary of Terms and Abbreviations

AFUDC (Allowance for Funds Used During Construction) - the cost of equity and debt funds used to finance construction projects that is capitalized as part of construction cost.

Atlantic - Atlantic City Electric Company

BG&E - Baltimore Gas & Electric Company

Clean Air Act (Federal Clean Air Act Amendments of 1990) - legislation passed by Congress to address environmental issues including acid rain, ozone and toxic air emissions.

DEP - Pennsylvania Department of Environmental Protection

District Court - United States District Court for the Eastern District of Pennsylvania

DOE - Department of Energy

DRIP (Dividend Reinvestment Plan) - program available to shareholders of PP&L Resources' common stock and PP&L preferred stock to reinvest dividends in PP&L Resources' common stock instead of receiving dividend checks.

ECR (Energy Cost Rate) - a tariff applied to PUC-jurisdictional customers to recover fuel and other energy costs. Differences between actual and estimated amounts are collected or refunded to customers. The ECR was terminated effective December 1996.

EMF - Electric and Magnetic Fields

Energy Act (Energy Policy Act of 1992) - legislation passed by Congress to promote competition in the electric energy market for bulk power.

EPA - Environmental Protection Agency

ESOP - Employee Stock Ownership Plan

FASB (Financial Accounting Standards Board) - a rulemaking organization that establishes financial accounting and reporting standards.

FGD - Flue gas desulfurization equipment installed at coal-fired power plants to reduce sulfur dioxide emissions.

FERC (Federal Energy Regulatory Commission) - government agency that regulates interstate transmission and sale of electricity and related matters.

IBEW - International Brotherhood of Electrical Workers

IEC (Interstate Energy Company) - a subsidiary of PP&L that operates an oil and gas pipeline.

ISO - Independent System Operator

JCP&L - Jersey Central Power & Light Company

Major utilities - Atlantic, BG&E and JCP&L

MSHA - Mine Safety and Health Administration

NJDEP - New Jersey Department of Environmental Protection

NPDES - National Pollutant Discharge Elimination System

NRC - Nuclear Regulatory Commission

NUG (Non-Utility Generator) - generating plant not owned by regulated utilities. If the NUG meets certain criteria, its electrical output must be purchased by public utilities as required by PURPA.

OCA - Pennsylvania Office of Consumer Advocate

OSM - United States Office of Surface Mining

Pa. CNI - Pennsylvania Corporate Net Income Tax

PCB (Polychlorinated Biphenyl) - additive to oil used in certain electrical equipment up to the late 1970s. Now classified as a hazardous chemical.

PECO - PECO Energy Company

PJM (Pennsylvania - New Jersey - Maryland Interconnection Association) - Mid-Atlantic power pool consisting of 11 operating electric utilities, including PP&L.

Plan - PP&L's noncontributory defined benefit pension plan.

PMDC (Power Markets Development Company) - PP&L Resources' unregulated subsidiary formed to invest in and develop world-wide power markets.

PP&L - Pennsylvania Power & Light Company

PP&L Resources (PP&L Resources, Inc.) - parent holding company of PP&L, PMDC and Spectrum.

PSE&G - Public Service Electric & Gas Company

PUC (Pennsylvania Public Utility Commission) - agency that regulates certain ratemaking, accounting, and operations of Pennsylvania utilities.

PUC Decision - final order issued by the PUC on September 27, 1995 pertaining to PP&L's base rate case filed in December 1994.

PURPA (Public Utility Regulatory Policies Act of 1978) - legislation passed by Congress to encourage energy conservation, efficient use of resources, and equitable rates.

RCRA - 1976 Resource Conservation and Recovery Act

SBRCRA - Special Base Rate Credit Adjustment

SEC - Securities and Exchange Commission

SER - Schuylkill Energy Resources, Inc.

SFAS (Statement of Financial Accounting Standards) - accounting and financial reporting rules issued by the FASB.

Small utilities - utilities subject to FERC jurisdiction whose billings include base rate charges and a supplemental charge or credit for fuel costs over or under the levels included in base rates.

Spectrum (Spectrum Energy Services Corporation) - PP&L Resources' unregulated subsidiary formed to offer energy related products and services.

STAS (State Tax Adjustment Surcharge) - rate adjustment mechanism to customer bills for changes in certain state taxes.

Superfund - Federal and state legislation that addresses remediation of contaminated sites.

SWEB - South Western Electricity plc, a British regional electric utility company.

UGI - UGI Corporation

VEBA (Voluntary Employee Benefit Association Trust) - trust accounts for health and welfare plans for future payments to employees, retirees or their beneficiaries.

VERP - Voluntary Early Retirement Program

PART I

ITEM 1. BUSINESS

Terms and abbreviations appearing in "BUSINESS" are explained in the glossary.

BACKGROUND

To take advantage of new business opportunities, both domestically and in foreign countries, PP&L formed a holding company structure in April 1995. As a result of this restructuring, PP&L became a direct subsidiary of PP&L Resources. PP&L Resources is the parent company of PP&L, PMDC and Spectrum.

PP&L is an operating electric utility, incorporated under the laws of the Commonwealth of Pennsylvania in 1920.

In 1995, PP&L Resources also became the parent holding company of PMDC. PMDC engages in unregulated business activities through investments in electric energy projects. See "Increasing Competition" in the Review of the Financial Condition and Results of Operations and Financial Note 9 for additional information regarding PMDC.

In 1995, PP&L Resources formed Spectrum, an unregulated subsidiary, which offers energy-related products and services to PP&L's existing customers and to others outside of PP&L's service territory. Other subsidiaries may be formed by PP&L Resources to take advantage of new business opportunities.

PP&L is PP&L Resources' principal subsidiary (approximately 97% of consolidated assets as of December 31, 1996), and the financial condition and results of operation of PP&L are currently the principal factors affecting the financial condition and results of operations of PP&L Resources.

The electric utility industry, including PP&L, has experienced and will continue to experience a significant increase in the level of competition in the energy supply market. The Energy Act amended the PUHCA to create a new class of independent power producers, and amended the Federal Power Act to provide open access to electric transmission systems for wholesale transactions. In addition, in December 1996 legislation was enacted in Pennsylvania to restructure the state's electric utility industry in order to create retail access to a competitive market for the generation of electricity. PP&L has announced its support for full customer choice of their energy supplier for all customer classes. See "Pennsylvania Restructuring Legislation" on page 27 and "Increasing Competition" on page 36 for a discussion of pending PUC and FERC proceedings on industry competition and PP&L's involvement in those proceedings.

PP&L is subject to regulation as a public utility by the PUC and is subject in certain of its activities to the jurisdiction of the FERC under Parts I, II and III of the Federal Power Act. PP&L

Resources and PP&L have been exempted by the SEC from the provisions of PUHCA applicable to them as holding companies.

PP&L is subject to the jurisdiction of the NRC in connection with the operation of the two nuclear-fueled generating units at PP&L's Susquehanna station. PP&L owns a 90% undivided interest in each of the Susquehanna units and Allegheny Electric Cooperative, Inc. owns a 10% undivided interest in each of those units.

PP&L is also subject to the jurisdiction of certain federal, regional, state and local regulatory agencies with respect to air and water quality, land use and other environmental matters. The operations of PP&L are subject to the Occupational Safety and Health Act of 1970, and the coal cleaning and loading operations of a PP&L subsidiary are subject to the Federal Mine Safety and Health Act of 1977.

PP&L serves approximately 1.2 million customers in a 10,000 square mile territory in 29 counties of central eastern Pennsylvania (see Map on page 13), with a population of approximately 2.6 million persons. This service area has 129 communities with populations over 5,000, the largest cities of which are Allentown, Bethlehem, Harrisburg, Hazleton, Lancaster, Scranton, Wilkes-Barre and Williamsport.

During 1996, about 98% of total operating revenue was derived from electric energy sales, with 35% coming from residential customers, 28% from commercial customers, 20% from industrial customers, 14% from other major utilities and the PJM and 3% from others.

Wholly-owned subsidiary companies of PP&L principally are engaged in oil and gas pipeline operations and passive financial investing.

PP&L operates its generation and transmission facilities as part of the PJM. The PJM, one of the world's largest power pools, includes 11 companies serving about 22 million people in a 50,000 square mile territory covering all or part of Pennsylvania, New Jersey, Maryland, Delaware, Virginia and Washington, D.C.

In July 1996, all of the PJM companies, except PECO, submitted a comprehensive filing for FERC approval of changes to the PJM to accommodate greater competition and broader participation. The filing would (i) establish pool-wide transmission service tariffs to provide comparable, open-access service for all wholesale transactions throughout PJM; (ii) establish a price-based bidding system, with the resulting regional energy market open to all wholesale buyers and sellers of power; (iii) create a not-for-profit corporate entity in the form of an ISO responsible for impartial daily management and administration of the energy market and the transmission system; and (iv) develop an enhanced pool-wide planning function to be administered by the ISO. In August 1996, PECO filed a separate PJM restructuring proposal with the FERC, which differed significantly in several areas from the other companies' filing.

In November 1996, the FERC rejected both proposals for restructuring the PJM for several reasons, the principal one being its view that the ISO was not sufficiently independent. FERC ordered the PJM companies to file a pool-wide tariff and modified coordination agreements reflecting the removal of provisions which FERC considered discriminatory against non-PJM members. In December 1996, all members of PJM submitted an interim compliance filing with the FERC, which proposed a pool-wide pro forma transmission tariff and a revised interconnection agreement and transmission owners agreement designed to accommodate open, non-discriminatory participation in the pool. The PJM companies currently are working with multiple stakeholders to develop a consensus package for the comprehensive restructuring of the PJM, which is expected to be filed with the FERC in May 1997.

FINANCIAL CONDITION

See "Earnings", "Electric Energy Sales", and "Financial Indicators" in the Review of the Financial Condition and Results of Operations for this information.

CAPITAL EXPENDITURE REQUIREMENTS AND FINANCING

See "Financial Condition - Capital Expenditure Requirements" on page 32 for information concerning PP&L's estimated capital expenditure requirements for the years 1997-2001. See "Environmental Matters" on page 34 and Note 14 to Financial Statements for information concerning PP&L's estimate of the cost to comply with the federal clean air legislation enacted in 1990, to address groundwater degradation and waste water control at PP&L facilities and to comply with solid waste disposal regulations adopted by the DEP.

See "Financing and Liquidity" on page 32 for information concerning the 1997 financing plans for PP&L Resources and PP&L.

POWER SUPPLY

PP&L's system capacity (winter rating) at December 31, 1996 was as follows:

<u>Plant</u>	<u>Net Kilowatt Capacity</u>
Nuclear-fueled steam station	
Susquehanna	1,995,000 (a)
Coal-fired steam stations	
Montour	1,525,000
Brunner Island	1,469,000
Sunbury	389,000
Martins Creek	300,000
Keystone	210,000 (b)
Conemaugh	194,000 (c)
Holtwood	73,000
Total coal-fired	<u>4,160,000</u>
Oil-fired steam station	
Martins Creek	1,592,000
Combustion turbines and diesels	364,000
Hydroelectric	146,000
Total generating capacity	<u>8,257,000</u>

Firm purchases	
Hydroelectric	139,000 (d)
Qualifying facilities	474,000 (e)
Total firm purchases	<u>613,000</u>
Total system capacity	<u>8,870,000</u>

- (a) PP&L's 90% undivided interest.
(b) PP&L's 12.34% undivided interest.
(c) PP&L's 11.39% undivided interest.
(d) From Safe Harbor Water Power Corporation.
(e) From NUG companies. Effective January 1, 1997, an additional 5,000 kilowatts of NUG capacity were added.

The system capacity shown in the preceding tabulation does not reflect: (i) sales of capacity and energy to Atlantic; (ii) sales of capacity and energy to BG&E; (iii) sales of capacity and energy to JCP&L; or (iv) sales of capacity credits to GPU Service Corporation and Delmarva Power & Light Company for PJM installed capacity accounting purposes only, which capacity credit sales aggregated 284,000 kilowatts at December 31, 1996. Giving effect to the sales to Atlantic (129,000 kilowatts), BG&E (132,000 kilowatts), and JCP&L (756,000 kilowatts), PP&L's net system capacity at December 31, 1996 was 7,853,000 kilowatts.

The capacity of generating units is based upon a number of factors, including the operating experience and physical condition of the units, and may be revised from time to time to reflect changed circumstances.

During 1996, PP&L produced about 39.4 billion kwh in plants it owned. PP&L purchased 7.8 billion kwh under purchase agreements and received 1.7 billion kwh as power pool interchange. During the year, PP&L delivered about 1.3 billion kwh as pool interchange and about 6.3 billion kwh under purchase agreements.

During 1996, 57% of the energy generated by PP&L's plants came from coal-fired stations, 38.5% from nuclear operations at the Susquehanna station, 2.5% from the Martins Creek oil-fired steam station and 2.0% from hydroelectric stations.

The maximum one-hour demand recorded on PP&L's system is 6,607,000 kilowatts, which occurred on February 6, 1996. The maximum recorded one-hour summer demand is 6,021,000 kilowatts, which occurred on August 2, 1995. The peak demands do not include energy sold to Atlantic, BG&E or JCP&L.

PP&L purchases energy from other utilities and FERC-certified power marketers when it is economically desirable to do so. From time to time, PP&L purchases energy from systems outside the PJM on a daily, weekly or monthly basis, at advantageous prices. The amount of energy purchased depends on a number of factors, including cost and the import capability of the transmission network.

Under a compliance tariff filed with the FERC in July 1996, PP&L has been providing open access of available capability on its

transmission system for use by wholesale entities on a basis that is comparable with PP&L's own use of its transmission facilities.

In 1995, the FERC accepted a PP&L wholesale generating services tariff. This tariff enables PP&L to sell to other utilities and marketers reservations of output from PP&L's generating units during certain periods, with the option to purchase energy from these units. As of the end of 1996, about 60 utilities and marketers have signed service agreements under the tariff. Typically, a reciprocal agreement will enable PP&L to purchase energy from these same utilities and marketers. Transactions under these agreements will continue to allow PP&L to make more efficient use of its generating resources and provide benefits to both PP&L and the other utilities. At the end of 1996, PP&L filed with FERC for revisions to this tariff to unbundle transmission costs which are now part of its open access tariff. PP&L also sought FERC approval to sell power purchased from third parties, in addition to power from its own system resources. This "buy-for-resale" provision would increase PP&L's capabilities in making profitable wholesale transactions.

See Note 4 to Financial Statements for additional information concerning the sale of capacity and energy to Atlantic, BG&E and JCP&L, the sale of capacity credits (but not energy) to other electric utilities in the PJM and the sale of transmission entitlements and the reservation of output from the Martins Creek units.

In addition to the 474,000 kilowatts of non-utility generation shown in the preceding tabulation, PP&L is purchasing about 10,000 kilowatts of output from various other non-utility generating companies. The payments made to non-utility generating companies, all of whose facilities are located in PP&L's service area, are recovered from customers through base rate charges applicable to PUC- and FERC-jurisdictional customers.

The PJM companies had 57.3 million kilowatts of installed generating capacity at December 31, 1996, and transmission line connections with neighboring power pools have the capability of transferring an additional 4 to 5 million kilowatts between the PJM and neighboring power pools. Through December 31, 1996, the maximum one-hour demand recorded on the PJM was approximately 48.5 million kilowatts, which occurred on August 2, 1995. PP&L is also a party to the Mid-Atlantic Area Coordination Agreement, which provides for the coordinated planning of generation and transmission facilities by the companies included in the PJM.

PP&L has completed the conversion of the two oil-fired generating units at Martins Creek Steam Electric Station to burn both natural gas and oil. Dual fuel operation began in the second quarter of 1996. The IEC transmission facilities were converted to transport natural gas and oil through the existing oil pipeline. In November 1996, the Commonwealth Court of PA ruled against another party's appeal of the PUC's approval of IEC's application for gas transmission service.

FUEL SUPPLY

Coal

During 1996, PP&L's generating stations burned about 8.4 million tons of bituminous coal and about 1.1 million tons of anthracite and petroleum coke.

During 1996, 66% of the coal delivered to PP&L's generating stations was purchased under contracts and 34% was obtained through open market purchases.

The amount of bituminous coal carried in inventory at PP&L's generating stations varies from time to time depending on market conditions and plant operations. As of December 31, 1996, PP&L's bituminous coal supply was sufficient for about 39 days of operations.

Contracts with non-affiliated coal producers provided PP&L with about 4.4 million tons of bituminous coal in 1996 and are expected to provide PP&L with about 4.5 million tons in both 1997 and 1998.

The coal burned in PP&L's generating stations contains both organic and pyritic sulfur. Mechanical cleaning processes are utilized to reduce the pyritic sulfur content of the coal. The reduction of the pyritic sulfur content by either mechanical cleaning or blending has lowered the total sulfur content of the coal burned to levels which permit compliance with current sulfur dioxide emission regulations established by the DEP. For information concerning PP&L's plans to achieve compliance with the federal clean air legislation enacted in 1990, see "Environmental Matters" on page 34 and Note 14 to Financial Statements.

PP&L owns a 12.34% undivided interest in the Keystone station and an 11.39% undivided interest in the Conemaugh station, both of which are generating stations located in western Pennsylvania. The owners of the Keystone station have a long-term contract with a coal supplier to provide at least two-thirds of that station's requirements through 1999 and declining amounts thereafter until the contract expires at the end of 2004. The balance of the Keystone station requirements are purchased in the open market. The coal supply requirements for the Conemaugh station are being met from several sources through a blend of long-term and short-term contracts and spot market purchases.

At December 31, 1996, PP&L's inventory of anthracite was about 3.6 million tons. PP&L's requirements for petroleum coke and any additional anthracite that may be required over the remainder of the expected useful lives of PP&L's anthracite-fired generating stations are expected to be obtained by contract and market purchases.

Natural Gas

During 1996, PP&L's Martins Creek Steam Electric Station consumed about 2,000,000 mcf of natural gas. All of this natural gas was purchased and transported under short-term agreements that were

one month or less in duration. PP&L does not have any long-term agreements to purchase gas or gas transportation.

Oil

As of December 31, 1996, PP&L has an agreement with one supplier under which it can purchase up to 75% of the oil requirements for the Martins Creek units. The balance is purchased in the spot market. However, if there are price advantages to be realized from purchasing oil in the spot market, the contract permits PP&L to acquire up to 75% of its expected oil requirements for the Martins Creek units in that manner. The current agreement expires in mid-1997.

During 1996, approximately 87% of the oil requirements for the Martins Creek units was purchased under PP&L's oil contracts and the balance was purchased on the spot market.

Nuclear

The nuclear fuel cycle consists of the mining of uranium ore and its milling to produce uranium concentrates; the conversion of uranium concentrates to uranium hexafluoride; the enrichment of uranium hexafluoride; the fabrication of fuel assemblies; the utilization of the fuel assemblies in the reactor; the temporary storage of spent fuel; and the permanent disposal of spent fuel.

PP&L has entered into uranium supply agreements that satisfy 100% of the uranium concentrate requirements for the Susquehanna units through 1997 and approximately 50% of the requirements for the period 1998-1999. Deliveries under these agreements are expected to provide sufficient quantities of uranium concentrates to permit Unit 1 to operate into the first quarter of 2000 and Unit 2 to operate into the first quarter of 1999.

PP&L has entered into agreements that satisfy 100% of its conversion requirements through 1997 and approximately 50% of its conversion requirements for the period 1998-1999.

PP&L also has entered into agreements for other segments of the nuclear fuel cycle. Based upon the current operating plans for each of the Susquehanna units, the following table shows the years through which contracts, including options to extend, could provide the indicated segments of the nuclear fuel cycle:

Enrichment	2014
Fabrication	2006

PP&L has elected to cancel all or a portion of potential deliveries under its existing enrichment contract during the period 1999 through 2002, and is currently evaluating its options for satisfying these requirements through 2004. Additional arrangements will be necessary to satisfy the remaining fuel requirements of the Susquehanna units over their anticipated useful lives.

PP&L estimates that there is sufficient storage capability in the spent fuel pools at Susquehanna to accommodate the fuel that is

expected to be discharged through the end of 1997. Federal law requires the federal government to provide for the permanent disposal of commercial spent nuclear fuel. Pursuant to the requirements of that law, DOE has initiated an analysis of a site in Nevada for a permanent nuclear waste repository. Progress on characterization of a proposed disposal facility has been slow, and the repository is not expected to be operational before 2010. Congress is considering new legislation designed to re-establish a schedule for the spent fuel disposal program. This legislation would authorize an above-ground interim storage facility, along with the permanent disposal facility, as part of an integrated disposal program. Even if this legislation is enacted and DOE is successful in building and operating the interim storage facility, it is unlikely that any spent fuel will be shipped from Susquehanna until well after the year 2005 because of the large volume of other utilities' spent fuel that is scheduled to be shipped before PP&L's spent fuel. Therefore, expansion of Susquehanna's spent fuel storage capability is necessary. To support this expansion, PP&L has contracted for the design and construction of a spent fuel storage facility employing dry fuel storage technology at the Susquehanna plant. The facility will be modular so that additional storage capacity can be added as needed. PP&L currently estimates that construction of the facility will be completed by mid-1997.

Federal law also provides that the costs of spent nuclear fuel disposal are the responsibility of the generators of such wastes. PP&L includes in customer rates the fees charged by the DOE to fund the permanent disposal of spent nuclear fuel. In January 1997, PP&L joined over 30 other utilities in a lawsuit in the U.S. Court of Appeals for the District of Columbia Circuit seeking assurance of DOE's performance of its contractual obligation to accept the spent nuclear fuel and suspension of the payment of fees to that agency pending such performance.

ENVIRONMENTAL MATTERS

PP&L is subject to certain present and developing federal, regional, state and local laws and regulations with respect to air and water quality, land use and other environmental matters. See "Financial Condition - Capital Expenditure Requirements" on page 32 for information concerning environmental expenditures during 1996 and PP&L's estimate of those expenditures during the years 1997-2001. PP&L believes that it is presently in substantial compliance with applicable environmental laws and regulations.

See "Environmental Matters" on page 34 and Note 14 to Financial Statements for information concerning federal clean air legislation enacted in 1990, groundwater degradation and waste water control at PP&L facilities, DEP's solid waste disposal regulations and PP&L's agreement with the DEP concerning remediation at certain sites of past operations. Other environmental laws, regulations and developments that may have a substantial impact on PP&L are discussed below.

Air

The Clean Air Act includes, among other things, provisions that: (a) require the prevention of significant deterioration of existing air quality in regions where air quality is better than applicable ambient standards; (b) restrict the construction of and revise the performance standards for new coal-fired and oil-fired generating stations; and (c) authorize the EPA to impose substantial noncompliance penalties of up to \$25,000 per day of violation for each facility found to be in violation of the requirements of an applicable state implementation plan. The DEP administers the EPA's air quality regulations through the Pennsylvania State Implementation Plan and has concurrent authority to impose penalties for noncompliance. At this time, PP&L is meeting all requirements of Phase I of the Clean Air Act.

Water

To implement the requirements established by the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977 and the Water Quality Act of 1987, the EPA has adopted regulations including effluent standards for steam electric stations. The DEP administers the EPA's effluent standards through state laws and regulations relating, among other things, to effluent discharges and water quality. The standards adopted by the EPA pursuant to the Clean Water Act may have a significant impact on PP&L's existing facilities depending on the DEP's interpretation and future amendments to its regulations.

The EPA and DEP limitations, standards and guidelines for the discharge of pollutants from point sources into surface waters are implemented through the issuance of NPDES permits. PP&L has the NPDES permits necessary for the operation of its facilities.

Pursuant to the Surface Mining and Reclamation Act of 1977, the OSM has adopted effluent guidelines which are applicable to PP&L subsidiaries as a result of their past coal mining and continued coal processing activities. The EPA and the OSM limitations, guidelines and standards also are enforced through the issuance of NPDES permits. In accordance with the provisions of the Clean Water Act and the Reclamation Act of 1977, the EPA and the OSM have authorized the DEP to implement the NPDES program for Pennsylvania sources. Compliance with applicable water quality standards is assured by DEP review of NPDES permit conditions. PP&L's subsidiaries have received NPDES permits for their mines and related facilities.

Solid and Hazardous Waste

The RCRA regulates the generation, transportation, treatment, storage and disposal of hazardous wastes. RCRA also imposes joint and several liability on generators of solid or hazardous waste for clean-up costs. A revision of RCRA in late-1984 lowered the threshold for the amount of on-site hazardous waste generation requiring regulation and incorporated underground tanks used for the storage of petroleum and petroleum products as regulated units. Based upon the results of a survey of its solid waste practices, PP&L

in the past has filed notices with the EPA indicating that hazardous waste is occasionally generated at all of its steam electric generating stations and service centers. PP&L has established specific operating procedures for handling this hazardous waste. Therefore, at this time RCRA and related DEP regulations are not expected to have a significant additional impact on PP&L.

The provisions of Superfund authorize the EPA to require past and present owners of contaminated sites and generators of any hazardous substance found at a site to clean up the site or pay the EPA or the state for the costs of clean-up. The generators and past owners can be liable even if the generator contributed only a minute portion of the hazardous substances at the site. Present owners can be liable even if they contributed no hazardous substances to the site.

The Pennsylvania Superfund law also gives the DEP broad authority to identify hazardous or contaminated sites in Pennsylvania and to order owners or responsible parties to clean up the sites. If responsible parties cannot or will not perform the clean-up, the DEP can hire contractors to clean up the sites and then require reimbursement from the responsible parties after the clean-up is completed. To date, PP&L has principally been involved in federal, rather than state, Superfund sites.

In 1996, PP&L completed removal of coal tar from one subsurface accumulation at a former coal gasification plant site along Brodhead Creek, Monroe County, Pennsylvania and currently expects that significant additional remedial action will not be required. PP&L has entered into agreements with the adjacent property owner and DEP to share the past and future costs of remediating this site. PP&L's share of the costs is approximately \$2.3 million, all of which has been spent.

The EPA has placed the site of a former PP&L gas plant in Columbia, Pennsylvania on the national Superfund list. PP&L and another potentially responsible party had previously conducted a detailed investigation of the site, and PP&L removed a substantial amount of coal tar from a pedestrian tunnel at the rear of the property. However, coal tar remains in two brick pits on the site. There also is coal tar contamination of the soil and groundwater at the site and of river sediment adjacent to the site. PP&L signed a consent order with the DEP to remediate the brick pits and conduct additional investigations. The costs of investigation and remediation of the areas of the site where the agencies have required action are estimated at \$2.6 million, all of which has been spent or is accrued. Further remediation of other areas of the site may be required, the costs of which are not now determinable but could be material.

PP&L at one time also owned and operated several other gas plants in its service area. None of these sites is presently on the Superfund list. However, a few of them may be possible candidates for listing at a future date. PP&L expects to continue to investigate and, if necessary, remediate these sites. The cost of this work is not now determinable but could be material.

See "LEGAL PROCEEDINGS" on page 14 for information concerning an EPA order and a complaint filed by the EPA in federal district court against PP&L and 35 unrelated parties for remediation of a Superfund site in Berks County, Pennsylvania; a complaint filed by PP&L and 16 unrelated parties in federal district court against other parties for contribution under Superfund relating to the Novak landfill Superfund site in Lehigh County, Pennsylvania and a related action by EPA against PP&L and 29 unrelated parties to recover the agency's past and future costs at the Novak landfill site; and an action by the EPA for reimbursement of the EPA's past response costs and remediation at the site of a former metal salvaging operation in Montour County, Pennsylvania.

PP&L is involved in several other sites where it may be required, along with other parties, to contribute to investigation and remediation. Some of these sites have been listed by the EPA under Superfund, and others may be candidates for listing at a future date. Future investigation or remediation work at sites currently under review, or at sites currently unknown, may result in material additional operating costs which PP&L cannot estimate at this time. In addition, certain federal and state statutes, including Superfund and the Pennsylvania Hazardous Sites Cleanup Act, empower certain governmental agencies, such as the EPA and the DEP, to seek compensation from the responsible parties for the lost value of damaged natural resources. The EPA and the DEP may file such compensation claims against the parties, including PP&L, held responsible for cleanup of such sites. Such natural resource damage claims against PP&L could result in material additional liabilities.

Low-Level Radioactive Waste

Under federal law, each state is responsible for the disposal of low-level radioactive waste generated in that state. States may join in regional compacts to jointly fulfill their responsibilities. The states of Pennsylvania, Maryland, Delaware and West Virginia are members of the Appalachian States Low-Level Radioactive Waste Compact. Efforts to develop a regional disposal facility in Pennsylvania are currently underway. Low-level radioactive wastes resulting from the operation of Susquehanna are currently being sent to Barnwell, South Carolina for disposal. In the event that this disposal option becomes unavailable or no longer cost effective, the low-level radioactive waste will be stored on-site at Susquehanna. PP&L cannot predict the future availability of low-level waste disposal facilities or the cost of such disposal.

General

Concerns have been expressed by some members of the scientific community and others regarding the potential health effects of EMFs. These fields are emitted by all devices carrying electricity, including electric transmission and distribution lines and substation equipment. Federal, state and local officials are focusing increased attention on this issue. PP&L is actively participating in the current research effort to determine whether EMFs cause any human health problems and is taking steps to reduce EMFs, where practical, in the design of new transmission and distribution facilities. PP&L

is unable to predict what effect the EMF issue might have on PP&L operations and facilities and the associated cost.

In addition to the matters described above, PP&L and its subsidiaries have been cited from time to time for temporary violations of the DEP and EPA regulations with respect to air and water quality and solid waste disposal in connection with the operation of their facilities and may be cited for such violations in the future. As a result, PP&L and its subsidiaries may be subject to certain penalties which are not expected to be material in amount.

PP&L is unable to predict the ultimate effect of evolving environmental laws and regulations upon its existing and proposed facilities and operations. In complying with statutes, regulations and actions by regulatory bodies involving environmental matters, including the areas of water and air quality, hazardous and solid waste handling and disposal and toxic substances, PP&L may be required to modify, replace or cease operating certain of its facilities. PP&L may also incur material capital expenditures and operating expenses in amounts which are not now determinable.

FRANCHISES AND LICENSES

PP&L has authority to provide electric public utility service throughout its entire service area as a result of grants by the Commonwealth of Pennsylvania in corporate charters to PP&L and companies to which it has succeeded and as a result of certification thereof by the PUC. PP&L has been granted the right to enter the streets and highways by the Commonwealth subject to certain conditions. In general, such conditions have been met by ordinance, resolution, permit, acquiescence or other action by an appropriate local political subdivision or agency of the Commonwealth.

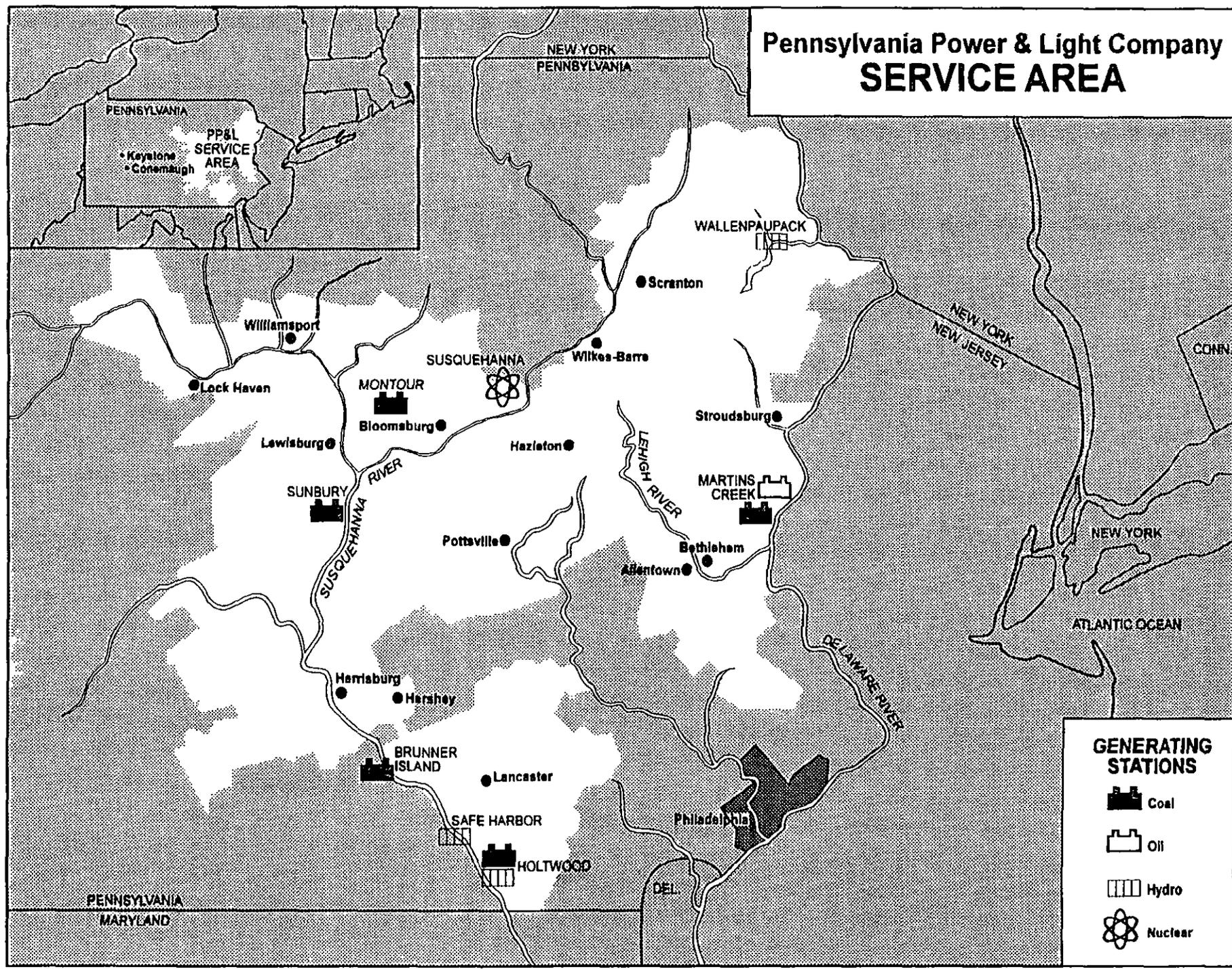
PP&L operates Susquehanna Unit 1 and Unit 2 pursuant to NRC operating licenses which expire in 2022 and 2024, respectively. PP&L operates two hydroelectric projects pursuant to licenses which were renewed by the FERC in 1980: Wallenpaupack (44,000 kilowatts capacity) and Holtwood (102,000 kilowatts capacity). The Wallenpaupack license expires in 2004 and the Holtwood license expires in 2014.

PP&L also owns one-third of the capital stock of Safe Harbor Water Power Corporation, which holds a project license which extends until 2030 for the operation of its hydroelectric plant. The total capability of the Safe Harbor plant is 417,500 kilowatts, and PP&L is entitled by contract to one-third of the total capacity (139,000 kilowatts).

EMPLOYEE RELATIONS

As of December 31, 1996, approximately 4,190 of PP&L's 6,428 full-time employees were represented by the IBEW under a three-year agreement which expires in May 1997.

Pennsylvania Power & Light Company SERVICE AREA



GENERATING STATIONS

-  Coal
-  Oil
-  Hydro
-  Nuclear

ITEM 2. PROPERTIES

The accompanying Map shows the location of PP&L's service area and generating stations.

Reference is made to the "Utility Plant" section of Note 1 for information concerning investments in property, plant and equipment. Substantially all electric utility plant is subject to the lien of PP&L's first mortgage.

For additional information concerning the properties of PP&L see Item 1, "BUSINESS - Power Supply" and "BUSINESS - Fuel Supply".

ITEM 3. LEGAL PROCEEDINGS

Reference is made to Notes to Financial Statements for information concerning rate matters.

Reference is made to Item 1 "BUSINESS-Fuel Supply" for information concerning a lawsuit against DOE for failure of that agency to perform contractual obligations.

In August 1991, a group of fuel oil dealers in PP&L's service area filed a complaint against PP&L in District Court alleging that PP&L's promotion of electric heat pumps and off-peak thermal storage systems had violated and continues to violate the federal antitrust laws. Specifically, the complaint alleged that PP&L's use of its PUC-filed tariff to provide a lower electric rate for newly constructed residences equipped with thermal storage systems, combined with PP&L's program of providing cash grants to developers and contractors for the installation of high efficiency heat pumps in these residences, allowed PP&L to illegally capture at least 70% of the market for heating in new residential construction within its service area.

The complaint requested judgment against PP&L for a sum in excess of \$10 million for the alleged antitrust violations, treble the damages alleged to have been sustained by the plaintiffs over the past four years. The complaint also requested a permanent injunction against all activities found to be illegal, including the cash grant program.

PP&L filed a motion for summary judgment seeking to dispose of plaintiffs' claims in this case, and in September 1992, the judge ruled on this motion and dismissed all counts against PP&L. The plaintiffs appealed to the Court of Appeals for the Third Circuit. In April 1994, the Court of Appeals issued a decision which in part affirmed the lower court's grant of summary judgment for PP&L, but reversed the grant of summary judgment as to cash grants to developers based upon all-electric builder agreements.

The District Court reacquired jurisdiction over this case. In February 1997, the parties reached an agreement in principle to settle this proceeding. The terms of this settlement would not have a material effect on PP&L.

In August 1995, SER, one of the non-utility generating companies from which PP&L purchases power under the PURPA, brought suit against PP&L in the District Court. SER alleged that, since July 1994, PP&L has improperly curtailed power purchases from SER under the power purchase agreement between the parties. SER claims that such activity breached the power purchase agreement and violated the federal antitrust laws, among other counts. SER alleged that PP&L's actions resulted in loss of revenue from power sales of \$1.6 million and an unquantified increase in its costs of operation. SER requested compensatory and punitive damages, as well as treble damages and attorneys' fees for alleged antitrust violations. In May 1996, the District Court granted PP&L's motion to dismiss the complaint. SER has appealed this decision to the U.S. Court of Appeals for the Third Circuit.

In December 1995, PP&L filed a petition with the PUC for a declaratory order that it had acted properly in curtailing purchases from SER and other NUGs during minimum generation emergencies on the PJM system. The PUC has stayed a determination in this case pending a FERC decision regarding PP&L's request to decertify SER as a qualifying cogeneration facility (see discussion below).

In November 1995, PP&L initiated a civil action against SER in the Lehigh County Court of Common Pleas. The principal issue is whether SER and an affiliate of SER properly used the steam generated by the plant in accordance with the terms of the contract. Under the contract, if the steam was used properly, SER is entitled to a rate of 6.6¢/KWH; if not, it is entitled to a rate of only 5.0¢/KWH. The total annual difference in payment under the two rates is about \$9 million. In April 1996, the Court concluded that PP&L must seek a determination by the FERC prior to reducing the rate paid to SER.

Accordingly, in July 1996 PP&L filed a motion with the FERC to revoke SER's status as a qualifying cogeneration facility. PP&L's motion alleges that SER has engaged in a conscious and continuing scheme to mislead PP&L and the FERC and that SER has never complied with the FERC's requirements for a qualifying cogeneration facility. This motion is pending.

In a related matter, in June 1996 SER filed a state court lawsuit against PP&L in Lehigh County, Pennsylvania. In this lawsuit, SER restates its allegations concerning PP&L's procedures for curtailing power deliveries from SER during periods of minimum generation emergencies declared by the PJM. SER's claims include breach of contract, fraud, negligent misrepresentation and breach of duty of good faith and fair

dealing. In addition, SER claims that public statements by PP&L were libelous. In January 1997, the Court stayed SER's state law claims against PP&L pending consideration by the PUC of PP&L's minimum generation petition and dismissed SER's libel claims.

PP&L cannot predict the outcome of these proceedings.

In April 1991, the U.S. Department of Labor through its MSHA issued citations to one of PP&L's coal-mining subsidiaries for alleged coal-dust sample tampering at one of the subsidiary's mines. The MSHA at the same time issued similar citations to more than 500 other coal-mine operators. Based on a review of its dust sampling procedures, the subsidiary is contesting all of the citations. It is believed at this time, based on the information available, that the MSHA allegations are without merit. Citations were also issued against the independent operator of another subsidiary mine, who is also contesting the citations issued with respect to that mine. The Administrative Law Judge assigned to the proceedings ordered that one case be tried against a single mine operator unrelated to PP&L to determine whether the MSHA could prove its general allegations regarding sample tampering. In April 1994, the Judge ruled in favor of the mine operator and vacated the 75 citations against it. The MSHA appealed the Judge's decision to the Mine Safety and Health Review Commission. In November 1995, the Commission affirmed the Judge's rulings in favor of the operator. The Secretary of Labor has appealed the Commission's decision to the U.S. Court of Appeals for the District of Columbia Circuit. PP&L cannot predict the outcome of these proceedings.

On July 25, 1994, Mon Valley Steel Company, Inc. filed suit in the Court of Common Pleas of Fayette County, Pennsylvania, against PP&L and two of its subsidiaries, claiming that PP&L and those subsidiaries made fraudulent misrepresentations during negotiations for the 1992 sale to Mon Valley of Tunnelton Mining Company. Tunnelton was a coal-mining operation formerly owned by PP&L's subsidiary, Pennsylvania Mines Corporation. Specifically, Mon Valley alleges that PP&L and those subsidiaries misrepresented Tunnelton's capability to produce coal, as well as the amount of funding Tunnelton would receive for mine closing costs. Mon Valley is claiming about \$6 million to cover mine closing costs as well as punitive damages in an unspecified amount. In July 1994, PP&L and those subsidiaries filed a legal action in the Court of Common Pleas of Allegheny County, Pennsylvania, requesting a judicial determination that they had not breached any of their contractual obligations to Mon Valley. While these matters were pending, Mon Valley was forced into involuntary bankruptcy by its creditors and, accordingly in August 1996, PP&L removed the Fayette County action to Federal Bankruptcy Court. The Allegheny County action by PP&L has been stayed pending the Bankruptcy Court's determination. PP&L cannot predict the outcome of these proceedings.

In August 1994, PP&L filed a rate complaint with the Interstate Commerce Commission, now the Surface Transportation

Board, challenging Consolidated Rail Corporation's (Conrail's) coal transportation rates from interchange points with connecting carriers to PP&L's power plants. In September 1995, PP&L amended its complaint to add the connecting carriers, CSX Corporation and Norfolk Southern Corporation, as additional defendants.

As a result of an Surface Transportation Board ruling in December 1996, PP&L's complaint against Conrail alone was dismissed, but PP&L's case against Conrail, CSX and Norfolk Southern jointly continues. PP&L cannot predict the outcome of this proceeding or its ultimate impact on PP&L's coal transportation rates.

In August 1991, PP&L and 35 other unrelated parties received an EPA order under Superfund requiring that certain remedial actions be taken at a former oil recovery site in Berks County, Pennsylvania, which has been included on the federal Superfund list. PP&L had been identified by the EPA as a potentially responsible party, along with over 100 other parties. The EPA order required remediation by the 36 named parties of four specific areas of the site. Remedial action under this order has been completed at a cost of approximately \$2 million, of which PP&L's interim share was approximately \$50,000.

The EPA at the same time filed a complaint under Section 107 of Superfund in the District Court against PP&L and the same 35 unrelated parties. The complaint asks the District Court to hold the parties jointly and severally liable for all EPA's past costs at the site and future costs of remediating some of the remaining areas of the site. The EPA claims it has spent approximately \$21 million to date. PP&L and a group of the other named parties have sued in District Court approximately 460 other parties that have contributed waste to the site, demanding that these companies contribute to the clean-up costs.

In July 1993, PP&L and 33 of the 35 unrelated parties received an EPA order under Section 106 of Superfund requiring remediation of the remaining areas of the site identified by EPA. Current estimates of remediating the remainder of the site range from \$50 million to \$200 million. These costs would be shared among the responsible parties. PP&L and other parties to the lawsuit have reached a settlement with the federal government regarding these claims. PP&L's share is not material.

In December 1991, PP&L and 16 unrelated parties filed complaints against 64 other parties in District Court seeking reimbursement under Superfund for costs the plaintiffs have incurred and will incur to investigate and remediate the Novak landfill site in Lehigh County, Pennsylvania. The complaints allege that the 64 defendants generated or transported substances disposed of at the Superfund site. A Remedial Investigation and Draft Feasibility Study for the site has been completed at a cost of approximately \$3 million, of which PP&L's share was approximately \$200,000. EPA's selected remedy is currently estimated to cost approximately \$20 million. EPA has issued a

106 Order against PP&L and several other parties to implement this remedy. In January 1997, EPA filed an action against PP&L and 29 other parties under section 107 of CERCLA to recover its costs at the site, which it alleges are in excess of \$990,000. The parties currently are negotiating with EPA. PP&L's allocated share is not expected to be material.

In April 1993, PP&L received an order under Section 106 of Superfund requiring that actions be taken at the site of a former metal salvaging operation in Montour County, Pennsylvania. The EPA has taken similar action with two other potentially responsible parties at the site. The cost of compliance with the order is currently estimated to be approximately \$37 million. The EPA currently estimates that additional remediation work not covered by the order will cost an additional \$36 million. In addition, the EPA has already incurred clean-up costs of approximately \$5 million to date. The EPA had indicated that it will seek to recover these additional costs at a later date. PP&L's records indicate that scrap metal, wire and transformers were sold to the salvage operator between 1969 and 1971. Current information indicates that PP&L's contribution to the site, if any, is de minimis.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of 1996.

EXECUTIVE OFFICERS OF THE REGISTRANTS

Officers of PP&L Resources and PP&L are elected annually by their Boards of Directors to serve at the pleasure of the respective Boards. There are no family relationships among any of the executive officers, or any arrangement or understanding between any executive officer and any other person pursuant to which the officer was selected.

There have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions material to the evaluation of the ability and integrity of any executive officer during the past five years.

Listed below are the executive officers of:

PP&L Resources, Inc.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Effective Date of Election to Present Position</u>
William F. Hecht	53	Chairman, President and Chief Executive Officer	February 24, 1995
Francis A. Long	56	Executive Vice President	February 24, 1995
Robert G. Byram*	51	Senior Vice President-Nuclear - PP&L	December 20, 1995
Ronald E. Hill	54	Senior Vice President-Financial	August 1, 1996
Robert D. Fagan*	51	President - Power Markets Development Company	December 20, 1995
Robert J. Grey	46	Senior Vice President, General Counsel and Secretary	March 1, 1996
Joseph J. McCabe	46	Vice President and Controller	August 1, 1995

Pennsylvania Power & Light Company:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Effective Date of Election to Present Position</u>
William F. Hecht	53	Chairman, President and Chief Executive Officer	January 1, 1993

Francis A. Long	56	Executive Vice President and Chief Operating Officer	January 1, 1993
Robert G. Byram	51	Senior Vice President- Nuclear	March 26, 1993
Ronald E. Hill	54	Senior Vice President- Financial	January 1, 1994
John R. Biggar	52	Vice President- Finance	August 1, 1996
Robert J. Grey	46	Senior Vice President, General Counsel and Secretary	March 1, 1996
Joseph J. McCabe	46	Vice President and Controller	August 1, 1995

* Mr. Byram and Mr. Fagan have been designated executive officers of PP&L Resources by virtue of their respective positions at PP&L Resources subsidiaries.

Each of the above officers, with the exception of Mr. Fagan, Mr. Grey, and Mr. McCabe, has been employed by PP&L for more than five years as of December 31, 1996. Mr. Fagan joined PMDC - then a PP&L subsidiary - in November 1994. Prior to that time, he was Vice President and General Manager at Mission Energy Company. Mr. McCabe joined PP&L in May 1994 and was previously a partner of Deloitte & Touche LLP. Mr. Grey joined PP&L in March 1995. He had been General Counsel of Long Island Lighting Company since 1992. Prior to that time, he held the position of partner at the law firm of Preston Gates & Ellis.

Prior to election to the positions shown above, the following executive officers held other positions with PP&L since January 1, 1992: Mr. Hecht was President and Chief Operating Officer; Mr. Long was Senior Vice President - System Power & Engineering; Mr. Byram was Vice President - Nuclear Operations and Senior Vice President - System Power & Engineering; Mr. Hill was Vice President, Comptroller and Senior Vice President - Financial and Treasurer of PP&L Resources; Mr. Biggar was Vice President-Finance and Vice President - Finance and Treasurer; Mr. Grey was Vice President, General Counsel and Secretary, and Mr. McCabe was Controller.

PART II

**ITEM 5. MARKET FOR THE REGISTRANT'S
COMMON EQUITY AND RELATED
STOCKHOLDER MATTERS**

Additional information for this item is set forth in the section entitled "Shareowner and Investor Information" on pages 81 through 83 of this report, and the number of common shareowners is set forth in the section entitled "Selected Financial and Operating Data" on page 79.

ITEM 6. SELECTED FINANCIAL DATA

Information for this item is set forth in the section entitled "Selected Financial and Operating Data" on pages 79 and 80 of this report.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**

Information for this item is set forth in the section entitled "Review of the Financial Condition and Results of Operations of PP&L Resources, Inc. and Pennsylvania Power & Light Company" on pages 24 through 39 of this report.

**ITEM 8. FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA**

Financial statements and supplementary data are set forth on the pages indicated below.

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**ITEM 9. CHANGES IN AND DISAGREEMENTS
WITH ACCOUNTANTS ON ACCOUNTING
AND FINANCIAL DISCLOSURE**

Based upon a recommendation of its Audit Committee, PP&L's Board of Directors decided on January 25, 1995 that Deloitte & Touche LLP would not be retained as the independent auditors for 1995. On February 22, 1995, PP&L's Board of Directors, based upon a recommendation of PP&L's Audit Committee, appointed Price Waterhouse LLP as PP&L's new independent auditors.

The auditors' report of Deloitte & Touche LLP on PP&L's financial statements for each of the two years ended December 31, 1993 and 1994, did not contain any adverse opinion or disclaimer of opinion, nor were the reports modified or qualified in any manner.

During the period of such two years and the period from December 31, 1994 through January 25, 1995, there were no disagreements with Deloitte & Touche LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. During such periods, there were no "reportable events" as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

Deloitte & Touche LLP provided a letter to PP&L regarding this matter, dated February 1, 1995, indicating that they agreed with the statements in the two preceding paragraphs.

**REVIEW OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS
OF PP&L RESOURCES, INC. AND PENNSYLVANIA POWER & LIGHT COMPANY**

PP&L Resources is the parent holding company of PP&L, PMDC and Spectrum. PP&L Resources' principal subsidiary, PP&L, is an operating public utility providing electric service in central eastern Pennsylvania. PMDC was formed to engage in unregulated business activities through investments in electric energy projects. Spectrum, another unregulated subsidiary, was formed to pursue opportunities to offer energy-related products and services to PP&L's existing customers and to others beyond PP&L's service territory.

The financial condition and results of operations of PP&L are currently the principal factors affecting the financial condition and results of operations of PP&L Resources. All fluctuations, unless specifically noted, are primarily due to activities of PP&L. All nonutility operating transactions are included in "Other Income and Deductions - Net" on the Consolidated Statement of Income.

Terms and abbreviations appearing in the Review of the Financial Condition and Results of Operations are explained in the glossary.

Results of Operations

Earnings

Earnings per share of common stock were \$2.05 in 1996, \$2.05 in 1995 and \$1.41 in 1994. The following table highlights the major items that impacted earnings for each of the years:

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Earnings per share - excluding workforce reductions and one-time adjustments	\$2.05	\$1.79	\$2.02
Workforce reduction programs:			
Voluntary early retirement program		0.24	(0.28)
Other	(0.03)	(0.11)	0.03
One-time adjustments:			
Research and experimentation income tax credits	0.03		
Postretirement benefits other than pensions		0.10	(0.04)
Disallowance - Susquehanna Unit No. 1 deferred costs		(0.13)	
ECR purchased power costs		0.04	(0.06)
Gain/(loss) on subsidiary coal reserves	_____	<u>0.12</u>	<u>(0.26)</u>
Earnings per share - reported	<u>\$2.05</u>	<u>\$2.05</u>	<u>\$1.41</u>

Earnings per share, excluding the adjustments identified above, improved by \$.26 for 1996. This earnings improvement reflects higher revenues resulting from the 3.8% base rate increase from the PUC Decision, as well as higher sales to all service-area classes. On a weather-adjusted basis, sales to commercial customers grew by 3.6%, with sales to residential and industrial customers posting increases of 3.2%

and 1.7%, respectively. Earnings also benefited from lower interest expense, due to the refinancing of long-term debt with lower cost securities. These earnings gains were partially offset by a reduction in contractual bulk power sales to JCP&L, as well as higher depreciation expense. The higher depreciation is due to new property, plant and equipment placed in service in 1996, as well as higher depreciation for the Susquehanna station as a result of the PUC Decision.

The decline in earnings in 1995, excluding the adjustments identified above, was primarily due to higher operating costs, depreciation for the Susquehanna station and costs associated with the review of PECO's proposals to acquire PP&L Resources.

The reduction in contractual bulk power sales to JCP&L and other major utilities will continue to adversely affect earnings over the next few years. PP&L has increased its efforts to sell this returning energy and capacity on the open market. In addition, legislation recently enacted in Pennsylvania to restructure its electric utility industry to create retail access to a competitive market for generation of electricity could have a major impact on the future financial performance of PP&L. See "Pennsylvania Restructuring Legislation" for additional information.

Electric Energy Sales

The increases (decreases) in PP&L's electric energy sales were attributable to the following:

	1996 vs <u>1995</u> (Millions of KWH)	1995 vs <u>1994</u>
Electric energy sales		
Residential	548	(144)
Commercial	341	232
Industrial	171	309
Other (including UGI)	<u>60</u>	<u>(40)</u>
System sales	1,120	357
Sales to other utilities	3,843	1,368
PJM energy sales	<u>(1,020)</u>	<u>(800)</u>
	<u>3,943</u>	<u>925</u>

System, or service area, sales increased 1.1 billion kwh, or 3.4%, over 1995. Part of this increase was attributable to colder weather in the first quarter of 1996. If normal weather had been experienced in both 1996 and 1995, system sales for 1996 would have increased by about 953 million kwh, or 2.9%, over 1995.

Actual sales to residential customers in 1996 increased 548 million kwh, or 4.8%, from 1995, compared with a decrease in 1995 of 144 million kwh, or 1.3%, from 1994. Under normal weather conditions, the 1996 increase would have been 3.2%. Weather-adjusted commercial sales increased 3.6% in 1996, and sales to industrial customers increased by 1.7% from 1995. Commercial and industrial sales are good indicators of the region's economic health.

Sales to other utilities increased 3.8 billion kwh, or 50.1%, from 1995, despite a reduction in PP&L's contractual bulk power sales to

JCP&L. These increases were primarily the result of PP&L's one-year contract to supply energy to PSE&G and increased efforts to sell energy and capacity on the open market. Sales to other utilities in 1995 increased by 1.4 billion kwh, or 21.7% from 1994. These increases were primarily due to PP&L's efforts to increase direct two-party sales to other utilities rather than selling to PJM.

Sales to PJM in 1996 decreased by 1 billion kwh, or 43.3%, from 1995. These lower PJM sales were primarily the result of increases in direct sales to other utilities, such as the contract sales to PSE&G referenced above. Sales to PJM in 1995 decreased by 800 million kwh, or 25.3% from 1994. These decreases were also primarily due to PP&L's efforts to increase direct two-party sales.

See "Operating Revenues" for more information.

Operating Revenues

The increases in total operating revenues were attributable to the following:

	1996 vs <u>1995</u> (Millions of Dollars)	1995 vs <u>1994</u>
Base rate revenues:		
Rate increase - PUC Decision	\$ 76	\$17
Sales volume/mix	57	25
Weather	13	(10)
Energy revenue	5	4
Sales to other utilities & PJM	27	(5)
Other, net	<u>(20)</u>	<u>(4)</u>
	<u>\$158</u>	<u>\$27</u>

Operating revenues increased by \$158 million, or 5.8%, in 1996 over 1995. Base rate revenues were enhanced by the PUC Decision, which increased PUC jurisdictional rates about 3.8% and by strong sales growth in all customer classes. In addition, weather had a favorable impact when comparing 1996 to 1995. This is a result of the extremely cold weather during the first quarter of 1996 compared to milder weather during the first quarter of 1995. Finally, revenues during 1996 reflect increased sales to other utilities, primarily due to the one-year contract to supply energy to PSE&G. These increases were partially offset by the loss of revenue due to the phasing-out of the capacity sales agreement with JCP&L.

Operating revenues increased \$27 million, or 1%, in 1995 over 1994. Base rate revenues in 1995 were enhanced for three months as a result of the PUC Decision and by higher sales in the commercial and industrial sectors. These revenues were partially offset by unfavorable weather variances caused by the mild weather in early 1995 compared to the extremely cold weather in early 1994.

PP&L's generation sales tariff was amended effective January 1, 1997, subject to FERC approval, to allow PP&L to buy energy for the purpose of resale in competitive wholesale markets. This change provides PP&L additional flexibility in creating wholesale power supply opportunities that will increase operating revenues.

Pennsylvania Restructuring Legislation

In December 1996, Pennsylvania enacted legislation to restructure its electric utility industry in order to create retail access to a competitive market for the generation of electricity. The legislation, which was effective on January 1, 1997, includes the following major provisions:

1. All electric utilities in Pennsylvania are required to file, beginning on April 1, 1997 and in no event later than September 30, 1997, a restructuring plan to implement direct access to a competitive market for electric generation. The plan must include unbundled rates for generation, jurisdictional transmission, distribution and other services; a proposed competitive transition charge; a proposed universal service and energy conservation cost recovery mechanism; procedures for ensuring direct access to all licensed energy suppliers; a discussion of the proposed plan's impacts on utility employees and revised tariffs and rates implementing the foregoing.

2. Retail customer choice will be phased in as follows: up to 33% of all customer load on January 1, 1999; up to 66% of all customer load on January 1, 2000; and 100% of all customer load by January 1, 2001. The PUC can delay this schedule by two 6-month periods, if necessary.

3. Electric distribution companies will be the suppliers of last resort. The PUC will ensure that adequate generation reserves exist to maintain reliable electric service. The utility's transmission and distribution system must continue to meet established national industry standards for installation, maintenance and safety.

4. Retail rates will be capped for at least 4-1/2 years for transmission and distribution charges and for as long as 9 years for generation charges. A utility may be exempted from the caps only under very specific circumstances, e.g., the need for extraordinary rate relief, non-utility generation contracts, changes in laws or regulations, required upgrades or repairs to the transmission system, increases in fuel prices or purchased power prices, nuclear power plant decommissioning costs or taxes.

5. Pennsylvania utilities are permitted to recover PUC-approved transition or stranded costs over several years; however, the utilities are required to mitigate these costs to the extent practicable. Also, the recovery of these costs must not result in cost shifting among customers.

6. "Transition bonds" may be issued to pay the stranded costs. This procedure involves the following elements: (i) the sale or transfer by the utility of the right to recover a portion of its stranded costs to a financing entity -- for a lump-sum payment of cash -- that could be used to retire the utility's debt and equity and to pay stranded costs; (ii) the issuance by the financing entity of "transition bonds"; (iii) the collection by the utility of "transition charges" on customers' bills, which are transferred to the financing entity to pay the principal and interest and other related costs of issuing the transition bonds; (iv) upon the imposition of transition charges on customers' bills, the utility must reduce customer rates by an amount equal to the revenue requirements of the stranded costs financed with transition bonds; and (v) a PUC "qualified rate order," which would be irrevocable, approving

the collection of the transition charges. This irrevocability would protect the cash flow stream used to repay the transition bonds.

7. All generation suppliers must demonstrate financial and technical fitness and must be licensed by the PUC. Cooperatives and municipalities may participate in retail competition but are not subject to the provisions of the legislation, unless they elect to serve customers outside their franchise territories.

8. State tax revenues paid by utilities and generation suppliers are to remain at their current level, to protect against any state revenue loss from restructuring.

9. The PUC will monitor electricity markets for anti-competitive or discriminatory conduct, and will consider the impact of mergers and acquisitions on these markets.

PP&L is formulating its restructuring plan, which it currently plans to file on April 1, 1997. Under the legislation, the PUC must take action on the restructuring plan within nine months of the filing date. PP&L is unable to predict the ultimate effect of this legislation on its financial position, results of operation or its need to issue securities to meet future capital requirements.

Rate Matters

Base Rate Filing with the PUC

In September 1995, the PUC issued a final order with respect to the base rate case filed by PP&L in December 1994. The PUC Decision increased PUC jurisdictional rates by about \$85 million annually, or 3.8%. The PUC Decision permitted the levelization of depreciation expense for the Susquehanna station, recovery of retiree health care costs and costs of the 1994 voluntary early retirement program and revised costs to decommission Susquehanna SES. The order also permitted recovery of deferred operating and capital costs, net of energy savings, for Susquehanna Unit 2 but disallowed similar costs for Unit No. 1. The PUC also ruled that PP&L could not include in the ECR the cost of capacity billed to other utilities after the contractual arrangements with these utilities expire. The OCA has appealed certain aspects of the PUC Decision to the Commonwealth Court. PP&L cannot predict the final outcome in this matter.

Energy Cost Rate Issues

Through December 1996, PP&L's PUC tariffs contained an ECR under which customers were billed an estimated amount for fuel and other energy costs. Any difference between the actual and estimated amount for such costs was collected from, or refunded to, customers in a subsequent period.

In December 1996, the PUC issued a tentative order permitting the roll-in of PP&L's ECR into base rates. The order also authorized PP&L to defer certain unrecovered energy costs as regulatory assets and seek recovery for these costs in the competitive transition charge described above under "Pennsylvania Restructuring Legislation."

In 1994, the PUC reduced PP&L's ECR claim by \$16 million for costs associated with replacement power during a Susquehanna Unit 1 outage for

refueling and repairs. PP&L's appeal of that reduction was settled in 1995, and as a result PP&L recorded a net credit to income of \$10 million.

Special Base Rate Credit Adjustment

Beginning in April 1991, PP&L's PUC tariff included a SBRCA rider which provided for credits to retail customers' bills for three nonrecurring items. They were (i) the use of an inventory method of accounting for certain power plant spare parts (this credit expired as of April 1, 1996); (ii) the sale of capacity and related energy from PP&L's wholly owned coal-fired stations to Atlantic (this credit was rolled into retail base rates at Docket No. R-00943271 and was removed from the SBRCA effective in September 1995); and (iii) the proceeds from a settlement of outstanding contract claims arising from construction of the Susquehanna station (this credit is due to expire in the second quarter of 1997).

State Tax Adjustment Surcharge

Through December 1996, PP&L's PUC tariffs included a rate mechanism to adjust customer bills for changes in certain state taxes. The STAS had no effect on net income. In December 1996, the PUC issued a tentative order permitting the roll-in of STAS into base rates.

FERC-Major Utilities' Rates

In August 1995, JCP&L filed a complaint against PP&L with the FERC regarding billings under the bulk power sales agreement between the parties. In its complaint, JCP&L alleges that PP&L inappropriately allocated certain costs to JCP&L that should not have been billed and seeks other adjustments. JCP&L is seeking both refunds (with interest) in an unspecified amount and an amendment to the agreement. PP&L has denied JCP&L's allegations and requested that FERC dismiss the complaint. PP&L cannot predict the final outcome of this proceeding.

In October 1995, FERC allowed PP&L to begin charging, subject to refund, four major electric utility customers of PP&L (Atlantic, BG&E, JCP&L and UGI) for certain PP&L costs for post-retirement benefits other than pensions. In that same proceeding, FERC opened to review all other charges by PP&L under its contracts with those customers. JCP&L raised a number of objections to PP&L's charges. In November 1996, an Administrative Law Judge ruled in PP&L's favor on all issues. The case currently is pending before the FERC.

In January 1996, PP&L filed a request with the FERC to incorporate a change in the method of calculating depreciation under its contracts with these same four 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, under terms which would have no material effect on PP&L. Formal settlement documents are expected to be filed with the FERC by March 1997.

See Note 4 for more information regarding these contracts.

Power Purchases

Power purchases in 1996 increased \$61 million from 1995 and remained essentially unchanged in 1995 from 1994. The increase in 1996 was primarily due to greater quantities of power purchased from PJM and other utilities, increased customer demand, planned and unplanned outages of PP&L generating stations, and attractive market prices for energy.

Income Taxes

Income tax expense for 1996 decreased \$33 million, or 11.3%, from 1995. This was primarily due to a decrease in pre-tax book income of \$25 million, and the recording of the tax benefits of research and experimental tax credits and deductions of \$5 million.

Income tax expense in 1995 increased \$106 million, or 59%, from 1994. This increase was primarily due to a higher pre-tax book income of \$212 million, one-time charges for expensing deferred tax benefits of \$12 million as a result of the PUC Decision and recognizing deferred tax liabilities of \$4 million relative to undeveloped coal reserves. Partially offsetting these increases was an \$8 million decrease resulting from the reduction of the Pa. CNI rate from 11.99% for 1994 to 9.99% for 1995.

Other Operation, Maintenance and Depreciation

Other operation expenses increased \$40 million in 1996 and \$29 million in 1995. However, other operation expenses were impacted by the PUC Decision, which prescribed the treatment of postretirement benefit costs, the amortization of VERP expenses and other issues. After eliminating the effects of these rate case issues from both years, other operation expenses decreased by \$6 million in 1996, versus an increase of \$54 million in 1995.

The \$6 million decrease in 1996 reflects a \$24 million decline in workforce reduction expenses and a \$5 million decrease in the provision for uncollectible customer accounts. These decreases were partially offset by a 1996 accrual of \$9 million for licensing and design basis projects committed for the Susquehanna station, an \$8 million increase in pension and medical expenses, and a net increase of \$6 million relating to higher lease expenses and outside litigation costs.

The \$54 million increase in 1995 was primarily due to \$31 million for PP&L's workforce reductions, an \$18 million increase in computer support designed to enhance productivity, an \$8 million increase in the provision for uncollectible accounts, and \$6 million of higher leasing costs. These increases were partially offset by a \$17 million decline in postretirement benefits costs in 1995 versus 1994. The 1994 postretirement benefits costs included the write-off of FAS 106 costs, based on the May 1994 Commonwealth Court decision that reversed a previous PUC order permitting the deferral of these costs.

Maintenance expenses increased \$5 million in 1996 and \$6 million in 1995. The 1996 maintenance expenses were \$21 million less than in 1995 due to the expiration of a credit to income for a change in inventory practices. See "Rate Matters" for a discussion of the SBRCA. In addition, 1996 contracted maintenance costs were about \$10 million higher at the fossil generating stations due to unplanned outages. These items were partially offset by a \$19 million charge recorded in 1995 for

obsolete and excess inventory at PP&L's generating stations, and a \$5 million decrease in the amortization of deferred refueling and inspection outage costs at the Susquehanna station. The \$6 million increase in 1995 resulted from the \$19 million charge for obsolete and excess inventory, offset by \$13 million in lower maintenance costs reflecting continued efforts to reduce costs and achieve longer operating cycles at PP&L's generating stations.

Depreciation expense increased \$14 million in 1996 and \$34 million in 1995. These increases resulted from new property, plant and equipment placed in service, as well as higher depreciation expense for the Susquehanna station. The PUC Decision provided for an increase in Susquehanna depreciation applicable to property placed in service prior to January 1, 1989. The order provided for the Susquehanna property to be depreciated at an annual level of \$173 million from October 1, 1995 to December 31, 1998, after which depreciation is scheduled to decline by \$71 million annually.

Voluntary Early Retirement Program

As part of its continuing efforts to reduce costs, PP&L offered a VERP to 851 employees who were age 55 or older by December 31, 1994. A total of 640 employees elected to retire under the program, at a total cost of \$76 million. The VERP provided for a lump sum payment based on an employee's years of service, no reduction in retirement benefits for age, and supplemental monthly payments. PP&L recorded the cost of this program as a charge against income in the fourth quarter of 1994, which reduced net income by \$43 million, or 28 cents per share of common stock.

As a result of the PUC Decision, PP&L was allowed to recover through customer rates the PUC-jurisdictional amount, \$66 million, of the cost of its VERP over a period of five years. Consequently, PP&L recorded a \$38 million after-tax credit to income, or 24 cents per share of common stock, in the third quarter of 1995 to reverse the PUC-jurisdictional portion of the charge for this program that was recorded in the fourth quarter of 1994. The estimated annual savings of \$35 million from this program also are included in rates.

Other Income and (Deductions) - Net

Other income and deductions improved in 1996 due to the equity earnings from PMDC's investment in SWEB, as well as gains on the sale of investment securities by PP&L. Other income and deductions in 1995 reflected a gain on the sale of a PP&L subsidiary's undeveloped coal reserves, offset by the write-off of Susquehanna Unit 1 deferred operating expenses and carrying costs (net of energy savings) resulting from the PUC Decision, and by expenses associated with evaluating and responding to PECO's unsolicited proposals to acquire PP&L Resources. Other income and deductions in 1994 were adversely impacted by the writedown of the undeveloped coal reserves which were sold in 1995.

Financing Costs

In 1996, PP&L Resources continued to take advantage of opportunities to reduce its financing costs by retiring long-term debt with the proceeds from the sale of securities at a lower cost and the issuance of common stock through its DRIP. Interest on long-term debt and dividends on preferred stock decreased from \$260 million in 1993 to \$235 million in 1996, for a total decrease of \$25 million.

Financial Condition

Capital Expenditure Requirements

The schedule below shows PP&L's current capital expenditure projections for the years 1997-2001 and actual spending for the year 1996.

PP&L's Capital Expenditure Requirements (a)

	Actual	-----Projected-----				
	1996	1997	1998	1999	2000	2001
	(Millions of Dollars)					
Construction expenditures						
Generating facilities	\$ 86	\$ 65	\$ 81	\$ 53	\$ 76	\$ 68
Transmission and distribution facilities	124	120	126	123	147	142
Environmental	16	16	21	34	3	3
Other	<u>39</u>	<u>57</u>	<u>44</u>	<u>20</u>	<u>17</u>	<u>17</u>
Total Construction Expenditures	265	258	272	230	243	230
Nuclear fuel owned and leased	98	68	71	67	71	73
Other leased property	<u>19</u>	<u>24</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>
Total Capital Expen- ditures	<u>\$382</u>	<u>\$350</u>	<u>\$365</u>	<u>\$319</u>	<u>\$336</u>	<u>\$325</u>

(a) Construction expenditures include AFUDC which is expected to be less than \$10 million in each of the years 1997-2001.

PP&L's capital expenditure projections for the years 1997-2001 total about \$1.7 billion. Capital expenditure plans are revised from time to time to reflect changes in conditions.

Financing and Liquidity

Net cash provided by operating activities for 1996 increased \$101 million over 1995. This increase is primarily due to higher operating revenues, which reflects the 3.8% base rate increase from the PUC Decision as well as higher sales to all customer classes. Lower interest expense also contributed to the increase. These increases were partially offset by higher fuel inventories. Net cash provided by operating activities between 1995 and 1994 was essentially unchanged.

Net cash used in investing activities was \$119 million higher in 1996 than 1995. This increase was primarily due to PMDC's increased investments in electric energy projects, partially offset by lower construction expenditures by PP&L. Net cash used in investing activities was \$184 million lower in 1995 than 1994. This decrease was due primarily to lower construction expenditures by PP&L and the proceeds from the sale of coal reserves.

In 1996, PP&L sold \$116 million of unsecured notes while PP&L Resources issued \$77 million of common stock of which \$70 million was issued through its DRIP and the remaining \$7 million issued to PP&L's ESOP. During the year, PP&L retired \$145 million of long-term debt.

For the years 1994-1996, PP&L issued \$1.1 billion of long-term debt and \$80 million of preferred stock. For the same period, PP&L and PP&L Resources issued a total of \$228 million of common stock. Proceeds from security sales were used to retire \$923 million of long-term debt and \$120 million of preferred stock to lower PP&L's financing costs, reduce short-term debt and finance construction expenditures. During the years 1994-1996, PP&L also incurred \$249 million of obligations under capital leases (primarily nuclear fuel).

PP&L Resources established a revolving credit facility in the second quarter of 1996 in the amount of \$300 million. PP&L Resources used \$190 million of borrowings under this revolving credit facility to fund a PMDC subsidiary's acquisition of a 25 percent interest in SWEB. Borrowings of \$135 million were outstanding under this credit facility at December 31, 1996. See Note 9 for further information.

To enhance financing flexibility, PP&L maintains a \$250 million revolving credit arrangement with a group of banks, which is used principally as a back-up for PP&L's commercial paper. In addition, \$45 million in credit arrangements are maintained with a group of banks to provide back-up for PP&L's commercial paper and short-term borrowings of certain of its subsidiaries. No borrowings were outstanding at December 31, 1996 under these arrangements. See Financial Note 9 for further information. In January 1997, PP&L requested FERC authorization to issue, from time to time, up to \$750 million of short-term debt to provide funding for working capital requirements, the maturity of long-term debt, the early retirement of long-term debt and the refinancing of other securities.

PP&L plans to redeem four series of its first mortgage bonds on April 1, 1997. Three of the series of first mortgage bonds, which have a total principal amount of \$180 million, will be redeemed under the maintenance and replacement fund provisions of these bonds. The fourth series, having a principal amount of \$30 million, will be redeemed under the optional redemption provisions of these bonds. The redemption of these series of bonds is part of PP&L's plan to reduce its overall cost of financing.

PP&L has registered with the SEC to issue Junior Subordinated Deferrable Interest Debentures to support a \$100 million public offering of Trust Originated Preferred Securities. The proceeds of this issuance will be used for general corporate purposes, including the refinancing of outstanding securities.

The funds required by PP&L Resources during 1997 to retire the borrowings outstanding under its revolving credit facility (described above), to permit PMDC to complete the acquisition of a 25.05 percent interest in Emel and for investment in other PMDC projects (see "Unregulated Investments") are expected to be provided through the issuance of about \$170 million of debt pursuant to a medium-term note program that PP&L Resources plans to put in place in the second quarter of 1997 and the issuance of about \$70 million of common stock under the DRIP. The liquidation of temporary cash investments of about \$57 million is expected to provide the balance of the funds necessary for PMDC investments during 1997.

It is currently expected that the DRIP will be continued after 1997 as necessary to provide equity funding for PMDC investments, and that

PP&L's ESOP will provide proceeds of about \$8 million in each of the years 1997 through 2001.

Financial Indicators

PP&L Resources earned a 12.30% return on average common equity during 1996, a decrease from the 12.81% earned in 1995. Excluding one-time adjustments, as described in "Earnings", the return on average common equity was 12.11% during 1996, an increase from the 11.96% earned in 1995. The ratio of PP&L Resources' pre-tax income to interest charges was 3.55 for 1996, virtually unchanged from 1995. Excluding one-time adjustments, the ratio of PP&L Resources' pre-tax income to interest charges was 3.53 in 1996, an increase from the 3.48 in 1995. The annual per share dividend rate on common stock remained unchanged at \$1.67 per share. The book value per share of common stock increased 3.6% from \$16.29 at the end of 1995 to \$16.87 at the end of 1996. The ratio of the market price to book value of common stock was 136% at the end of 1996 compared with 153% at the end of 1995.

Environmental Matters

Air

The Clean Air Act deals, in part, with acid rain, attainment of federal ambient ozone standards and toxic air emissions. PP&L has complied with the Phase I acid rain provisions, required to be implemented by 1995, by installing continuous emission monitors on all units, burning lower sulfur coal and installing low nitrogen oxide burners on certain units. To comply with the year 2000 acid rain provisions, PP&L plans to purchase lower sulfur coal and use banked or purchased emission allowances instead of installing FGD equipment on its wholly-owned units.

PP&L has met the initial ambient ozone requirements identified in Title I of the Clean Air Act by reducing nitrogen oxide emissions by 40% through the use of low nitrogen oxide burners. Further seasonal (i.e., 5 month) nitrogen oxide reductions to 55% and 75% of pre-Clean Air Act levels for 1999 and 2003, respectively, are specified under the Northeast Ozone Transport Region's Memorandum of Understanding.

The Clean Air Act requires EPA to study the health effects of hazardous air emissions from power plants and other sources. In this regard, in November 1996 the EPA proposed new national standards for ambient levels of ground-level ozone and fine particulates. The new standards, if implemented, may result in EPA mandating additional NO_x and SO₂ reductions from utility boilers in the 2005-2010 timeframe. NO_x reductions to meet the new ozone standard are likely to be in the range of the 75% seasonal NO_x reductions that already are required for PP&L under the Memorandum of Understanding in 2003 and beyond. However, to meet the new fine particulate standards, EPA may mandate additional SO₂ reductions significantly greater than those now planned for the acid rain program and extend the NO_x reductions required by the Memorandum of Understanding from seasonal to year-round.

Expenditures to meet the year 1999 Memorandum of Understanding requirements are included in the table of projected construction expenditures in the section "Financial Condition - Capital Expenditure Requirements". PP&L currently estimates that additional capital expenditures and operating costs for environmental compliance under the

Clean Air Act will be incurred beyond 2001 in amounts which are not now determinable but could be material.

Water and Residual Waste

DEP residual waste regulations require PP&L to obtain permits for existing ash basins at all of its coal-fired generating stations as disposal facilities. Ash basins that cannot be permitted are required to close by July 1997. Any groundwater contamination caused by the basins must also be addressed. Any new ash disposal facility must meet the rigid siting and design standards set forth in the regulations.

To address the DEP regulations, PP&L is moving forward with plans to install dry fly ash handling systems at its power stations.

Groundwater degradation related to fuel oil leakage from underground facilities and seepage from coal refuse disposal areas and coal storage piles has been identified at several PP&L generating stations. Remedial work is substantially completed at two generating stations. At this time, there is no indication that remedial work will be required at other PP&L generating stations.

The current Montour station NPDES permit and proposed Holtwood station NPDES permit contain stringent limits for certain toxic metals and increased monitoring requirements. Depending on the results of toxic reduction studies in progress, additional water treatment facilities may be needed at these stations.

Capital expenditures through the year 2001 to comply with the residual waste regulations, correct groundwater degradation at fossil-fueled generating stations, and address waste water control at PP&L facilities are included in the table of construction expenditures in the section "Financial Condition - Capital Expenditure Requirements". PP&L currently estimates that \$12 million of additional capital expenditures may be required in the next four years and \$67 million of additional capital expenditures could be required beyond the year 2001. Actions taken to correct groundwater degradation, to comply with the DEP's regulations and to address waste water control are also expected to result in increased operating costs in amounts which are not now determinable but could be material.

Superfund and Other Remediation

PP&L has signed a consent order with the DEP to address a number of sites where PP&L may be liable for remediation of contamination. This may include potential PCB contamination at certain PP&L substations and pole sites; potential contamination at a number of coal gas manufacturing facilities formerly owned and operated by PP&L; and oil or other contamination which may exist at some of PP&L's former generating facilities.

At December 31, 1996, PP&L had accrued \$10 million, representing the amount PP&L can reasonably estimate it will have to spend to remediate sites involving the removal of hazardous or toxic substances including those covered by the consent order mentioned above. Future cleanup or remediation work at sites currently under review, or at sites not currently identified, may result in material additional operating costs which PP&L cannot estimate at this time. In addition, certain federal

and state statutes, including Superfund and the Pennsylvania Hazardous Sites Cleanup Act, empower certain governmental agencies, such as the EPA and the DEP, to seek compensation from the responsible parties for the lost value of damaged natural resources. The EPA and the DEP may file such compensation claims against the parties, including PP&L, held responsible for cleanup of such sites. Such natural resource damage claims against PP&L could result in material additional liabilities.

Other Environmental Matters

In addition to the issues discussed above, PP&L may be required to modify, replace or cease operating certain facilities to comply with other statutes, regulations and actions by regulatory bodies or courts involving environmental matters, including the areas of water and air quality, hazardous and solid waste handling and disposal, toxic substances and electric and magnetic fields. In this regard, PP&L also may incur capital expenditures, operating expenses and other costs in amounts which are not now determinable, but may be material.

Increasing Competition

Background

The electric utility industry has experienced and will continue to experience a significant increase in the level of competition in the energy supply market. PP&L has publicly expressed its support for full customer choice of electricity suppliers for all customer classes. PP&L is actively involved in efforts at both the state and federal levels to encourage a smooth transition to full competition. PP&L believes that this transition to full competition should provide for the recovery of a utility's stranded costs, which are generation-related costs that traditionally would be recoverable in a regulated environment, but which may not be recoverable in a competitive electric generation market.

Pennsylvania Activities

Reference is made to "Pennsylvania Restructuring Legislation" for a discussion of the recent Pennsylvania restructuring legislation and PP&L's planned PUC filings pursuant to that legislation.

In response to a July 1996 PUC Report on achieving retail competition in Pennsylvania, PP&L in October 1996 became the first Pennsylvania utility to file for PUC approval of a retail pilot program. Under this program, approximately 54,000 PP&L residential, commercial, and industrial customers -- representing approximately 5% of PP&L's average peak load -- will have an opportunity to purchase energy from alternative suppliers. In January 1997, the PUC issued final guidelines for retail access pilot programs. Those guidelines require each major electric utility in Pennsylvania to file a proposed pilot program in accordance with the guidelines by March 1, 1997. PP&L is currently evaluating the impact of the guidelines on its proposed pilot program and will respond, as appropriate, by March 1, 1997.

Under its proposed pilot program, PP&L initially will provide all back-up services and customer service. Other utilities may participate

in PP&L's program as suppliers if they offer this same opportunity for PP&L to participate in their programs.

Federal Activities

Legislation has been introduced in the U.S. Congress that would give all retail customers the right to choose among competitive suppliers of electricity as early as 2000.

In addition, in April 1996 the FERC adopted rules on competition in the wholesale electricity market primarily dealing with open access to transmission lines, recovery of stranded costs, and information systems for displaying available transmission capability (FERC Orders 888 and 889). These rules required all electric utilities to file open access transmission tariffs by July 9, 1996. The tariffs must offer point-to-point and network services, as well as ancillary services. A utility must offer these services to all eligible wholesale customers on a basis comparable to the services the utility provides to itself. A utility must take service under its open access transmission tariff for its own wholesale sales and purchases. The rules do not abrogate existing transmission agreements.

The rules also provide that utilities are entitled to recover from their wholesale customers all "legitimate, verifiable, prudently incurred stranded costs." The FERC has provided recovery mechanisms for wholesale stranded costs, including stranded costs resulting from municipalization. Wholesale contracts signed after July 11, 1994 must contain explicit provisions addressing recovery of stranded costs. For contracts signed before this date, a utility may seek recovery if it can show that it had a reasonable expectation of continuing to serve the customer after the contract term.

Finally, the rules require that a power pool-wide open access transmission tariff and modified bilateral coordination agreements reflecting the removal of discriminatory provisions be filed by December 31, 1996 and implemented by March 1, 1997. In addition, utilities must separate their transmission and power marketing functions, and they must implement an electronic bulletin board for transmission capacity information by January 3, 1997.

Under the new rules, 16 small utilities which have contracts with PP&L signed before July 11, 1994, requested and were provided with PP&L's current estimate of its stranded costs applicable to these customers if they were to terminate their contracts in 1999. Based upon a formula set forth in FERC Order 888 and applicable only to wholesale customers, and based upon data unique to the contracts between PP&L and these customers, PP&L estimated that the stranded costs associated with service to these wholesale customers would be approximately \$95 million. This estimate was subsequently raised to approximately \$125 million. As a result of a protest by these parties against such recovery, the FERC has scheduled hearings in the spring of 1997 regarding PP&L's right to recover these stranded costs.

In July 1996, PP&L filed the open access transmission tariff required by FERC Order 888. Under the new FERC rules, that tariff became effective on July 9, 1996, subject to refund. Several parties, including the small utilities, moved to intervene and protested the new rates. These matters may be set for hearing by the FERC.

In addition, PP&L has made the required informational filing which showed unbundled generation and transmission components of its billing to existing wholesale customers. The FERC has accepted this filing.

In July 1996, all of the PJM companies, except PECO, submitted a comprehensive filing for FERC approval of changes to the PJM to accommodate greater competition and broader participation. The filing would (i) establish pool-wide transmission service tariffs to provide comparable, open-access service for all wholesale transactions throughout PJM; (ii) establish a price-based bidding system, with the resulting regional energy market open to all wholesale buyers and sellers of power; (iii) create a not-for-profit corporate entity in the form of an ISO responsible for impartial daily management and administration of the energy market and the transmission system; and (iv) develop an enhanced pool-wide planning function to be administered by the ISO. In August 1996, PECO filed a separate PJM restructuring proposal with the FERC, which differed significantly in several areas from the other companies' filing.

In November 1996, the FERC rejected both proposals for restructuring the PJM for several reasons, the principal one being its view that the ISO was not sufficiently independent. FERC ordered the PJM companies to file a pool-wide tariff and modified coordination agreements reflecting the removal of provisions which FERC considered discriminatory against non-PJM members. In December 1996, all members of PJM submitted an interim compliance filing with the FERC, which proposed a pool-wide pro forma transmission tariff and a revised interconnection agreement and transmission owners agreement designed to accommodate open, non-discriminatory participation in the pool. The PJM companies currently are working with multiple stakeholders to develop a consensus package for the comprehensive restructuring of the PJM, which is expected to be filed with the FERC in May 1997.

Unregulated Investments

PMDC continues to pursue opportunities to develop and acquire electric generation, transmission and distribution facilities in the United States and abroad.

As of December 31, 1996, PMDC had investments and commitments in the amount of approximately \$250 million in distribution, transmission and generation facilities in the United Kingdom, Bolivia, Peru, Argentina, Spain and Portugal. The principal investment to date is its July 1, 1996 purchase of a 25 percent interest in SWEB, a British regional electric utility company, for approximately \$189 million.

In addition, PMDC is negotiating definitive agreements for the purchase of a 25.05 percent interest in Empresas Emel S.A., a Chilean holding company. Emel is the third largest distributor of electricity in Chile, and the second largest in Bolivia. Emel, through its controlling interests in six electric distribution companies, serves a total of 535,000 customers in Chile and Bolivia. Under the terms of the agreements being negotiated, PMDC would purchase existing and new shares of Emel for about \$120 million in mid-1997.

See Financial Note 14 for additional information on the financing of these investments.

PP&L Resources' other unregulated subsidiary, Spectrum, offers energy-related products and services to PP&L's existing customers and to others outside of PP&L's service territory. Other subsidiaries may be formed by PP&L Resources to take advantage of new business opportunities.

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Price Waterhouse LLP



Report of Independent Accountants

February 3, 1997

To the Shareowners and Board of Directors of
PP&L Resources, Inc. and to the Shareowners and
Board of Directors of Pennsylvania Power & Light Company

In our opinion, the accompanying consolidated financial statements listed in the index appearing under Item 8 on page 22, present fairly, in all material respects, the consolidated financial position of PP&L Resources, Inc. and its subsidiaries (PP&L Resources) at December 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the two years then ended and the consolidated financial position of Pennsylvania Power & Light Company and its subsidiaries (PP&L) at December 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the two years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of management of PP&L Resources and PP&L; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above. The consolidated financial statements of PP&L for the year ended December 31, 1994, prior to restatement (not presented separately herein), were audited by other independent accountants whose report dated February 3, 1995 expressed an unqualified opinion on those financial statements.

Effective April 27, 1995, PP&L Resources, which had been a wholly-owned subsidiary of PP&L, became the parent holding company of PP&L. The accompanying consolidated financial statements reflect this reorganization on a retroactive basis. We have audited the adjustments that were applied to restate the 1994 PP&L consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied to the 1994 PP&L consolidated financial statements.

Price Waterhouse LLP



INDEPENDENT AUDITORS' REPORT

Pennsylvania Power and Light Company:

We have audited the consolidated statements of income, shareowners' common equity, and cash flows of Pennsylvania Power & Light Company and its subsidiaries for the year ended December 31, 1994, prior to restatement and not presented separately herein. Our audit also included the financial statement schedule for the year ended December 31, 1994 listed in the Index at Item 8.. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements, prior to restatement and not presented separately herein, present fairly, in all material respects, the results of operations of Pennsylvania Power & Light Company and its subsidiaries and their cash flows for the year ended December 31, 1994 in conformity with generally accepted accounting principles. Also, in our opinion, the financial statement schedule for the year ended December 31, 1994, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Deloitte + Touche LLP

February 3, 1995

PP&L Resources, Inc.
Management's Report on Responsibility for Financial Statements

The management of PP&L Resources, Inc. is responsible for the preparation, integrity and objectivity of the consolidated financial statements and all other sections of this annual report. The financial statements were prepared in accordance with generally accepted accounting principles and the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. In preparing the financial statements, management makes informed estimates and judgments of the expected effects of events and transactions based upon currently available facts and circumstances. Management believes that the financial statements are free of material misstatement and present fairly the financial position, results of operations and cash flows of PP&L Resources.

PP&L Resources' consolidated financial statements have been audited by Price Waterhouse LLP (Price Waterhouse), independent certified public accountants, whose report with respect to the financial statements appears on page 41. Price Waterhouse's appointment as auditors was previously ratified by the shareowners. Management has made available to Price Waterhouse all PP&L Resources' financial records and related data, as well as the minutes of shareowners' and directors' meetings. Management believes that all representations made to Price Waterhouse during its audit were valid and appropriate.

PP&L Resources maintains a system of internal control designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition and the prevention and detection of fraudulent financial reporting. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived and that there are inherent limitations in the effectiveness of any system of internal control.

Fundamental to the control system is the selection and training of qualified personnel, an organizational structure that provides appropriate segregation of duties, the utilization of written policies and procedures and the continual monitoring of the system for compliance. In addition, PP&L Resources maintains an internal auditing program to evaluate PP&L Resources' system of internal control for adequacy, application and compliance. Management considers the internal auditors' and Price Waterhouse's recommendations concerning its system of internal control and has taken actions which are believed to be cost-effective in the circumstances to respond appropriately to these recommendations. Management believes that PP&L Resources' system of internal control is adequate to accomplish the objectives discussed in this report.

The Board of Directors, acting through its Audit and Corporate Responsibility Committee, oversees management's responsibilities in the preparation of the financial statements. In performing this function, the Audit and Corporate Responsibility Committee, which is composed of five independent directors, meets periodically with management, the internal auditors and the independent certified public accountants to review the work of each. The independent certified public accountants and the internal auditors have free access to the Audit and Corporate Responsibility Committee and to the Board of Directors, without management present, to discuss internal accounting control, auditing and financial reporting matters.

Management also recognizes its responsibility for fostering a strong ethical climate so that PP&L Resources' affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in the business policies and guidelines of PP&L Resources' operating subsidiaries. These policies and guidelines address: the necessity of ensuring open communication within PP&L Resources; potential conflicts of interest; proper procurement activities; compliance with all applicable laws, including those relating to financial disclosure; and the confidentiality of proprietary information.

William F. Hecht
Chairman, President and Chief Executive Officer

R. E. Hill
Senior Vice President - Financial

Pennsylvania Power & Light Company
Management's Report on Responsibility for Financial Statements

The management of Pennsylvania Power & Light Company is responsible for the preparation, integrity and objectivity of the consolidated financial statements and all other sections of this annual report. The financial statements were prepared in accordance with generally accepted accounting principles and the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. In preparing the financial statements, management makes informed estimates and judgments of the expected effects of events and transactions based upon currently available facts and circumstances. Management believes that the financial statements are free of material misstatement and present fairly the financial position, results of operations and cash flows of PP&L.

PP&L's consolidated financial statements have been audited by Price Waterhouse LLP (Price Waterhouse), independent certified public accountants, whose report with respect to the financial statements appears on page 41. Price Waterhouse's appointment as auditors was previously ratified by the shareowners. Management has made available to Price Waterhouse all PP&L's financial records and related data, as well as the minutes of shareowners' and directors' meetings. Management believes that all representations made to Price Waterhouse during its audit were valid and appropriate.

PP&L maintains a system of internal control designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition and the prevention and detection of fraudulent financial reporting. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived and that there are inherent limitations in the effectiveness of any system of internal control.

Fundamental to the control system is the selection and training of qualified personnel, an organizational structure that provides appropriate segregation of duties, the utilization of written policies and procedures and the continual monitoring of the system for compliance. In addition, PP&L maintains an internal auditing program to evaluate PP&L's system of internal control for adequacy, application and compliance. Management considers the internal auditors' and Price Waterhouse's recommendations concerning its system of internal control and has taken actions which are believed to be cost-effective in the circumstances to respond appropriately to these recommendations. Management believes that PP&L's system of internal control is adequate to accomplish the objectives discussed in this report.

The Board of Directors, acting through PP&L Resources' Audit and Corporate Responsibility Committee, oversees management's responsibilities in the preparation of the financial statements. In performing this function, the Audit and Corporate Responsibility Committee, which is composed of five independent directors, meets periodically with management, the internal auditors and the independent certified public accountants to review the work of each. The independent certified public accountants and the internal auditors have free access to PP&L Resources' Audit and Corporate Responsibility Committee and to the Board of Directors, without management present, to discuss internal accounting control, auditing and financial reporting matters.

Management also recognizes its responsibility for fostering a strong ethical climate so that PP&L's affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in PP&L's business policies and guidelines. These policies and guidelines address: the necessity of ensuring open communication within PP&L; potential conflicts of interest; proper procurement activities; compliance with all applicable laws, including those relating to financial disclosure; and the confidentiality of proprietary information.

William F. Hecht
Chairman, President and Chief Executive Officer

R. E. Hill
Senior Vice President - Financial

CONSOLIDATED STATEMENT OF INCOME

PP&L Resources, Inc. and Subsidiaries

(Millions of Dollars, except per share data)

	1996	1995	1994
Operating Revenues (Notes 1, 3 and 4)	<u>\$2,910</u>	<u>\$2,752</u>	<u>\$2,725</u>
Operating Expenses			
Operation			
Fuel.....	448	451	472
Power purchases.....	352	291	287
Other.....	544	504	475
Maintenance.....	191	186	180
Depreciation (including amortized depreciation) (Notes 1 and 8)	363	349	315
Income taxes (Note 5).....	253	262	218
Taxes, other than income (Note 5).....	203	201	201
Voluntary early retirement program (Note 11)		(66)	76
	<u>2,354</u>	<u>2,178</u>	<u>2,224</u>
Operating Income	<u>556</u>	<u>574</u>	<u>501</u>
Other Income and (Deductions) - Net	<u>21</u>	<u>2</u>	<u>(30)</u>
Income Before Interest Charges and Dividends on Preferred Stock	<u>577</u>	<u>576</u>	<u>471</u>
Interest Charges			
Long-term debt.....	207	213	214
Short-term debt and other.....	13	12	13
	<u>220</u>	<u>225</u>	<u>227</u>
Preferred Stock Dividend Requirements.....	<u>28</u>	<u>28</u>	<u>28</u>
Net Income	<u>\$329</u>	<u>\$323</u>	<u>\$216</u>
Earnings Per Share of Common Stock (a)	\$2.05	\$2.05	\$1.41
Average Number of Shares Outstanding (thousands).....	161,060	157,649	153,458
Dividends Declared Per Share of Common Stock.....	\$1.67	\$1.67	\$1.67

(a) Based on average number of shares outstanding.

See accompanying Notes to Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

PP&L Resources, Inc. and Subsidiaries

(Millions of Dollars)

	1996	1995	1994
Cash Flows From Operating Activities			
Net income.....	\$329	\$323	\$216
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation.....	366	352	317
Amortization of property under capital leases.....	86	79	86
Amortization of contract settlement proceeds and deferred cost of power plant spare parts.....	(15)	(37)	(38)
Deferred income taxes and investment tax credits.....		16	(70)
Voluntary early retirement program		(66)	76
Write-down of coal reserves			74
Change in current assets and current liabilities			
Fuel inventories.....	(14)	43	(30)
Other.....	(35)	(30)	(5)
Other operating activities – net.....	76	12	85
Net cash provided by operating activities.....	<u>793</u>	<u>692</u>	<u>711</u>
Cash Flows From Investing Activities			
Property, plant and equipment expenditures.....	(360)	(403)	(505)
Proceeds from sale of nuclear fuel to trust.....	93	44	36
Proceeds from sale of coal reserves.....		52	
Purchases of available-for-sale securities	(600)	(303)	(204)
Sales and maturities of available-for-sale securities	631	301	148
Investment in electric energy projects.....	(201)	(12)	
Other investing activities – net.....	5	8	28
Net cash used in investing activities.....	<u>(432)</u>	<u>(313)</u>	<u>(497)</u>
Cash Flows From Financing Activities			
Issuance of long-term debt.....	116	55	919
Issuance of common stock.....	77	81	70
Issuance of preferred stock.....			80
Retirement of long-term debt.....	(145)	(140)	(638)
Retirement of preferred stock			(120)
Payments on capital lease obligations.....	(86)	(79)	(86)
Common and preferred dividends paid.....	(296)	(290)	(284)
Net increase (decrease) in short-term debt.....	55	15	(128)
Other financing activities – net.....	(1)	(11)	(25)
Net cash used in financing activities.....	<u>(280)</u>	<u>(369)</u>	<u>(212)</u>
Net Increase in Cash and Cash Equivalents.....			
Cash and Cash Equivalents at Beginning of Period.....	20	10	8
Cash and Cash Equivalents at End of Period.....	<u>\$101</u>	<u>\$20</u>	<u>\$10</u>
Supplemental Disclosures of Cash Flow Information			
Cash paid during the year for:			
Interest (net of amount capitalized).....	\$213	\$218	\$200
Income taxes.....	\$286	\$257	\$264

See accompanying Notes to Financial Statements.

CONSOLIDATED BALANCE SHEET AT DECEMBER 31

PP&L Resources, Inc. and Subsidiaries

(Millions of Dollars)

Assets	1996	1995
Property, Plant and Equipment		
Electric utility plant in service - at original cost.....	\$9,824	\$9,637
Accumulated depreciation (Notes 1 and 8).....	(3,337)	(3,113)
	<u>6,487</u>	<u>6,524</u>
Construction work in progress - at cost	172	170
Nuclear fuel owned and leased - net of amortization	170	134
Other leased property - net of amortization	<u>76</u>	<u>85</u>
Electric utility plant - net	6,905	6,913
Other property - (net of depreciation, amortization and depletion 1996, \$54; 1995, \$56) (Note 13).....	55	57
	<u>6,960</u>	<u>6,970</u>
Investments		
Investment in electric energy projects -- at equity (Note 1)	224	12
Affiliated companies - at equity (Note 1).....	17	17
Nuclear plant decommissioning trust fund (Notes 1 and 6).....	128	109
Financial investments (Notes 1 and 7)	133	142
Other-at cost or less (Note 7)	<u>18</u>	<u>9</u>
	<u>520</u>	<u>289</u>
Current Assets		
Cash and cash equivalents (Note 1)	101	20
Current financial investments (Notes 1 and 7).....	73	96
Accounts receivable (less reserve: 1996, \$25; 1995, \$35)		
Customers	196	197
Other	19	14
Unbilled revenues.....	85	92
Fuel, materials and supplies - at average cost	201	190
Deferred income taxes (Note 5).....	21	42
Other	<u>53</u>	<u>42</u>
	<u>749</u>	<u>693</u>
Regulatory Assets and Other (Note 8).....	<u>1,407</u>	<u>1,540</u>
	<u>\$9,636</u>	<u>\$9,492</u>

See accompanying Notes to Financial Statements.

Liabilities	1996	1995
Capitalization		
Common equity		
Common stock	\$2	\$2
Capital in excess of par value	1,590	1,513
Earnings reinvested.....	1,143	1,083
Capital stock expense and other	10	(1)
	<u>2,745</u>	<u>2,597</u>
Preferred stock		
With sinking fund requirements	295	295
Without sinking fund requirements	171	171
Long-term debt	2,802	2,829
	<u>6,013</u>	<u>5,892</u>
Current Liabilities		
Commercial paper (Note 9)		68
Bank loans (Note 9)	144	21
Long-term debt due within one year	30	30
Capital lease obligations due within one year	81	81
Accounts payable	133	128
Taxes accrued	19	47
Interest accrued	61	66
Dividends payable	75	74
Other	78	86
	<u>621</u>	<u>601</u>
Deferred Credits and Other Noncurrent Liabilities		
Deferred investment tax credits (Note 5)	209	219
Deferred income taxes (Note 5)	2,052	2,106
Capital lease obligations	166	139
Other (Notes 1, 3, 6, and 10).....	575	535
	<u>3,002</u>	<u>2,999</u>
Commitments and Contingent Liabilities (Note 14)		
	<u>\$9,636</u>	<u>\$9,492</u>

See accompanying Notes to Financial Statements.

CONSOLIDATED STATEMENT OF SHAREOWNERS' COMMON EQUITY

PP&L Resources, Inc. and Subsidiaries

(Millions of Dollars)

	Common Stock Outstanding Shares (a)	Amount	Capital in Excess of Par Value	Earnings Reinvested	Capital Stock Expense & Other
Balance at December 31, 1993.....	152,132,089	\$2	\$1,369	\$1,066	\$(11)
Net income.....				216	
Cash dividends declared on common stock.....				(257)	
Stock redemption costs.....				(1)	
Common stock issued (b).....	3,349,873		64		
Other.....					7
Balance at December 31, 1994.....	155,481,962	\$2	\$1,433	\$1,024	\$(4)
Net income.....				323	
Cash dividends declared on common stock.....				(264)	
Common stock issued (b).....	3,921,304		80		
Other.....					3
Balance at December 31, 1995.....	159,403,266	\$2	\$1,513	\$1,083	\$(1)
Net income.....				329	
Cash dividends declared on common stock.....				(269)	
Common stock issued (b).....	3,262,150		77		
Other.....					11
Balance at December 31, 1996.....	162,665,416	\$2	\$1,590	\$1,143	\$10

(a) \$.01 par value, 390,000,000 shares authorized. Each share entitles the holder to one vote on any question presented to any shareowners' meeting.

(b) Common Stock issued through the ESOP and the DRIP.

Consolidated Statement of Preferred Stock at December 31

PP&L Resources, Inc. and Subsidiaries (a)

(Millions of Dollars)

	Outstanding		Shares Outstanding 1996	Shares Authorized
	1996	1995		
PP&L				
Preferred Stock—\$100 par, cumulative 4-1/2%.....	\$53	\$53	530,189	629,936
Series.....	413	413	4,133,556	10,000,000
	<u>\$466</u>	<u>\$466</u>		

See accompanying Notes to Financial Statements.

Details of Preferred Stock (b)

	Outstanding		Shares Outstanding 1996	Optional Redemption Price Per Share 1996	Sinking Fund Provisions (c)	
	1996	1995			Shares to be Redeemed Annually	Redemption Period
With Sinking Fund Requirements						
Series Preferred						
5.95%	\$30	\$30	300,000	(d)	300,000	April 2001
6.05%	25	25	250,000	(d)	250,000	April 2002
6.125%	115	115	1,150,000	(d)	(e)	2003-2008
6.15%	25	25	250,000	(d)	250,000	April 2003
6.33%	100	100	1,000,000	(d)	(f)	2003-2008
	<u>\$295</u>	<u>\$295</u>				
Without Sinking Fund Requirements						
4-1/2% Preferred	\$53	\$53	530,189	\$110.00		
Series Preferred						
3.35%	4	4	41,783	103.50		
4.40%	23	23	228,773	102.00		
4.60%	6	6	63,000	103.00		
6.75%	85	85	850,000	(d)		
	<u>\$171</u>	<u>\$171</u>				

Increases (Decreases) in Preferred Stock

	1996		1995		1994	
	Shares	Amount	Shares	Amount	Shares	Amount
Series Preferred Stock						
5.95%					300,000	\$30
6.05%					250,000	25
6.125%						
6.15%					250,000	25
6.33%						
6.75%						
6.875%					(400,000)	(40)
7.00%					(800,000)	(80)

Decreases in Preferred Stock represent: (i) the redemption of stock pursuant to sinking fund requirements; or (ii) shares redeemed pursuant to optional redemption provisions. There were no issuances or redemptions of preferred stock in 1996 or 1995.

- (a) Each share of PP&L's preferred stock entitles the holder to one vote on any question presented to PP&L's shareowners' meetings. There were 10,000,000 shares of Resources' preferred stock and 5,000,000 shares of PP&L's preference stock authorized; none were outstanding at December 31, 1996 and 1995, respectively.
- (b) The involuntary liquidation price of the preferred stock is \$100 per share. The optional voluntary liquidation price is the optional redemption price per share in effect, except for the 4-1/2% Preferred Stock for which such price is \$100 per share (plus in each case any unpaid dividends).
- (c) These series of preferred stock are not redeemable prior to the following years: 5.95%, 2001; 6.05%, 2002; 6.125%, 6.15%, 6.33% and 6.75%, 2003.
- (d) Shares to be redeemed annually on October 1 as follows: 2003-2007, 57,500; 2008, 862,500.
- (e) Shares to be redeemed annually on July 1 as follows: 2003-2007, 50,000; 2008, 750,000.

See accompanying Notes to Financial Statements.

CONSOLIDATED STATEMENT OF LONG-TERM DEBT AT DECEMBER 31

PP&L Resources, Inc. and Subsidiaries

(Millions of Dollars)

	Outstanding		Maturity(b)
	1996	1995	
First Mortgage Bonds (a)			
5 5/8%		\$30	June 1, 1996
6 3/4%	\$30	30	November 1, 1997
5 1/2%.....	150	150	April 1, 1998
7%.....	40	40	January 1, 1999
8 1/8%.....		40	June 1, 1999
6%.....	125	125	June 1, 2000
7 1/4%	60	60	February 1, 2001
6.5% to 7 3/4%.....	755	830	2002-2006
7.70%.....	200	200	2007-2011 (c)
7 3/8%.....	100	100	2012-2016
9 1/4% to 9 3/8%	315	315	2017-2021
6 3/4% to 8 1/2%	650	650	2022-2026
First Mortgage Pollution Control Bonds (a)			
6.40% Series H.....	90	90	November 1, 2021
5.50% Series I.....	53	53	February 15, 2027
6.40% Series J.....	116	116	September 1, 2029
6.15% Series K.....	55	55	August 1, 2029
	<u>2,739</u>	<u>2,884</u>	
Unsecured promissory notes	116 (d)		
	<u>2,855</u>	<u>2,884</u>	
Unamortized (discount) and premium -- net	(23)	(25)	
	<u>2,832</u>	<u>2,859</u>	
Less amount due within one year.....	30	30	
	<u>2,802</u>	<u>2,829</u>	
Total long-term debt	<u>\$2,802</u>	<u>\$2,829</u>	

(a) Substantially all owned electric utility plant is subject to the lien of PP&L's first mortgage.

(b) Aggregate long-term debt maturities through 2001 are (millions of dollars): 1997, \$30; 1998, \$150; 1999, \$40; 2000, \$125; 2001, \$60. Maximum sinking fund requirements aggregate \$5.6 million through 2001 and may be met with property additions or retirement of bonds. The annual sinking fund requirements through 2001 will not exceed \$1.8 million.

(c) Any registered owner of these bonds has the right to require PP&L to redeem such owner's bonds on October 1, 1999 at a price of 100% of the principal amount.

(d) In 1996, PP&L issued \$116 million of unsecured promissory notes due in March 2001. The proceeds were used to redeem \$40 million of First Mortgage Bonds, 8-1/8% Series due 1999, and \$75 million of First Mortgage Bonds, 7-5/8% Series due 2002.

See accompanying Notes to Financial Statements.

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CONSOLIDATED STATEMENT OF INCOME
Pennsylvania Power & Light Company and Subsidiaries

(Millions of Dollars)

	1996	1995	1994
Operating Revenues (Notes 1, 3 and 4).....	<u>\$2,910</u>	<u>\$2,752</u>	<u>\$2,725</u>
Operating Expenses			
Operation			
Fuel.....	448	451	472
Power purchases.....	352	291	287
Other.....	544	504	475
Maintenance	191	186	180
Depreciation (including amortized depreciation) (Notes 1 and 8)	363	349	315
Income taxes (Note 5).....	253	262	218
Taxes, other than income (Note 5).....	203	201	201
Voluntary early retirement program (Note 11)		(66)	76
	<u>2,354</u>	<u>2,178</u>	<u>2,224</u>
Operating Income	<u>556</u>	<u>574</u>	<u>501</u>
Other Income and (Deductions) - Net	<u>15</u>	<u>4</u>	<u>(31)</u>
Income Before Interest Charges	<u>571</u>	<u>578</u>	<u>470</u>
Interest Charges			
Long-term debt.....	207	213	214
Short-term debt and other.....	7	13	13
	<u>214</u>	<u>226</u>	<u>227</u>
Net Income	<u>357</u>	<u>352</u>	<u>243</u>
Dividends on Preferred Stock	<u>28</u>	<u>28</u>	<u>28</u>
Earnings Available to PP&L Resources, Inc.	<u>\$329</u>	<u>\$324</u>	<u>\$215</u>

See accompanying Notes to Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Pennsylvania Power & Light Company and Subsidiaries

(Millions of Dollars)

	1996	1995	1994
Cash Flows From Operating Activities			
Net income.....	\$357	\$352	\$243
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation.....	366	352	317
Amortization of property under capital leases.....	86	79	86
Amortization of contract settlement proceeds and deferred cost of power plant spare parts.....	(15)	(37)	(38)
Deferred income taxes and investment tax credits.....	(1)	16	(70)
Voluntary early retirement program.....		(66)	76
Write down of coal reserves.....			74
Change in current assets and current liabilities			
Fuel inventories.....	(14)	43	(30)
Other.....	(38)	(28)	(4)
Other operating activities – net.....	58	(15)	56
Net cash provided by operating activities.....	<u>799</u>	<u>696</u>	<u>710</u>
Cash Flows From Investing Activities			
Property, plant and equipment expenditures.....	(360)	(403)	(505)
Proceeds from sales of nuclear fuel to trust.....	93	44	36
Proceeds from sale of coal reserves.....		52	
Purchases of available-for-sale securities.....	(90)	(81)	(95)
Sales and maturities of available-for-sale securities.....	93	80	90
Other investing activities – net.....	5	7	27
Net cash used in investing activities.....	<u>(259)</u>	<u>(301)</u>	<u>(447)</u>
Cash Flows From Financing Activities			
Issuance of long-term debt.....	116	55	919
Issuance of common stock and capital contribution from parent.....	32	60	70
Issuance of preferred stock.....			80
Retirement of long-term debt.....	(145)	(140)	(638)
Retirement of preferred stock.....			(120)
Payments on capital lease obligations.....	(86)	(79)	(86)
Common and preferred dividends paid.....	(296)	(290)	(284)
Dividends for capitalization of PMDC.....			(50)
Net increase (decrease) in short-term debt.....	(79)	15	(128)
Other financing activities – net.....	(2)	(10)	(25)
Net cash used in financing activities.....	<u>(460)</u>	<u>(389)</u>	<u>(262)</u>
Net Increase in Cash and Cash Equivalents.....			
Cash and Cash Equivalents at Beginning of Period.....	15	9	8
Cash and Cash Equivalents at End of Period.....	<u>\$95</u>	<u>\$15</u>	<u>\$9</u>
Supplemental Disclosures of Cash Flow Information			
Cash paid during the year for			
Interest (net of amount capitalized).....	\$208	\$218	\$200
Income taxes.....	\$289	\$258	\$264

See accompanying Notes to Financial Statements.

CONSOLIDATED BALANCE SHEET AT DECEMBER 31

Pennsylvania Power & Light Company and Subsidiaries

(Millions of Dollars)

Assets	1996	1995
Property, Plant and Equipment		
Electric utility plant in service - at original cost.....	\$9,824	\$9,637
Accumulated depreciation (Notes 1 and 8).....	(3,337)	(3,113)
	<u>6,487</u>	<u>6,524</u>
Construction work in progress - at cost	172	170
Nuclear fuel owned and leased - net of amortization	170	134
Other leased property - net of amortization	76	85
	<u>6,905</u>	<u>6,913</u>
Electric utility plant - net	6,905	6,913
Other property - (net of depreciation, amortization and depletion 1996, \$54; 1995, \$56) (Note 13).....	55	57
	<u>6,960</u>	<u>6,970</u>
Investments		
Affiliated companies - at equity (Note 1)	17	17
Nuclear plant decommissioning trust fund (Notes 1 and 6).....	128	110
Financial investments (Notes 1 and 7)	133	132
Other - at cost or less (Note 7)	10	9
	<u>288</u>	<u>268</u>
Current Assets		
Cash and cash equivalents (Note 1)	95	15
Marketable securities (Notes 1 and 7).....	51	55
Accounts receivable (less reserve: 1996, \$25; 1995, \$35)		
Customers	196	197
Other	14	13
Unbilled revenues.....	85	92
Fuel, material and supplies - at average cost	201	190
Deferred income taxes (Note 5).....	21	42
Other	53	42
	<u>716</u>	<u>646</u>
Regulatory Assets and Other (Note 8).....	<u>1,407</u>	<u>1,540</u>
	<u>\$9,371</u>	<u>\$9,424</u>

See accompanying Notes to Financial Statements.

Liabilities	1996	1995
Capitalization		
Common equity		
Common stock	\$1,476	\$1,476
Additional paid-in capital	57	25
Earnings reinvested	1,094	1,034
Capital stock expense and other	(10)	(7)
	<u>2,617</u>	<u>2,528</u>
Preferred stock		
With sinking fund requirements	295	295
Without sinking fund requirements	171	171
Long-term debt	<u>2,802</u>	<u>2,829</u>
	<u>5,885</u>	<u>5,823</u>
Current Liabilities		
Commercial paper (Note 9)		68
Bank loans (Note 9)	10	21
Long-term debt due within one year	30	30
Capital lease obligations due within one year	81	81
Accounts payable	132	128
Taxes accrued	21	48
Interest accrued	60	66
Dividends payable	75	74
Other	78	86
	<u>487</u>	<u>602</u>
Deferred Credits and Other Noncurrent Liabilities		
Deferred investment tax credits (Note 5)	209	219
Deferred income taxes (Note 5)	2,050	2,106
Capital lease obligations	166	139
Other (Notes 1, 3, 6 and 10)	574	535
	<u>2,999</u>	<u>2,999</u>
Commitments and Contingent Liabilities (Note 14)		
	<u>\$9,371</u>	<u>\$9,424</u>

See accompanying Notes to Financial Statements.

CONSOLIDATED STATEMENT OF SHAREOWNERS' COMMON EQUITY

Pennsylvania Power & Light Company and Subsidiaries

(Millions of Dollars)

	Common Stock Outstanding Shares (a)	Common Stock Outstanding Amount	Additional Paid-in Capital	Earnings Reinvested	Capital Stock Expense & Other
Balance at December 31, 1993.....	152,132,089	\$1,371	\$0	\$1,066	\$(11)
Net income.....				243	
Cash dividends declared					
Preferred stock.....				(28)	
Common stock.....				(257)	
Dividends for capitalization of PMDC.....				(50)	
Stock redemption costs.....				(1)	
Common stock issued (b).....	3,349,873	70			
Other.....					1
Balance at December 31, 1994.....	155,481,962	\$1,441	\$0	\$973	\$(10)
Net income.....				352	
Cash dividends declared					
Preferred stock.....				(28)	
Common stock.....				(263)	
Common stock issued (b).....	1,818,420	35			
Capital contribution from PP&L Resources.....			25		
Other.....					3
Balance at December 31, 1995.....	157,300,382	\$1,476	\$25	\$1,034	\$(7)
Net income.....				357	
Cash dividends declared					
Preferred stock.....				(28)	
Common stock.....				(269)	
Common stock issued (b).....					
Other.....			32		(3)
Balance at December 31, 1996.....	157,300,382	\$1,476	\$57	\$1,094	\$(10)

(a) No par value. 170,000,000 shares authorized. As of April 27, 1995, all holders of PP&L common stock became holders of PP&L Resources common stock, all PP&L common stock was acquired by PP&L Resources.

(b) Common Stock was issued through the ESOP and DRIP.

Consolidated Statement of Preferred Stock at December 31

Pennsylvania Power & Light Company and Subsidiaries(a)

(Millions of Dollars)

	Outstanding		Shares Outstanding 1996	Shares Authorized
	1996	1995		
Preferred Stock - \$100 par, cumulative				
4-1/2%.....	\$53	\$53	530,189	629,936
Series.....	413	413	4,133,556	10,000,000
	<u>\$466</u>	<u>\$466</u>		

See accompanying Notes to Financial Statements.

Details of Preferred Stock (b)

	Outstanding		Shares Outstanding 1996	Optional Redemption Price Per Share 1996	Sinking Fund Provisions (c)	
	1996	1995			Shares to be Redeemed Annually	Redemption Period
With Sinking Fund Requirements						
Series Preferred						
5.95%	\$30	\$30	300,000	(d)	300,000	April 2001
6.05%	25	25	250,000	(d)	250,000	April 2002
6.125%	115	115	1,150,000	(d)	(e)	2003-2008
6.15%	25	25	250,000	(d)	250,000	April 2003
6.33%	100	100	1,000,000	(d)	(f)	2003-2008
	<u>\$295</u>	<u>\$295</u>				
Without Sinking Fund Requirements						
4-1/2% Preferred	\$53	\$53	530,189	\$110.00		
Series Preferred						
3.35%	4	4	41,783	103.50		
4.40%	23	23	228,773	102.00		
4.60%	6	6	63,000	103.00		
6.75%	85	85	850,000	(d)		
	<u>\$171</u>	<u>\$171</u>				

Increases (Decreases) in Preferred Stock

	1996		1995		1994	
	Shares	Amount	Shares	Amount	Shares	Amount
Series Preferred Stock						
5.95%					300,000	\$30
6.05%					250,000	25
6.125%						
6.15%					250,000	25
6.33%						
6.75%						
6.875%					(400,000)	(40)
7.00%					(800,000)	(80)

Decreases in Preferred Stock represent: (i) the redemption of stock pursuant to sinking fund requirements; or (ii) shares redeemed pursuant to optional redemption provisions. There were no issuances or redemptions of preferred stock in 1996 or 1995.

- (a) Each share of PP&L's preferred stock entitles the holder to one vote on any question presented to PP&L's shareholders' meetings. There were 5,000,000 shares of PP&L's preference stock authorized; none were outstanding at December 31, 1996 and 1995, respectively.
- (b) The involuntary liquidation price of the preferred stock is \$100 per share. The optional voluntary liquidation price is the optional redemption price per share in effect, except for the 4-1/2% Preferred Stock for which such price is \$100 per share (plus in each case any unpaid dividends).
- (c) These series of preferred stock are not redeemable prior to the following years: 5.95%, 2001; 6.05%, 2002; 6.125%, 6.15%, 6.33% and 6.75%, 2003.
- (d) Shares to be redeemed annually on October 1 as follows: 2003-2007, 57,500; 2008, 862,500.
- (e) Shares to be redeemed annually on July 1 as follows: 2003-2007, 50,000; 2008, 750,000.

See accompanying Notes to Financial Statements.

CONSOLIDATED STATEMENT OF LONG-TERM DEBT AT DECEMBER 31

Pennsylvania Power & Light Company and Subsidiaries

(Millions of Dollars)

	Outstanding		Maturity(b)
	1996	1995	
First Mortgage Bonds (a)			
5 5/8%		\$30	June 1, 1996
6 3/4%	\$30	30	November 1, 1997
5 1/2%.....	150	150	April 1, 1998
7%.....	40	40	January 1, 1999
8 1/8%.....		40	June 1, 1999
6%.....	125	125	June 1, 2000
7 1/4%	60	60	February 1, 2001
6.5% to 7 3/4%.....	755	830	2002-2006
7.70%.....	200	200	2007-2011 (c)
7 3/8%.....	100	100	2012-2016
9 1/4% to 9 3/8%	315	315	2017-2021
6 3/4% to 8 1/2%	650	650	2022-2026
First Mortgage Pollution Control Bonds (a)			
6.40% Series H.....	90	90	November 1, 2021
5.50% Series I.....	53	53	February 15, 2027
6.40% Series J.....	116	116	September 1, 2029
6.15% Series K.....	55	55	August 1, 2029
	<u>2,739</u>	<u>2,884</u>	
Unsecured promissory notes	<u>116</u> (d)		
	<u>2,855</u>	<u>2,884</u>	
Unamortized (discount) and premium – net	<u>(23)</u>	<u>(25)</u>	
	<u>2,832</u>	<u>2,859</u>	
Less amount due within one year.....	<u>30</u>	<u>30</u>	
Total long-term debt	<u>\$2,802</u>	<u>\$2,829</u>	

(a) Substantially all owned electric utility plant is subject to the lien of PP&L's first mortgage.

(b) Aggregate long-term debt maturities through 2001 are (millions of dollars): 1997, \$30; 1998, \$150; 1999, \$40; 2000, \$125; 2001, \$60. Maximum sinking fund requirements aggregate \$5.6 million through 2001 and may be met with property additions or retirement of bonds. The annual sinking fund requirements through 2001 will not exceed \$1.8 million.

(c) Any registered owner of these bonds has the right to require PP&L to redeem such owner's bonds on October 1, 1999 at a price of 100% of the principal amount.

(d) In 1996, PP&L issued \$116 million of unsecured promissory notes due in March 2001. The proceeds were used to redeem \$40 million of First Mortgage Bonds, 8-1/8% Series due 1999, and \$75 million of First Mortgage Bonds, 7-5/8% Series due 2002.

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Terms and abbreviations appearing in Notes to Financial Statements are explained in the glossary.

1. Summary of Significant Accounting Policies

Business and Consolidation

PP&L Resources is the parent holding company of PP&L, PMDC and Spectrum.

PP&L's financial condition and results of operations are currently the principal factors affecting PP&L Resources' financial condition and results of operations. PP&L is an operating electric utility serving customers in central eastern Pennsylvania. All nonutility operating transactions are included in "Other Income and Deductions -- Net" on the Consolidated Statements of Income.

The consolidated financial statements include the accounts of PP&L Resources and its direct and indirect subsidiaries. All significant intercompany transactions have been eliminated.

Less than 50% owned affiliates are accounted for using the equity method. These affiliates consist principally of Safe Harbor Water Power Corporation and investments held by PMDC.

Reclassification

Certain amounts from prior years' financial statements have been reclassified to conform to the current year presentation.

Management's Estimates

These financial statements have been prepared using information available including certain information which represents management's best estimates of existing conditions. Actual results could differ from these estimates.

Accounting Records

The accounting records for PP&L, the principal subsidiary of PP&L Resources, are maintained in accordance with the Uniform System of Accounts prescribed by the FERC and adopted by the PUC.

Regulation

PP&L prepares its financial statements in accordance with the provisions of SFAS 71, "Accounting for the Effects of Certain Types of Regulation." SFAS 71 requires a rate-regulated entity to reflect the effects of regulatory decisions in its financial statements. In accordance with SFAS 71, PP&L has deferred certain costs pursuant to the rate actions of the PUC and the FERC and is recovering or expects to recover such costs in electric rates charged to customers. These deferred costs or "regulatory assets" are enumerated and discussed in Note 8.

To the extent that PP&L concludes that recovery of a regulatory asset is no longer probable due to regulatory treatment, the effects of competition or other factors, the amount would have to be written off against income.

Utility Plant

Additions to utility plant and replacement of units of property are capitalized at cost. The cost of funds used to finance construction projects or AFUDC is capitalized as part of construction cost.

The cost of units of property retired or replaced is charged to accumulated depreciation. Expenditures for maintenance and repairs of property and the cost of replacing items determined to be less than an entire unit of property are charged to operating expense.

Major classes of electric utility plant in service and their respective balances are (millions of dollars):

	1996	1995
Production	\$6,303	\$6,251
Transmission	386	374
Distribution	2,774	2,652
General	303	302
Other	<u>58</u>	<u>58</u>
	<u>\$9,824</u>	<u>\$9,637</u>

For financial statement purposes, depreciation is being provided over the estimated useful lives of property using a straight-line method for all property except for certain property at the Susquehanna steam station. Susquehanna property is depreciated at an annual rate of \$173 million from October 1995 through December 1998, after which depreciation is scheduled to decline by \$71 million annually. Provisions for depreciation, as a percent of average depreciable property, approximated 3.8% in 1996, 3.7% in 1995 and 3.5% in 1994.

Nuclear Decommissioning and Fuel Disposal

An annual provision for PP&L's share of the future cost to decommission the Susquehanna station, equal to the amount allowed for ratemaking purposes, is charged to operating expense. Such amounts are invested in external trust funds which can be used only for future decommissioning costs. See Notes 3 and 6.

The DOE is responsible for the permanent storage and disposal of spent nuclear fuel removed from nuclear reactors. PP&L pays DOE a fee for future disposal services and recovers such costs in customer rates. PP&L has joined other utilities in a federal lawsuit to suspend payments to DOE and to place the fees in escrow unless that department begins accepting nuclear fuel as agreed to in its contract with the utilities.

Financial Investments

Securities subject to the requirements of SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities" are carried at fair value, determined at the balance sheet date. Net unrealized gains on available-for-sale securities are included in common equity. Net

unrealized gains and losses on trading securities are included in income. Net unrealized gains and losses on securities that are not available for unrestricted use due to regulatory or legal reasons are reflected in the related asset and liability accounts. Realized gains and losses on the sale of securities are recognized utilizing the specific cost identification method. Investments in financial limited partnerships are accounted for under the equity method of accounting and venture capital investments are recorded at cost. See Note 7.

Premium on Reacquired Long-Term Debt

Premiums paid and expenses incurred by PP&L to redeem long-term debt are deferred and amortized over the life of the new debt issue or the remaining life of the retired debt when the redemption is not financed by a new issue.

Capital Leases

Leased property of PP&L capitalized on the Consolidated Balance Sheet is recorded at the present value of future lease payments and is amortized so that the total of interest on the lease obligation and amortization of the leased property equals the rental expense allowed for ratemaking purposes. Future minimum lease payments under capital leases in effect at December 31, 1996 (excluding nuclear fuel) aggregate \$89 million, including \$13 million in imputed interest. Future lease payments for nuclear fuel are based on the quantity of electricity produced at the Susquehanna Station. The maximum amount of nuclear fuel available for lease under current arrangements is \$200 million.

Revenues

Electric revenues are recorded based on the amounts of electricity delivered to customers through the end of each calendar month. This includes amounts customers will be billed for electricity delivered from the time meters were last read to the end of the month. Through December 1996, PP&L's tariff included revenues from the ECR, SBRCA and STAS.

Approximately 98% of operating revenues were derived from electric energy sales, with 35% coming from residential customers, 28% from commercial customers, 20% from industrial customers, 14% from other major utilities and the PJM and 3% from others. For information on the ECR, SBRCA and STAS, see Note 3.

Income Taxes

PP&L Resources and its subsidiaries file a consolidated federal income tax return. Income taxes are allocated to operating expenses and other income and deductions on the Consolidated Statements of Income.

The provision for PP&L's deferred income taxes is based upon the ratemaking principles reflected in rates established by the PUC and FERC. The difference in the provision for deferred income taxes and the amount that otherwise would be recorded under generally accepted accounting principles is deferred and included in taxes recoverable through future rates on the Consolidated Balance Sheet. See Note 5.

Investment tax credits were deferred when utilized and are amortized over the average lives of the related property.

Pension Plan and Other Postretirement and Postemployment Benefits

PP&L has a noncontributory pension plan covering substantially all employees. Subsidiary companies of PP&L formerly engaged in coal mining have a noncontributory pension plan for substantially all non-bargaining, full-time employees. Funding is based upon actuarially determined computations that take into account the amount deductible for income tax purposes and the minimum contribution required under the Employee Retirement Income Security Act of 1974.

PMDC has a non-qualified retirement plan for its corporate officers.

For information on other postretirement and postemployment benefits, see Note 10.

Cash Equivalents

All highly liquid debt instruments purchased with original maturities of three months or less are considered to be cash equivalents.

2. Pennsylvania Restructuring Legislation

In December 1996, Pennsylvania enacted legislation to restructure its electric utility industry in order to create retail access to a competitive market for the generation of electricity. The legislation, which was effective on January 1, 1997, includes the following major provisions:

1. All electric utilities in Pennsylvania are required to file, beginning on April 1, 1997 and in no event later than September 30, 1997, a restructuring plan to implement direct access to a competitive market for electric generation. The plan must include unbundled rates for generation, jurisdictional transmission, distribution and other services; a proposed competitive transition charge; a proposed universal service and energy conservation cost recovery mechanism; procedures for ensuring direct access to all licensed energy suppliers; a discussion of the proposed plan's impacts on utility employees and revised tariffs and rates implementing the foregoing.

2. Retail customer choice will be phased in as follows: up to 33% of all customer load on January 1, 1999; up to 66% of all customer load on January 1, 2000; and 100% of all customer load by January 1, 2001. The PUC can delay this schedule by two 6-month periods, if necessary.

3. Electric distribution companies will be the suppliers of last resort. The PUC will ensure that adequate generation reserves exist to maintain reliable electric service. The utility's transmission and distribution system must continue to meet established national industry standards for installation, maintenance and safety.

4. Retail rates will be capped for at least 4-1/2 years for transmission and distribution charges and for as long as 9 years for generation charges. A utility may be exempted from the caps only under very specific circumstances, e.g., the need for extraordinary rate relief, non-utility generation contracts, changes in laws or regulations, required upgrades or repairs to the transmission system, increases in

fuel prices or purchased power prices, nuclear power plant decommissioning costs or taxes.

5. Pennsylvania utilities are permitted to recover PUC-approved transition or stranded costs over several years; however, the utilities are required to mitigate these costs to the extent practicable. Also, the recovery of these costs must not result in cost shifting among customers.

6. "Transition bonds" may be issued to pay the stranded costs. This procedure involves the following elements: (i) the sale or transfer by the utility of the right to recover a portion of its stranded costs to a financing entity -- for a lump-sum payment of cash -- that could be used to retire the utility's debt and equity and to pay stranded costs; (ii) the issuance by the financing entity of "transition bonds"; (iii) the collection by the utility of "transition charges" on customers' bills, which are transferred to the financing entity to pay the principal and interest and other related costs of issuing the transition bonds; (iv) upon the imposition of transition charges on customers' bills, the utility must reduce customer rates by an amount equal to the revenue requirements of the stranded costs financed with transition bonds; and (v) a PUC "qualified rate order," which could be irrevocable, approving the collection of the transition charges. This irrevocability would protect the cash flow stream used to repay the transition bonds.

7. All generation suppliers must demonstrate financial and technical fitness and must be licensed by the PUC. Cooperatives and municipalities may participate in retail competition but are not subject to the provisions of the legislation, unless they elect to serve customers outside their franchise territories.

8. State tax revenues paid by utilities and generation suppliers are to remain at their current level, to protect against any state revenue loss from restructuring.

9. The PUC will monitor electricity markets for anti-competitive or discriminatory conduct, and will consider the impact of mergers and acquisitions on these markets.

PP&L is formulating its restructuring plan, which it currently plans to file on April 1, 1997. Under the legislation, the PUC must take action on the restructuring plan within nine months of the filing date. PP&L is unable to predict the ultimate effect of this legislation on its financial position, results of operation or its need to issue securities to meet future capital requirements.

3. Rate Matters

Base Rate Filing with the PUC

In September 1995, the PUC issued a final order with respect to the base rate case filed by PP&L in December 1994. The PUC Decision increased PUC jurisdictional rates by about \$85 million annually, or 3.8%. The PUC Decision permitted the levelization of depreciation expense for the Susquehanna station, recovery of retiree health care costs and costs of the 1994 voluntary early retirement program and revised costs to decommission Susquehanna SES. The order also permitted recovery of deferred operating and capital costs, net of energy savings, for Susquehanna Unit 2 but disallowed similar costs for Unit No. 1. The

PUC also ruled that PP&L could not include in the ECR the cost of capacity billed to other utilities after the contractual arrangements with these utilities expire. The OCA has appealed certain aspects of the PUC Decision to the Commonwealth Court. PP&L cannot predict the final outcome in this matter.

Energy Cost Rate Issues

Through December 1996, PP&L's PUC tariffs contained an ECR under which customers were billed an estimated amount for fuel and other energy costs. Any difference between the actual and estimated amount for such costs was collected from, or refunded to, customers in a subsequent period.

In December 1996, the PUC issued a tentative order permitting the roll-in of PP&L's ECR into base rates. The order also authorized PP&L to defer certain unrecovered energy costs as regulatory assets and seek recovery for these costs in the competitive transition charge described above under "Pennsylvania Restructuring Legislation."

In 1994, the PUC reduced PP&L's ECR claim by \$16 million for costs associated with replacement power during a Susquehanna Unit 1 outage for refueling and repairs. PP&L's appeal of that reduction was settled in 1995, and as a result PP&L recorded a net credit to income of \$10 million.

Special Base Rate Credit Adjustment

Beginning in April 1991, PP&L's PUC tariff included a SBRCA rider which provided for credits to retail customers' bills for three nonrecurring items. They were (i) the use of an inventory method of accounting for certain power plant spare parts (this credit expired as of April 1, 1996); (ii) the sale of capacity and related energy from PP&L's wholly owned coal-fired stations to Atlantic (this credit was rolled into retail base rates at Docket No. R-00943271 and was removed from the SBRCA effective in September 1995); and (iii) the proceeds from a settlement of outstanding contract claims arising from construction of the Susquehanna station (this credit is due to expire in the second quarter of 1997).

State Tax Adjustment Surcharge

Through December 1996, PP&L's PUC tariffs included a rate mechanism to adjust customer bills for changes in certain state taxes. The STAS had no effect on net income. In December 1996, the PUC issued a tentative order permitting the roll-in of STAS into base rates.

FERC-Major Utilities' Rates

In August 1995, JCP&L filed a complaint against PP&L with the FERC regarding billings under the bulk power sales agreement between the parties. In its complaint, JCP&L alleges that PP&L inappropriately allocated certain costs to JCP&L that should not have been billed and seeks other adjustments. JCP&L is seeking both refunds (with interest) in an unspecified amount and an amendment to the agreement. PP&L has denied JCP&L's allegations and requested that FERC dismiss the complaint. PP&L cannot predict the final outcome of this proceeding.

In October 1995, FERC allowed PP&L to begin charging, subject to refund, four major electric utility customers of PP&L (Atlantic, BG&E, JCP&L and UGI) for certain PP&L costs for post-retirement benefits other than pensions. In that same proceeding, FERC opened to review all other charges by PP&L under its contracts with those customers. JCP&L raised a number of objections to PP&L's charges. In November 1996, an Administrative Law Judge ruled in PP&L's favor on all issues. The case currently is pending before the FERC.

In January 1996, PP&L filed a request with the FERC to incorporate a change in the method of calculating depreciation under its contracts with these same four 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, under terms which would have no material effect on PP&L. Formal settlement documents are expected to be filed with the FERC by March 1997.

See Note 4 for more information regarding these contracts.

4. Sales to Other Electric Utilities

PP&L provides Atlantic with 125,000 kilowatts of capacity (summer rating) and related energy from its wholly owned coal-fired stations. Sales to Atlantic will continue through March 1998.

PP&L provided JCP&L with 756,000 kilowatts of capacity and related energy from all of its generating units during 1996. This amount will decline by 189,000 kilowatts per year until the end of the agreement on December 31, 1999. PP&L expects to be able to resell the capacity and energy at market prices.

In March 1996, the New Jersey Board of Public Utilities approved an agreement between PP&L and JCP&L, under which PP&L will provide JCP&L with 150,000 kilowatts of capacity credits and energy from June 1997 through May 1998, 200,000 kilowatts from June 1998 through May 1999 and 300,000 kilowatts from June 1999 through May 2004. Prices under the new agreement are based on a predetermined reservation rate that escalates over time, plus an energy component based on PP&L's actual fuel-related costs. PP&L filed the agreement for FERC review and acceptance in October 1996, and the matter is still pending.

PP&L provides BG&E with 129,000 kilowatts or 6.6 percent of its share of capacity and related energy from the Susquehanna station. Sales to BG&E will continue through May 2001.

See Note 3 for more information regarding these contracts.

In September 1996, PP&L made installed capacity credit sales for up to 300,000 kilowatts to GPU Energy which will continue through the first half of 1997.

On December 31, 1996, PP&L filed for FERC approval of amendments to its generation sales tariff to allow PP&L to buy energy for the purpose of resale in competitive wholesale markets. This change provides PP&L flexibility in pursuing wholesale power supply opportunities to increase operating revenues. PP&L is currently operating under this amended tariff, subject to final FERC approval.

5. Income Taxes

The corporate federal income tax rate is 35%. The Pa. CNI rate was 11.99% in 1994 and 9.99% in 1995 and 1996.

For 1995 PP&L Resources recorded a decrease in Pa. CNI expense of \$8 million from the prior year related to the rate reduction. Substantially all of this reduction was reflected in lower customer rates through the STAS.

The tax effects of significant temporary differences comprising PP&L Resources' net deferred income tax liability were as follows (millions of dollars):

	1996	1995
Deferred tax assets		
Deferred investment tax credits	\$ 86	\$ 90
Accrued pension costs	67	54
Other	75	87
Valuation allowance	<u>(6)</u>	<u>(6)</u>
	<u>222</u>	<u>225</u>
Deferred tax liabilities		
Electric utility plant - net	1,788	1,788
Other property - net	9	12
Taxes recoverable through future rates	399	416
Reacquired debt costs	46	48
Other	<u>11</u>	<u>25</u>
	<u>2,253</u>	<u>2,289</u>
Net deferred tax liability	<u>\$2,031</u>	<u>\$2,064</u>

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to income from continuing operations for accounting purposes, and details of taxes, other than income are as follows (millions of dollars):

Income Tax Expense	1996	1995	1994
Included in operating expenses			
Provision - Federal	\$189	\$195	\$198
State	<u>64</u>	<u>62</u>	<u>77</u>
	<u>253</u>	<u>257</u>	<u>275</u>
Deferred - Federal	4	9	(34)
State	<u>6</u>	<u>6</u>	<u>(11)</u>
	<u>10</u>	<u>15</u>	<u>(45)</u>
Investment tax credit, net - Federal	<u>(10)</u>	<u>(10)</u>	<u>(12)</u>
	<u>253</u>	<u>262</u>	<u>218</u>
Included in other income and deductions			
Provision (credit) - Federal	(1)	8	(18)
State	<u>1</u>	<u>4</u>	<u>(7)</u>
	<u>0</u>	<u>12</u>	<u>(25)</u>
Deferred - Federal	1	10	(9)
State	<u>(1)</u>	<u>2</u>	<u>(4)</u>
	<u>0</u>	<u>12</u>	<u>(13)</u>
	<u>0</u>	<u>24</u>	<u>(38)</u>
Total income tax expense - Federal	183	212	125
State	<u>70</u>	<u>74</u>	<u>55</u>
	<u>\$253</u>	<u>\$286</u>	<u>\$180</u>

Reconciliation of Income**Tax Expense**

Indicated federal income tax on pre-tax income at statutory tax rate - 35%	\$213	\$223	\$148
Increase (decrease) due to:			
State income taxes	44	50	35
Flow through of depreciation differences not previously normalized	20	16	15
Amortization of investment tax credit	(10)	(10)	(12)
Research & experimentation income tax credits	(5)		
Other	<u>(9)</u>	<u>7</u>	<u>(6)</u>
	<u>40</u>	<u>63</u>	<u>32</u>
Total income tax expense	<u>\$253</u>	<u>\$286</u>	<u>\$180</u>
Effective income tax rate	41.5%	44.9%	42.4%

Taxes, Other Than Income

State gross receipts	\$105	\$102	\$ 99
State utility realty	44	46	47
State capital stock	34	33	35
Social security and other	<u>20</u>	<u>20</u>	<u>20</u>
	<u>\$203</u>	<u>\$201</u>	<u>\$201</u>

6. Nuclear Decommissioning Costs

PP&L's most recent estimate of the cost to decommission the Susquehanna station was completed in 1993 and was a site-specific study, based on immediate dismantlement and decommissioning of each unit following final shutdown. The study indicates that PP&L's 90% share of the total estimated cost of decommissioning the Susquehanna station is approximately \$724 million in 1993 dollars. The estimated cost includes decommissioning the radiological portions of the station and the cost of removal of nonradiological structures and materials. The operating licenses for Units 1 and 2 expire in 2022 and 2024, respectively.

Decommissioning costs charged to operating expense were \$12 million in 1996, \$8 million in 1995 and \$7 million in 1994 and are based upon amounts included in customer rates. The increases in 1996 and 1995 are a result of the PUC Decision, in which recovery of decommissioning costs was based on the cost estimates in the 1993 site-specific study. Rates charged to small utilities reflect the estimated cost of decommissioning in the 1993 study. In January 1996, PP&L filed with the FERC to increase its decommissioning rate to reflect the projected cost of decommissioning the Susquehanna station. See Note 3 for further information.

Amounts collected from customers for decommissioning, less applicable taxes, are deposited in external trust funds for investment and can be used only for future decommissioning costs. The market value of securities held and accrued income in the trust funds at December 31, 1996 and 1995 aggregated approximately \$128 million and \$109 million, respectively. The trust funds experienced, on a fair market value basis, a \$6 million net gain in 1996, which includes net unrealized appreciation of \$2 million, and a net gain in 1995 of \$14 million, which includes net

unrealized appreciation of \$8 million. The trust fund activity is reflected in the nuclear plant decommissioning trust fund and in other noncurrent liabilities on the Consolidated Balance Sheet. Accrued nuclear decommissioning costs were \$130 million and \$112 million at December 31, 1996 and 1995, respectively.

The FASB issued an exposure draft on the accounting for liabilities related to closure and removal of long-lived assets, including decommissioning of nuclear power plants. As a result, current industry accounting practices for decommissioning may change, including the possibility that the estimated cost for decommissioning could be recorded as a liability at the present value of the estimated future cash outflows that will be required to satisfy those obligations.

7. Financial Instruments

The carrying amount shown on the Consolidated Balance Sheet and the estimated fair value of PP&L Resources' financial instruments are as follows (millions of dollars):

	December 31, 1996		December 31, 1995	
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>	<u>Fair</u>
	<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
Assets				
Nuclear plant decommissioning trust fund (a)	\$128	\$128	\$109	\$109
Financial investments (a)	206	206	238	236
Other investments	18	18	9(c)	9(c)
Cash and cash equivalents	101	101	20	20
Other financial instruments included in other current assets	2	2	3	3
Liabilities				
Preferred stock with sinking fund requirements (b)	295	294	295	295
Long-term debt (b)	2,832	2,885	2,859	3,033
Commercial paper and bank loans	144	144	89	89

(a) The carrying value of financial instruments generally is based on established market prices and approximates fair value.

(b) The fair value generally is based on quoted market prices for the securities where available and estimates based on current rates offered to PP&L Resources where quoted market prices are not available.

(c) \$12 million of PMDC's other investments for 1995 were reclassified as investments in electric energy projects - at equity.

8. Regulatory Assets

The following regulatory assets were reflected in the PP&L Consolidated Balance Sheet (millions of dollars):

	1996	1995
Deferred depreciation	\$ 140	\$ 209
Deferred operating and carrying costs - Susquehanna	17	18
Reacquired debt costs	110	117
Taxes recoverable through future rates	963	1,003
Assessment for decommissioning uranium enrichment facilities	30	32
Postretirement benefits other than pensions	28	31
Voluntary early retirement program	49	62
ECR undercollection	17	
Other	45	57
	<u>\$1,399</u>	<u>\$1,529</u>

As of December 31, 1996, substantially all of PP&L's regulatory assets are being recovered through rates charged to customers over periods ranging from 3 to 29 years. In December 1996, Pennsylvania passed restructuring legislation which will continue to permit utilities to recover approved regulatory assets as transition or stranded costs. See Note 2 "Pennsylvania Restructuring Legislation".

For a discussion of taxes recoverable through future rates, postretirement benefits other than pensions, assessment for decommissioning uranium enrichment facilities, VERP, and additional information on the PUC Decision, see Notes 3, 5, 10, and 11.

9. Credit Arrangements

PP&L issues commercial paper and, from time to time, borrows from banks to provide short-term funds required for general corporate purposes. In addition, certain subsidiaries also borrow from banks to obtain short-term funds. Bank borrowings generally bear interest at rates negotiated at the time of the borrowing. PP&L's weighted average interest rate on short-term borrowings was 4.9% and 6.0% at December 31, 1996 and 1995, respectively.

PP&L has a \$250 million revolving credit arrangement with a group of banks. At the option of PP&L, interest rates would be based upon certificate of deposit rates, Eurodollar deposit rates or the prime rate. Any loans made under this credit arrangement would mature in September 1999. PP&L has additional credit arrangements with another group of banks. The banks have committed to lend PP&L up to \$45 million under these credit arrangements, which mature in May 1997, at interest rates based upon Eurodollar deposit rates or the prime rate. These credit arrangements produce a total of \$295 million of lines of credit to provide back-up for PP&L's commercial paper and short-term borrowings of certain subsidiaries. No borrowings were outstanding at December 31, 1996 under these credit arrangements.

PP&L Resources has a revolving credit facility in the amount of \$300 million. At the option of PP&L Resources, interest rates can be based on Eurodollar deposit rates or the prime rate. Loans made under this credit arrangement will mature, and the facility will terminate at the end of

May 1997. PP&L Resources used \$190 million of this credit facility in June 1996 to fund a PMDC subsidiary's acquisition of a 25 percent interest in SWEB. Borrowings of \$135 million were outstanding under this credit facility at December 31, 1996. PP&L Resources expects to repay a portion of the outstanding balance through the liquidation of temporary cash investments and repay the balance by issuing medium-term notes.

PP&L leases its nuclear fuel from a trust. The maximum financing capacity of the trust under existing credit arrangements is \$200 million.

10. Pension Plan and Other Postretirement and Postemployment Benefits

Pension Plan

PP&L has a funded noncontributory defined benefit pension plan covering substantially all employees. Benefits are based upon a participant's earnings and length of participation in the Plan, subject to meeting certain minimum requirements.

PP&L has an unfunded supplemental retirement plan for certain management employees. A similar plan for directors was terminated December 31, 1996. Benefit payments pursuant to these supplemental plans are made directly by PP&L. At December 31, 1996, the projected benefit obligation of these supplemental plans was approximately \$20 million. Effective December 1, 1994, PMDC has a non-qualified retirement plan for its corporate officers. The cost of the plan was immaterial in 1996.

The components of PP&L's net periodic pension cost for the three plans were (millions of dollars):

	1996	1995	1994
Service cost-benefits earned during the period	\$ 32	\$ 27	\$ 33
Interest cost	61	58	51
Actual return on plan assets	(146)	(241)	29
Net amortization and deferral	<u>68</u>	<u>167</u>	<u>(96)</u>
Net periodic pension cost	<u>\$ 15</u>	<u>\$ 11</u>	<u>\$ 17</u>

The net periodic pension cost charged to operating expenses was \$9 million in 1996, \$6 million in 1995 and \$10 million in 1994. The balance was charged to construction and other accounts. The funded status of PP&L's Plan was (millions of dollars):

	December 31	
	1996	1995
Fair value of plan assets	\$1,187	\$1,086
Actuarial present value of benefit obligations:		
Vested benefits	695	673
Nonvested benefits	<u> </u>	<u>2</u>
Accumulated benefit obligation	695	675
Effect of projected future compensation	<u>191</u>	<u>194</u>
Projected benefit obligation	<u>886</u>	<u>869</u>
Plan assets in excess of projected benefit obligation	301	217
Unrecognized transition assets (being amortized over 23 years)	(59)	(63)
Unrecognized prior service cost	55	59
Unrecognized net gain	<u>(495)</u>	<u>(394)</u>
Accrued expense	<u>\$ (198)</u>	<u>\$ (181)</u>

The weighted average discount rate used in determining the actuarial present value of projected benefit obligations was 7.0% and 6.75% on December 31, 1996 and 1995, respectively. The rate of increase in future compensation used in determining the actuarial present value of projected benefit obligations was 5.0% on December 31, 1996 and 1995. The assumed long-term rates of return on assets used in determining pension cost in 1996 and 1995 was 8.0%. Plan assets consist primarily of common stocks, government and corporate bonds and temporary cash investments.

PP&L's subsidiaries formerly engaged in coal mining have a noncontributory defined benefit pension plan covering substantially all non-bargaining unit, full-time employees, which is fully funded, primarily by group annuity contracts with insurance companies. This plan was amended to freeze benefit increases effective June 1996. In addition, the companies are liable under federal and state laws to pay black lung benefits to claimants and dependents with respect to approved claims, and are members of a trust which was established to facilitate payment of such liabilities. Such costs were not material in 1996, 1995 and 1994.

Postretirement Benefits Other Than Pensions

Substantially all employees of PP&L and its subsidiaries will become eligible for certain health care and life insurance benefits upon retirement. PP&L sponsors four health and welfare benefit plans that cover substantially all management and bargaining unit employees upon retirement. One plan provides for retiree health care benefits to certain management employees, another plan provides retiree health care benefits to bargaining unit employees, a third plan provides retiree life insurance benefits to certain management employees up to a specified amount and a fourth plan provides retiree life insurance benefits to bargaining unit employees.

Dollar limits have been established for the amount PP&L will contribute annually toward the cost of retiree health care for employees retiring after March 1993.

In accordance with a PUC order, PP&L had deferred from January 1, 1993 through 1994, the PUC-jurisdictional accrued cost of retiree health and life insurance benefits recorded pursuant to SFAS 106, "Employers' Accounting For Postretirement Benefits Other Than Pensions" in excess of actual claims paid pending recovery of the increased cost in retail rates. As a result of a decision of the Commonwealth Court, in 1994 PP&L started to expense the increased costs applicable to operations that were previously being deferred and wrote off such costs deferred in 1993.

The PUC Decision in 1995 permitted recovery of the PUC-jurisdictional amount of retiree health care costs resulting from the adoption of SFAS 106. 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 \$16 million after-tax credit to income in the third quarter of 1995.

In December 1993, PP&L established a separate VEBA for each of the four health and welfare benefit plans for retirees. After making initial contributions, additional funding of the trusts was deferred pending resolution of PP&L's ability to recover the costs of the plans in rates. Continued funding of these trusts is subject to the resolution of the OCA appeal of the PUC Decision. See Note 3.

The following table sets forth the plan's combined funded status reconciled with the amount shown on PP&L Resources' Consolidated Balance Sheet as of December 31 (millions of dollars):

	1996	1995
Accumulated postretirement benefit obligation:		
Retirees	\$123	\$128
Fully eligible active plan participants	19	18
Other active plan participants	<u>85</u>	<u>79</u>
	227	225
Plan assets at fair value, primarily		
temporary cash investments	<u>31</u>	<u>29</u>
Accumulated postretirement benefit obligation		
in excess of plan assets	196	196
Unrecognized prior service costs	(5)	(5)
Unrecognized net loss	(12)	(19)
Unrecognized transition obligation (being		
amortized over 20 years)	<u>(139)</u>	<u>(148)</u>
Accrued postretirement benefit cost	<u>\$ 40</u>	<u>\$ 24</u>

The net periodic postretirement benefit cost included the following components (millions of dollars):

	1996	1995	1994
Service cost - benefits attributed to service during the period	\$ 4	\$ 4	\$ 4
Interest cost on accumulated postretirement benefit obligation	15	15	14
Actual return on plan assets	(1)	(2)	
Net amortization and deferral	<u>9</u>	<u>9</u>	<u>8</u>
Net periodic postretirement benefit cost	<u>\$ 27</u>	<u>\$26</u>	<u>\$26</u>

Retiree health and benefits costs charged to operating expenses were approximately \$20 million in 1996, a net credit of approximately \$17 million in 1995 (reflecting both a \$32 million credit due to the PUC Decision and costs applicable to contractual agreements with other major utilities), and \$27 million in 1994 (which includes \$11 million of retiree health and benefits costs previously deferred in 1993). Costs in excess of the amount charged to expense were charged to construction and other accounts.

For measurement purposes, an 8% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1997; the rate was assumed to decrease gradually to 6% by 2006 and remain at that level thereafter. Increasing the assumed health care cost trend rates by 1% in each year would increase the accumulated postretirement benefit obligation as of December 31, 1996, by about \$11 million and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by about \$1 million.

In determining the accumulated postretirement benefit obligation, the weighted average discount rate used was 7.0% and 6.75% on December 31, 1996 and 1995, respectively. The trusts that are holding the plan assets, except for retiree health care benefits to certain management employees, are tax-exempt. The expected long-term rate of return on plan assets for the tax-exempt trusts was 6.5% on December 31, 1996 and 1995.

In 1992, as a result of the Energy Act, PP&L and its subsidiaries formerly engaged in coal mining accrued an additional liability for the cost of health care of retired miners previously employed by them. The liability, based on the present value of future benefits, was estimated at \$54 million as of December 1996 and 1995.

Postemployment Benefits

PP&L provides health and life insurance benefits to disabled employees and income benefits to eligible spouses of deceased employees. Postemployment benefits charged to operating expenses were not material.

11. Workforce Reductions

PP&L continued its efforts to reduce costs in 1996. An employment decline of approximately 100 management employees occurred through job displacements, rather than from the type of major initiatives in workforce reductions that took place in 1994 and 1995. In anticipation of planned further workforce reductions in 1997 and to accrue for

enhanced pension benefits for employees displaced in 1996, PP&L recorded costs of \$5 million after-tax, or 3 cents per share of common stock. During 1995, PP&L offered a voluntary severance program to employees who are members of the IBEW Local 1600 and continued re-engineering efforts that reduced the management workforce. Total employment declined in 1995 by approximately 225 due to these two initiatives. The costs of the workforce reductions in 1995 amounted to about \$19 million after-tax, or 11 cents per share of common stock.

During 1994, PP&L offered a voluntary early retirement program to 851 employees who were age 55 or older by December 31, 1994. A total of 640 employees elected to retire under the program, at a total cost of \$76 million. PP&L recorded the cost of the program as a charge against income in the fourth quarter of 1994, which reduced net income by \$43 million, or 28 cents per share of common stock. As a result of the PUC Decision, which permitted recovery of the PUC-jurisdictional amount through customer rates, PP&L recorded in 1995 a \$38 million after-tax credit to expense, or 24 cents per share of common stock, to reverse the charge for this program that was recorded in 1994. PP&L estimates annual savings of \$35 million from this program, which were included in the PUC Decision.

12. Jointly Owned Facilities

At December 31, 1996, PP&L or its subsidiary owned undivided interests in the following facilities (millions of dollars):

	-----Generating Stations-----			Merrill
	Susquehanna	Keystone	Conemaugh	Creek Reservoir
Ownership interest	90.00%	12.34%	11.39%	8.37%
Electric utility plant in service	\$4,060	\$66	\$102	
Other property				\$22
Accumulated depreciation	1,000	35	37	8
Construction work in progress	55	1	1	

Each participant in these facilities provides its own financing. PP&L receives a portion of the total output of the generating stations equal to its percentage ownership. PP&L's share of fuel and other operating costs associated with the stations is reflected on the PP&L Consolidated Statement of Income. The Merrill Creek Reservoir provides water during periods of low river flow to replace water from the Delaware River used by PP&L and other utilities in the production of electricity.

13. Subsidiary Coal Reserves

In connection with a review by PP&L of its non-core business assets performed in 1994, a subsidiary of PP&L initiated an evaluation of the carrying value of its \$84 million investment in undeveloped coal reserves in western Pennsylvania. Outside appraisal firms completed the evaluation and indicated that due to changing market conditions an impairment had occurred. Accordingly, the carrying value of this investment was written down to its estimated net realizable value of \$10 million, resulting in a

\$74 million pre-tax charge to income. This write down resulted in an after-tax charge to income of \$40 million in 1994.

These reserves were acquired in 1974 with the intention of supplying future coal-fired generating stations. PP&L concluded that it would not develop these reserves. In November 1995, the coal reserves were sold for \$52 million, which resulted in a \$42 million gain, or \$20 million after-tax.

14. Commitments and Contingent Liabilities

Construction Expenditures

PP&L's construction expenditures for the period 1997-2001 are estimated to aggregate \$1.2 billion, including AFUDC. For discussion pertaining to construction expenditures, see Review of Financial Condition and Results of Operations under the caption "Financial Condition -- Capital Expenditure Requirements" on page 32.

Nuclear Insurance

PP&L is a member of certain insurance programs which provide coverage for property damage to members' nuclear generating stations. Facilities at the Susquehanna station are insured against property damage losses up to \$2.75 billion under these programs. PP&L is also a member of an insurance program which provides insurance coverage for the cost of replacement power during prolonged outages of nuclear units caused by certain specified conditions. Under the property and replacement power insurance programs, PP&L could be assessed retroactive premiums in the event of the insurers' adverse loss experience. The maximum amount PP&L could be assessed under these programs at December 31, 1996 was about \$35 million.

PP&L's public liability for claims resulting from a nuclear incident at the Susquehanna station is limited to about \$8.9 billion under provisions of The Price Anderson Amendments Act of 1988. PP&L is protected against this liability by a combination of commercial insurance and an industry assessment program. In the event of a nuclear incident at any of the reactors covered by The Price Anderson Amendments Act of 1988, PP&L could be assessed up to \$151 million per incident, payable at a rate of \$20 million per year, plus an additional 5% surcharge, if applicable.

Environmental Matters

Air

The Clean Air Act deals, in part, with acid rain, attainment of federal ambient ozone standards and toxic air emissions. PP&L has complied with the Phase I acid rain provisions, required to be implemented by 1995, by installing continuous emission monitors on all units, burning lower sulfur coal and installing low nitrogen oxide burners on certain units. To comply with the year 2000 acid rain provisions, PP&L plans to purchase lower sulfur coal and use banked or purchased emission allowances instead of installing FGD on its wholly-owned units.

PP&L has met the initial ambient ozone requirements identified in Title I of the Clean Air Act by reducing nitrogen oxide emissions by 40% through the use of low nitrogen oxide burners. Further seasonal (i.e., 5 month) nitrogen oxide reductions to 55% and 75% of pre-Clean Air Act levels for 1999 and 2003, respectively, are specified under the Northeast Ozone Transport Region's Memorandum of Understanding.

The Clean Air Act requires EPA to study the health effects of hazardous air emissions from power plants and other sources. In this regard, in November 1996 the EPA proposed new national standards for ambient levels of ground-level ozone and fine particulates. The new standards, if implemented, may result in EPA mandating additional NO_x and SO₂ reductions from utility boilers in the 2005-2010 timeframe. NO_x reductions to meet the new ozone standard are likely to be in the range of the 75% seasonal NO_x reductions that already are required for PP&L under the Memorandum of Understanding in 2003 and beyond. However, to meet the new fine particulate standards, EPA may mandate additional SO₂ reductions significantly greater than those now planned for the acid rain program and extend the NO_x reductions required by the Memorandum of Understanding from seasonal to year-round.

Expenditures to meet the year 1999 Memorandum of Understanding requirements are included in the table of projected construction expenditures in the Review of the Financial Condition and Results of Operations under the caption "Financial Condition - Capital Expenditure Requirements". PP&L currently estimates that additional capital expenditures and operating costs for environmental compliance under the Clean Air Act will be incurred beyond 2001 in amounts which are not now determinable but could be material.

Water and Residual Waste

DEP residual waste regulations require PP&L to obtain permits for existing ash basins at all of its coal-fired generating stations as disposal facilities. Ash basins that cannot be permitted are required to close by July 1997. Any groundwater contamination caused by the basins must also be addressed. Any new ash disposal facility must meet the rigid siting and design standards set forth in the regulations.

To address the DEP regulations, PP&L is moving forward with plans to install dry fly ash handling systems at its power stations.

Groundwater degradation related to fuel oil leakage from underground facilities and seepage from coal refuse disposal areas and coal storage piles has been identified at several PP&L generating stations. Remedial work is substantially completed at two generating stations. At this time, there is no indication that remedial work will be required at other PP&L generating stations.

The current Montour station NPDES permit and proposed Holtwood station NPDES permit contain stringent limits for certain toxic metals and increased monitoring requirements. Depending on the results of toxic reduction studies in progress, additional water treatment facilities may be needed at these stations.

Capital expenditures through the year 2001 to comply with the residual waste regulations, correct groundwater degradation at fossil-fueled generating stations, and address waste water control at PP&L facilities are included in the table of construction expenditures in the Review of the Financial Condition and Results of Operations under the

caption "Financial Condition - Capital Expenditure Requirements". PP&L currently estimates that \$12 million of additional capital expenditures may be required in the next four years and \$67 million of additional capital expenditures could be required beyond the year 2001. Actions taken to correct groundwater degradation, to comply with the DEP's regulations and to address waste water control are also expected to result in increased operating costs in amounts which are not now determinable but could be material.

Superfund and Other Remediation

PP&L has signed a consent order with the DEP to address a number of sites where PP&L may be liable for remediation of contamination. This may include potential PCB contamination at certain PP&L substations and pole sites; potential contamination at a number of coal gas manufacturing facilities formerly owned and operated by PP&L; and oil or other contamination which may exist at some of PP&L's former generating facilities.

At December 31, 1996, PP&L had accrued \$10 million, representing the amount PP&L can reasonably estimate it will have to spend to remediate sites involving the removal of hazardous or toxic substances including those covered by the consent order mentioned above. Future cleanup or remediation work at sites currently under review, or at sites not currently identified, may result in material additional operating costs which PP&L cannot estimate at this time. In addition, certain federal and state statutes, including Superfund and the Pennsylvania Hazardous Sites Cleanup Act, empower certain governmental agencies, such as the EPA and the DEP, to seek compensation from the responsible parties for the lost value of damaged natural resources. The EPA and the DEP may file such compensation claims against the parties, including PP&L, held responsible for cleanup of such sites. Such natural resource damage claims against PP&L could result in material additional liabilities.

Other Environmental Matters

In addition to the issues discussed above, PP&L may be required to modify, replace or cease operating certain facilities to comply with other statutes, regulations and actions by regulatory bodies or courts involving environmental matters, including the areas of water and air quality, hazardous and solid waste handling and disposal, toxic substances and electric and magnetic fields. In this regard, PP&L also may incur capital expenditures, operating expenses and other costs in amounts which are not now determinable, but may be material.

Loan Guarantees of Affiliated Companies

PMDC has provided a parental guarantee of a subsidiary's pro rata share of the outstanding portion of certain debt issuances of an investee. At December 31, 1996, \$11 million of such loans were guaranteed by PMDC. During 1997, PMDC will guarantee another \$8 million in connection with additional borrowings in 1997.

In addition, Spectrum has a \$1 million line of credit, which is guaranteed by PP&L Resources.

Source of Labor Supply

At December 31, 1996, PP&L had a total of approximately 6,428 full-time employees. Approximately 65 percent of these full-time employees are represented by the IBEW. The existing three-year agreement with the IBEW will expire in May 1997.

SELECTED FINANCIAL AND OPERATING DATA

	1996	1995	1994	1993	1992
PP&L RESOURCES, INC.					
Income Items – millions					
Operating revenues	\$2,910	\$2,752	\$2,725	\$2,727	\$2,744
Operating income.....	556	574	501	563	573
Net Income (e).....	329	323 (d)	216 (d)	314	306
Balance Sheet Items – millions (a)					
Property, plant and equipment, net.....	6,960	6,970	7,195	7,146	7,020
Total assets.....	9,636	9,492	9,372	9,454	8,192
Long-term debt.....	2,832	2,859	2,941	2,663	2,627
Preferred and preference stock					
With sinking fund requirements.....	295	295	295	335	326
Without sinking fund requirements.....	171	171	171	171	224
Common equity.....	2,745	2,597	2,454	2,426	2,367
Short-term debt.....	144	89	74	202	159
Total capital provided by investors.....	6,187	6,011	5,936	5,797	5,703
Capital lease obligations	247	220	225	249	251
Financial Ratios					
Return on average common equity – %	12.30	12.81	8.73	13.06	13.11
Embedded cost rates (a)					
Long-term debt – %.....	7.89	7.95	8.07	8.63	9.36
Preferred and preference stock – %.....	6.09	6.09	6.07	6.30	7.36
Times interest earned before income taxes.....	3.55	3.56	2.73	3.33	3.18
Ratio of earnings to fixed charges – total enterprise basis (b).....	3.45	3.47	2.70	3.31	3.15
Ratio of earnings to fixed charges and dividends on preferred and preference stock –total enterprise basis (b).....	2.90	2.91	2.27	2.71	2.53
Common Stock Data					
Number of shares outstanding – thousands					
Year-end.....	162,665	159,403	155,482	152,132	151,885
Average.....	161,060	157,649	153,458	151,904	151,676
Number of shareowners (a).....	123,290	128,075	132,632	130,677	129,394
Earnings per share	\$2.05	\$2.05 (d)	\$1.41 (d)	\$2.07	\$2.02
Dividends declared per share.....	\$1.67	\$1.67	\$1.67	\$1.65	\$1.60
Book value per share (a).....	\$16.87	\$16.29	\$15.79	\$15.95	\$15.58
Market price per share (a).....	\$23	\$25	\$19	\$27	\$27-1/4
Dividend payout rate – %.....	82	82	119	80	79
Dividend yield – % (c).....	7.26	6.68	8.79	6.11	5.87
Price earnings ratio (c).....	11.22	12.20	13.48	13.04	13.49

(a) At year-end

(b) Computed using earnings and fixed charges of PP&L Resources and its subsidiaries. Fixed charges consist of interest on short- and long-term debt, other interest charges, interest on capital lease obligations and the estimated interest component of other rentals.

(c) Based on year-end market prices.

(d) 1995 and 1994 earnings were affected by several one-time adjustments. See Financial Notes 3, 11, and 13.

(e) Prior years restated to reflect formation of the holding company.

SELECTED FINANCIAL AND OPERATING DATA

	1996	1995	1994	1993	1992
Pennsylvania Power & Light Company					
Income Items -- millions					
Operating revenues	\$2,910	\$2,752	\$2,725	\$2,727	\$2,744
Operating income.....	556	574	501	563	573
Earnings available to PP&L Resources, Inc. (d).....	329	324 (c)	215 (c)	314	306
Balance Sheet Items -- millions (a)					
Property, plant and equipment, net.....	6,960	6,970	7,195	7,146	7,020
Total assets.....	9,371	9,424	9,321	9,454	8,192
Long-term debt.....	2,832	2,859	2,941	2,663	2,627
Preferred and preference stock					
With sinking fund requirements.....	295	295	295	335	326
Without sinking fund requirements.....	171	171	171	171	224
Common equity.....	2,617	2,528	2,404	2,426	2,367
Short-term debt.....	10	89	74	202	159
Total capital provided by investors.....	5,925	5,942	5,885	5,797	5,703
Capital lease obligations	247	220	225	249	251
Financial Ratios					
Return on average common equity -- %	12.95	13.10	8.83	13.06	13.11
Embedded cost rates (a)					
Long-term debt -- %.....	7.89	7.95	8.07	8.63	9.36
Preferred and preference stock -- %.....	6.09	6.09	6.07	6.30	7.36
Times interest earned before income taxes.....	3.62	3.58	2.73	3.33	3.18
Ratio of earnings to fixed charges -- total enterprise basis (b).....					
Ratio of earnings to fixed charges and dividends on preferred and preference stock --total enterprise basis (b).....	3.50	3.48	2.70	3.31	3.15
Revenue Data					
Average price per kwh billed for system sales - cents.....					
sales - cents.....	7.22	7.10	7.14	7.27	7.39
Sales Data					
Customers(a).....	1,236,294	1,226,089	1,213,023	1,203,139	1,186,682
Electric energy sales billed -- millions of kwh					
Residential	11,849	11,300	11,444	11,043	10,604
Commercial	10,288	9,948	9,716	9,373	9,039
Industrial	10,016	9,845	9,536	9,100	8,746
Other	1,638	1,578	1,618	1,534	1,366
System sales	33,791	32,671	32,314	31,050	29,755
Contractual sales to other major utilities	11,519	7,676	6,307	7,142	7,327
PJM energy sales	1,338	2,358	3,158	4,142	5,160
Total electric energy sales billed	46,648	42,705	41,779	42,334	42,242
Number of Full-Time Employees (a).....	6,428	6,661	7,431	7,677	7,882

(a) At year-end

(b) Computed using earnings and fixed charges of PP&L and its subsidiaries. Fixed charges consist of interest on short- and long-term debt, other interest charges, interest on capital lease obligations and the estimated interest component of other rentals.

(c) 1995 and 1994 earnings were affected by several one-time adjustments. See Financial Notes 3, 11, and 13.

(d) Prior years restated to reflect formation of the holding company.

SHAREOWNER AND INVESTOR INFORMATION

Annual Meetings: The annual meetings of shareowners of PP&L Resources and PP&L are held each year on the fourth Wednesday of April. The 1997 annual meetings will be held on Wednesday, April 23, 1997, at Lehigh University's Stabler Arena, at the Goodman Campus Complex located in Lower Saucon Township, outside Bethlehem, PA.

Proxy Material: A proxy statement and notice of PP&L Resources' and PP&L's annual meetings are mailed to all shareowners of record as of February 28, 1997.

Dividends: The 1997 dates for consideration of the declaration of dividends by the board of directors or its finance committee are February 26, May 28, August 27 and November 26. Subject to the declaration, dividends are paid on the first day of April, July, October and January. Dividend checks are mailed in advance of those dates with the intention that they arrive as close as possible to the payment dates. The 1997 record dates for dividends are expected to be the 10th day of March, June, September and December.

Direct Deposit of Dividends: Shareowners may choose to have their dividend checks deposited directly into their checking or savings account. Quarterly dividend payments are electronically credited on the dividend date, or the first business day thereafter.

Dividend Reinvestment Plan: Shareowners may choose to have dividends on their PP&L Resources common stock or PP&L preferred stock reinvested in PP&L Resources common stock instead of receiving the dividend by check.

Certificate Safekeeping: Shareowners participating in the Dividend Reinvestment Plan may choose to have their common stock certificates forwarded to PP&L for safekeeping.

Lost Dividend or Interest Checks: Dividend or interest checks lost by investors, or those that may be lost in the mail, will be replaced if the check has not been located by the 10th business day following the payment date.

Transfer of Stock or Bonds: Stock or bonds may be transferred from one name to another or to a new account in the name of another person. Please contact Investor Services regarding transfer instructions.

Bondholder Information: Much of the information and many of the procedures detailed here for shareowners also apply to bondholders. Questions related to bondholder accounts should be directed to Investor Services.

Lost Stock or Bond Certificates: Please contact Investor Services for an explanation of the procedure to replace lost stock or bond certificates.

Publications: Several publications are prepared each year and sent to all investors of record and to others who request their names be placed on our mailing list. If your stock is held in street name and you wish to receive

company information on a more timely basis, write, call or E-mail Investor Services at the addresses or number listed below. We will add your name to our direct mailing list.

PP&L Resources

Summary Annual Report -- published and mailed in mid-March to all shareowners of record.

Shareowners' Newsletter -- an easy-to-read newsletter containing current items of interest to shareowners -- published and mailed at the beginning of each quarter.

Quarterly Review -- published in May, July and October to provide quarterly financial information to investors.

Periodic Mailings: Letters regarding new investor programs, special items of interest, or other pertinent information are mailed on a non-scheduled basis as necessary.

Duplicate Mailings: The summary annual report and other investor publications are mailed to each investor account. If you have more than one account, or if there is more than one investor in your household, you may contact Investor Services to request that only one publication be delivered to your address. Please provide account numbers for all duplicate mailings.

Investor Services: For any questions you have or additional information you require about PP&L Resources and its subsidiaries, please call the toll-free number listed below, or write to:

George I. Kline
Manager-Investor Services
Pennsylvania Power & Light Co.
Two North Ninth Street
Allentown, PA 18101

Toll-Free Phone Number: For information regarding your investor account, or other inquiries, call toll-free: 1-800-345-3085.

Internet Access: For updated information throughout the year, check out our home page at <http://www.papl.com>. You may also contact Investor Services via E-mail at invserv@papl.com.

Security Analyst and Institutional

Investor Inquiries: Members of the financial community seeking additional information may contact:

Timothy J. Paukovits
Investor Relations Manager
Phone: (610) 774-4124
Fax: (610) 774-5106
E-mail: tjpaukovits@papl.com

Listed Securities:

New York Stock Exchange
PP&L Resources, Inc.:
Common Stock (Code: PPL)

Pennsylvania Power & Light Co.:
4-1/2% Preferred Stock
(Code: PPLPRB)
4.40% Series Preferred Stock
(Code: PPLPRA)

Philadelphia Stock Exchange
PP&L Resources, Inc.:
Common Stock

Pennsylvania Power & Light Co.:
4-1/2% Preferred Stock
3.35% Series Preferred Stock
4.40% Series Preferred Stock
4.60% Series Preferred Stock

Fiscal Agents:

Stock Transfer Agents and Registrars
Norwest Bank Minnesota, N.A.
Shareowner Services
161 North Concord Exchange
South St. Paul, MN 55075

Pennsylvania Power & Light Co.
Investor Services Department

Dividend Disbursing Office and
Dividend Reinvestment Plan Agent
Pennsylvania Power & Light Co.
Investor Services Department

Mortgage Bond Trustee

Bankers Trust Co.
Attn: Security Transfer Unit
P.O. Box 291569
Nashville, TN 37229

Bond Interest Paying Agent

Pennsylvania Power & Light Co.
Investor Services Department

QUARTERLY FINANCIAL, COMMON STOCK PRICE AND DIVIDEND DATA (Unaudited)
PP&L Resources, Inc. and Subsidiaries

(Millions of Dollars, except per share data)

	For the Quarters Ended (a)			
	March 31	June 30	Sept. 30	Dec. 31
1996				
Operating revenues.....	\$789	\$669	\$715	\$737
Operating income.....	176	120	136	124
Net income.....	116	61	79	73
Earnings per common share (b).....	0.73	0.38	0.49	0.45
Dividends declared per common share (c).....	0.4175	0.4175	0.4175	0.4175
Price per common share				
High.....	26	24 1/2	24	24 1/2
Low.....	23 1/2	22	21 5/8	21 7/8
1995				
Operating revenues.....	\$728	\$609	\$682	\$733
Operating income.....	162	104	179	129
Net income.....	101	45	87	90
Earnings per common share (b).....	0.65	0.28	0.55	0.56
Dividends declared per common share (c).....	0.4175	0.4175	0.4175	0.4175
Price per common share				
High.....	20 7/8	19 7/8	23 1/2	26 1/2
Low.....	19 1/8	17 7/8	18 5/8	21 5/8

(a) PP&L's electric utility business is seasonal in nature with peak sales periods generally occurring in the winter months. In addition earnings in several quarters were affected by several one-time adjustments. Accordingly, comparisons among quarters of a year may not be indicative of overall trends and changes in operations.

(b) The sum of the quarterly amounts may not equal annual earnings per share due to changes in the number of common shares outstanding during the year or rounding.

(c) PP&L Resources has paid quarterly cash dividends on its common stock in every year since 1946. The dividends paid per share in 1996 and 1995 were \$1.67. The most recent regular quarterly dividend paid by PP&L Resources was 41.75 cents per share (equivalent to \$1.67 per annum) paid January 1, 1997. Future dividends will be dependent upon future earnings, financial requirements and other factors.

QUARTERLY FINANCIAL DATA (Unaudited)
Pennsylvania Power & Light Company and Subsidiaries
(Millions of Dollars)

		For the Quarters Ended (a)			
	March 31	June 30	Sept. 30	Dec. 31	
1996					
Operating revenues.....	\$789	\$669	\$715	\$737	
Operating income.....	176	120	136	124	
Net income	125	69	86	77	
Earnings available to PP&L Resources.....	118	62	79	70	
1995					
Operating revenues.....	\$728	\$609	\$682	\$733	
Operating income.....	162	104	179	129	
Net income	108	52	95	97	
Earnings available to PP&L Resources.....	101	45	88	90	

(a) PP&L's electric utility business is seasonal in nature with peak sales periods generally occurring in the winter months. Accordingly, comparisons among quarters of a year may not be indicative of overall trends and changes in operations.

PP&L Resources, Inc.
 Pennsylvania Power & Light Company

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>		<u>Column D</u>	<u>Column E</u>
<u>Description</u>	Balance at Beginning of Period	Charged to Income	Additions Charges to Other Accounts	Deductions from Reserves - Losses or Expenses Applicable	Balance at End of Period
(Millions of Dollars)					
<u>Year Ended December 31, 1996</u>					
Reserves deducted from assets in the Balance Sheet					
Uncollectible accounts	\$35		\$20	\$30	\$25
Obsolete inventory - Materials and supplies.....	15			15	0
<u>Year Ended December 31, 1995</u>					
Reserves deducted from assets in the Balance Sheet					
Uncollectible accounts	29		25	19	35
Obsolete inventory - Materials and supplies.....	0		15		15
<u>Year Ended December 31, 1994</u>					
Reserves deducted from assets in the Balance Sheet					
Uncollectible accounts	29		17	17	29
Obsolete inventory - Materials and supplies.....	0				0

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information for this item concerning directors of PP&L Resources will be set forth in the sections entitled "Nominees for Directors" and "Directors Continuing in Office" in PP&L Resources' 1997 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 1996, and which information is incorporated herein by reference. Information required by this item concerning the executive officers of PP&L Resources is set forth on page 19 through 20 of this report.

Information for this item concerning directors of PP&L will be set forth in the sections entitled "Nominees for Directors" and "Directors Continuing in Office" in PP&L's 1997 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 1996, and which information is incorporated herein by reference. Information required by this item concerning the executive officers of PP&L is set forth on page 19 through 20 of this report.

ITEM 11. EXECUTIVE COMPENSATION

Information for this item for PP&L Resources will be set forth in the sections entitled "Compensation of Directors," "Summary Compensation Table" and "Retirement Plans for Executive Officers" in PP&L Resources' 1997 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 1996, and which information is incorporated herein by reference.

Information for this item for PP&L will be set forth in the sections entitled "Compensation of Directors," "Summary Compensation Table" and "Retirement Plans for Executive Officers" in PP&L's 1997 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 1996, and which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information for this item for PP&L Resources will be set forth in the section entitled "Stock Ownership" in PP&L Resources' 1997 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than

120 days after December 31, 1996, and which information is incorporated herein by reference.

Information for this item for PP&L will be set forth in the section entitled "Stock Ownership" in PP&L's 1997 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 1996, and which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

**ITEM 14. EXHIBITS, FINANCIAL STATEMENT
SCHEDULES, AND REPORTS ON FORM 8-K**

(a) The following documents are filed as part of this report:

1. Financial Statements - included in response to Item 8.

PP&L Resources, Inc.

Report of Independent Accountants
Independent Auditors' Report
Consolidated Statement of Income for the Three
Years Ended December 31, 1996
Consolidated Statement of Cash Flows for
the Three Years Ended December 31, 1996
Consolidated Balance Sheet at December 31, 1996
and 1995
Consolidated Statement of Shareowners' Common Equity
for the Three Years Ended December 31, 1996
Consolidated Statement of Preferred Stock at
December 31, 1996 and 1995
Consolidated Statement of Long-Term Debt at
December 31, 1996 and 1995
Notes to Financial Statements

Pennsylvania Power & Light Company

Report of Independent Accountants
Independent Auditors' Report
Consolidated Statement of Income for the Three
Years Ended December 31, 1996
Consolidated Statement of Cash Flows for
the Three Years Ended December 31, 1996
Consolidated Balance Sheet at December 31, 1996
and 1995
Consolidated Statement of Shareowners' Common Equity
for the Three Years Ended December 31, 1996
Consolidated Statement of Preferred Stock at
December 31, 1996 and 1995
Consolidated Statement of Long-Term Debt at
December 31, 1996 and 1995
Notes to Financial Statements

2. Supplementary Data and Supplemental Financial Statement
Schedule - included in response to Item 8.

Schedule II - Valuation and Qualifying Accounts and
Reserves for the Three Years Ended
December 31, 1996

All other schedules are omitted because of the absence
of the conditions under which they are required or
because the required information is included in the
financial statements or notes thereto.

3. Exhibits

Exhibit Index on page 92.

(b) Reports on Form 8-K:

The following Reports on Form 8-K were filed during the three months ended December 31, 1996:

Report dated December 6, 1996 and
Amended on December 9, 1996

Item 5. Other Events

Information regarding major provisions in the Pennsylvania legislation enacted to restructure the electric utility industry in order to create retail access to a competitive market for the generation of electricity.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PP&L Resources, Inc.
(Registrant)

Pennsylvania Power & Light Company
(Registrant)

By /s/ William F. Hecht
William F. Hecht - Chairman, President
and Chief Executive
Officer (PP&L Resources,
Inc. and Pennsylvania
Power & Light Company)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

	<u>TITLE</u>
By <u>/s/ William F. Hecht</u> William F. Hecht - Chairman, President and Chief Executive Officer (PP&L Resources, Inc. and Pennsylvania Power & Light Company)	Principal Executive Officer and Director

By <u>/s/ R. E. Hill</u> R. E. Hill - Senior Vice President- Financial (PP&L Resources, Inc. and Pennsylvania Power & Light Company)	Principal Financial Officer
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By <u>/s/ J. J. McCabe</u> J. J. McCabe - Vice President and Controller (PP&L Resources, Inc. and Pennsylvania Power & Light Company)	Chief Accounting Officer
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E. Allen Deaver	Stuart Heydt	
William J. Flood	Clifford L. Jones	
Elmer D. Gates	Ruth Leventhal	
Derek C. Hathaway	Francis A. Long	Directors
	Norman Robertson	

By /s/ William F. Hecht
William F. Hecht, Attorney-in-fact

Date: February 28, 1997

EXHIBIT INDEX

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits have heretofore been filed with the Commission and pursuant to Rule 12(b)-32 are incorporated herein by reference. Exhibits indicated by a ■ are filed or listed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

- 3(a)-1 - Articles of Incorporation of Resources (Exhibit B to Proxy Statement of PP&L and Prospectus of Resources, dated March 9, 1995)
- 3(a)-2 - Restated Articles of Incorporation of PP&L (Exhibit A to Proxy Statement of PP&L and Prospectus of Resources, dated March 9, 1995)
- 3(b)-1 - By-laws of Resources (Exhibit 3.2 to Registration Statement No. 33-57949)
- 3(b)-2 - By-laws of PP&L (Exhibit 3(ii) to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1993)
- 4(a)-1 - Amended and Restated Employee Stock Ownership Plan, dated October 26, 1988 (Exhibit 4(b) to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1988)
- 4(a)-2 - Amendment No. 1 to said Employee Stock Ownership Plan, effective January 1, 1989 (Exhibit 4(b)-2 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1989)
- 4(a)-3 - Amendment No. 2 to said Employee Stock Ownership Plan, effective January 1, 1990 (Exhibit 4(b)-3 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1989)

- 4(a)-4 - Amendment No. 3 to said Employee Stock Ownership Plan, effective January 1, 1991 (Exhibit 4(b)-4 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1990)
- 4(a)-5 - Amendment No. 4 to said Employee Stock Ownership Plan, effective January 1, 1991 (Exhibit 4(a)-5 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1991)
- 4(a)-6 - Amendment No. 5 to said Employee Stock Ownership Plan, effective October 23, 1991 (Exhibit 4(a)-6 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1991)
- 4(a)-7 - Amendment No. 6 to said Employee Stock Ownership Plan, effective January 1, 1990 and January 1, 1992. (Exhibit 4(a)-7 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1991)
- 4(a)-8 - Amendment No. 7 to said Employee Stock Ownership Plan, effective January 1, 1992 (Exhibit 4(a)-8 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1991)
- 4(a)-9 - Amendment No. 8 to said Employee Stock Ownership Plan, effective July 1, 1992 (Exhibit 4(a)-9 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1992)
- 4(a)-10 - Amendment No. 9 to said Employee Stock Ownership Plan, effective January 1, 1993 (Exhibit 4(a)-10 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1992)
- 4(a)-11 - Amendment No. 10 to said Employee Stock Ownership Plan, effective January 1, 1993 (Exhibit 4(a)-11 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1993)

- 4(a)-12 - Amendment No. 11 to said Employee Stock Ownership Plan, effective January 1, 1994 (Exhibit 4(a)-12 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1994)
- 4(a)-13 - Amendment No. 12 to said Employee Stock Ownership Plan, effective January 1, 1994 (Exhibit 4(a)-13 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1994)
- 4(a)-14 - Amendment No. 13 to said Employee Stock Ownership Plan, effective April 27, 1995 (Exhibit 4(a)-14 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1995)
- 4(a)-15 - Amendment No. 14 to said Employee Stock Ownership Plan, effective January 1, 1989 and January 1, 1995 (Exhibit 4(a)-14 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1994)
- 4(a)-16 - Amendment No. 15 to said Employee Stock Ownership Plan, effective October 25, 1995 (Exhibit 4(a)-16 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1995)
- *4(a)-17 - Amendment No. 16 to said Employee Stock Ownership Plan, effective January 1, 1989
- *4(a)-18 - Amendment No. 17 to said Employee Stock Ownership Plan, effective January 1, 1996
- 4(b)-1 - Mortgage and Deed of Trust, dated as of October 1, 1945, between PP&L and Guaranty Trust Company of New York, as Trustee (now Bankers Trust Company, as successor Trustee) (Exhibit 2(a)-4 to Registration Statement No. 2-60291)
- 4(b)-2 - Supplement, dated as of July 1, 1954, to said Mortgage and Deed of Trust (Exhibit 2(b)-5 to Registration Statement No. 219255)

- 4(b)-4 - Supplement, dated as of November 1, 1967, to said Mortgage and Deed of Trust (Exhibit 2(a)-14 to Registration Statement No. 2-60291)
- 4(b)-5 - Supplement, dated as of January 1, 1969, to said Mortgage and Deed of Trust (Exhibit 2(a)-16 to Registration Statement No. 2-60291)
- 4(b)-7 - Supplement, dated as of February 1, 1971, to said Mortgage and Deed of Trust (Exhibit 2(a)-19 to Registration Statement No. 2-60291)
- 4(b)-9 - Supplement, dated as of January 1, 1973, to said Mortgage and Deed of Trust (Exhibit 2(a)-21 to Registration Statement No. 2-60291)
- 4(b)-10 - Supplement, dated as of October 1, 1989, to said Mortgage and Deed of Trust (Exhibit 4(a) to PP&L's Form 8-K Report (File No. 1-905) dated November 6, 1989)
- 4(b)-11 - Supplement, dated as of July 1, 1991, to said Mortgage and Deed of Trust (Exhibit 4(a) to PP&L's Form 8-K Report (File No. 1-905) dated July 29, 1991)
- 4(b)-12 - Supplement, dated as of May 1, 1992, to said Mortgage and Deed of Trust (Exhibit 4(a) to PP&L's Form 8-K Report (File No. 1-905) dated June 1, 1992)
- 4(b)-13 - Supplement, dated as of November 1, 1992, to said Mortgage and Deed of Trust (Exhibit 4(b)-29 to PP&L's Form 10-K Report (File 1-905) for the year ended December 31, 1992)
- 4(b)-14 - Supplement, dated as of February 1, 1993, to said Mortgage and Deed of Trust (Exhibit 4(a) to PP&L's Form 8-K Report (File No. 1-905) dated February 16, 1993)
- 4(b)-15 - Supplement, dated as of April 1, 1993, to said Mortgage and Deed of Trust (Exhibit 4(a) to PP&L's Form 8-K Report (File No. 1-905) dated April 30, 1993)

- 4(b)-16 - Supplement, dated as of June 1, 1993, to said Mortgage and Deed of Trust (Exhibit 4(a) to PP&L's Form 8-K Report (File No. 1-905) dated July 7, 1993)
- 4(b)-17 - Supplement, dated as of October 1, 1993, to said Mortgage and Deed of Trust (Exhibit 4(a) to PP&L's Form 8-K Report (File No. 1-905) dated October 29, 1993)
- 4(b)-18 - Supplement, dated as of February 15, 1994, to said Mortgage and Deed of Trust (Exhibit 4(a) to PP&L's Form 8-K Report (File No. 1-905) dated March 11, 1994)
- 4(b)-19 - Supplement, dated as of March 1, 1994, to said Mortgage and Deed of Trust (Exhibit 4(b) to PP&L's Form 8-K Report (File No. 1-905) dated March 11, 1994)
- 4(b)-20 - Supplement, dated as of March 15, 1994, to said Mortgage and Deed of Trust (Exhibit 4(a) to PP&L's Form 8-K Report (File No. 1-905) dated March 30, 1994)
- 4(b)-21 - Supplement, dated as of September 1, 1994, to said Mortgage and Deed of Trust (Exhibit 4(a) to PP&L's Form 8-K (File No. 1-905) dated October 3, 1994)
- 4(b)-22 - Supplement, dated as of October 1, 1994, to said Mortgage and Deed of Trust (Exhibit 4(a) to PP&L's Form 8-K Report (File No. 1-905) dated October 3, 1994)
- 4(b)-23 - Supplement, dated as of August 1, 1995, to said Mortgage and Deed of Trust (Exhibit 6(a) to PP&L's Form 10-Q Report (File No. 1-905) for the quarter ended September 30, 1995)
- 10(a) - Revolving Credit Agreement, dated as of August 30, 1994, between PP&L and the Banks named therein (Exhibit 10(a)-1 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1994)
- 10(b) - Agreement, dated as of May 30, 1996, between PP&L Resources, Inc., Chemical Bank and Citibank, N.A. (Exhibit 10(a) to PP&L's Form 10-Q Report (File No. 1-905) for the quarter ended September 30, 1996)

- *10(c) - Credit Agreement, dated as of March 14, 1996, between PP&L and The First National Bank of Chicago
- 10(d) - Pollution Control Facilities Agreement, dated as of May 1, 1973, between PP&L and the Lehigh County Industrial Development Authority (Exhibit 5(z) to Registration Statement No. 2-60834)
- 10(e)-1 - Interconnection Agreement, dated September 26, 1956, among Public Service Electric & Gas Company, Philadelphia Electric Company, PP&L, Baltimore Gas & Electric Company, Pennsylvania Electric Company, Metropolitan Edison Company, New Jersey Power & Light Company and Jersey Central Power & Light Company (Exhibit 5(e) to Registration Statement No. 2-60291)
- 10(e)-2 - Supplemental Agreement, dated April 1, 1974, to said Interconnection Agreement (Exhibit 5(f)-4 to Registration Statement No. 2-51312)
- 10(e)-3 - Supplemental Agreement, dated June 15, 1977, to said Interconnection Agreement (Exhibit 5(e)-5 to Registration Statement No. 2-60291)
- 10(e)-4 - Agreement of Settlement and Compromise, dated July 25, 1980, among the parties to said Interconnection Agreement (Exhibit 20(b)-8 to PP&L's Form 10-Q Report (File No. 1-905) for the quarter ended September 30, 1980)
- 10(e)-5 - Supplemental Agreement, dated March 26, 1981, to said Interconnection Agreement (Exhibit 10(b)-10 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1981)
- 10(e)-6 - Revisions to Schedules 4.02, 7.01, and 9.01, all effective August 9, 1982, to said Interconnection Agreement (Exhibit 10(e)-11 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1982)

- 10(e)-7 - Schedules 4.02, 5.01, 5.02, 5.04, 5.05, 6.01, 6.03, 6.04, 7.01, 7.02 7.03; all effective February 6, 1984, to said Interconnection Agreement (Exhibit 10(e)-8 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1985)
- 10(e)-8 - Schedule 5.03, Revision I, Exhibit A, revised May 31, 1985, to said Interconnection Agreement (Exhibit 10(e)-10 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1985)
- 10(e)-9 - Schedule 4.02, Revision No. 2, effective December 4, 1989, to said Interconnection Agreement (Exhibit 10(d)-13 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1989)
- 10(e)-10 - Schedule 5.06, Revision No. 1, effective June 1, 1990, to said Interconnection Agreement (Exhibit 10(d)-14 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1990)
- 10(e)-11 - Schedule 2.21, Revision No. 1, effective June 1, 1990, to said Interconnection Agreement (Exhibit 10(d)-15 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1990)
- 10(e)-12 - Schedule 2.212, Revision No. 2, effective June 1, 1990, to said Interconnection Agreement (Exhibit 10(d)-16 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1990)
- 10(e)-13 - Schedule 9.01, Revision No. 4, effective June 1, 1992, to said Interconnection Agreement (Exhibit 10(d)-18 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1990)
- 10(e)-14 - Schedule 3.01, Revision No. 3, effective June 1, 1992, to said Interconnection Agreement (Exhibit 10(c)-15 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1991)

- 10(e)-15 - Schedule 4.01, Revision No. 13, effective June 1, 1993, to said Interconnection Agreement (Exhibit 10(c)-15 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1993)

- 10(f) - Capacity and Energy Sales Agreement, dated June 29, 1983, between PP&L and Atlantic City Electric Company (Exhibit 10(f)-2 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1983)

- 10(g)-1 - Capacity and Energy Sales Agreement, dated March 9, 1984, between PP&L and Jersey Central Power & Light Company (Exhibit 10(f)-3 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1984)

- 10(g)-2 - First Supplement, effective February 28, 1986, to said Capacity and Energy Sales Agreement (Exhibit 10(e)-4 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1986)

- 10(g)-3 - Second Supplement, effective January 1, 1987, to said Capacity and Energy Sales Agreement (Exhibit 10(g)-3 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1989)

- 10(g)-4 - Amendments to Exhibit A, effective October 1, 1987, to said Capacity and Energy Sales Agreement (Exhibit 10(e)-6 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1987)

- 10(g)-5 - Third Supplement, effective December 1, 1988, to said Capacity and Energy Sales Agreement (Exhibit 10(g)-5 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1989)

- 10(g)-6 - Fourth Supplement, effective December 1, 1988, to said Capacity and Energy Sales Agreement (Exhibit 10(g)-6 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1989)

- 10(h)-1 - Capacity and Energy Sales Agreement, dated December 21, 1989, between PP&L and GPU Service Corporation (Exhibit 10(h) to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1989)
- 10(h)-2 - First Supplement, effective June 1, 1991, to said Capacity and Energy Sales Agreement (Exhibit 10(f)-2 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1991)
- 10(i)-1 - Capacity and Energy Sales Agreement, dated January 28, 1988, between PP&L and Baltimore Gas and Electric Company (Exhibit 10(e)-7 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1987)
- 10(i)-2 - First Supplement, effective November 1, 1988, to said Capacity and Energy Sales Agreement (Exhibit 10(i)-2 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1989)
- 10(i)-3 - Second Supplement, effective June 1, 1989, to said Capacity and Energy Sales Agreement (Exhibit 10(i)-3 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1989)
- 10(i)-4 - Third Supplement, effective June 1, 1991, to said Capacity and Energy Sales Agreement (Exhibit 10(g)-4 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1991)
- 10(j)-1 - Amended and Restated Directors Deferred Compensation Plan, effective July 1, 1995 (Exhibit C to Proxy Statement of PP&L and Prospectus of Resources, dated March 9, 1995)
- *■10(j)-1 - Amendment No. 1 to said Amended and Restated Directors Deferred Compensation Plan, effective November 1, 1996
- *■10(j)-2 - Amendment No. 2 to said Amended and Restated Directors Deferred Compensation Plan, effective January 1, 1997

- 10(k) - Amended and Restated Directors Retirement Plan, effective April 27, 1995 (Exhibit 10(i) to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1995)
- 10(l)-1 - Amended and Restated Deferred Compensation Plan for Executive Officers, effective January 1, 1990 (Exhibit 10(s) to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1990)
- 10(l)-2 - Amendment No. 1 to said Officers Deferred Compensation Plan, effective January 1, 1991 (Exhibit 10(j)-2 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1991)
- 10(l)-3 - Amendment No. 2 to said Officers Deferred Compensation Plan, effective October 23, 1991 (Exhibit 10(j)-3 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1991)
- 10(l)-4 - Amendment No. 3 to said Officers Deferred Compensation Plan, effective January 1, 1992 and April 1, 1992 (Exhibit 10(j)-4 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1991)
- 10(l)-5 - Amendment No. 4 to said Officers Deferred Compensation Plan, effective January 1, 1995 (Exhibit 10(j)-5 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1994)
- *10(l)-6 - Amendment No. 5 to said Officers Deferred Compensation Plan, effective January 1, 1996
- 10(m) - Amended and Restated Supplemental Executive Retirement Plan, effective August 31, 1995 (Exhibit 10(k) to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1995)
- *■10(m)-1 - Amendment No. 1 to said Amended and Restated Supplemental Executive Retirement Plan, effective July 1, 1996

- 10(n) - Amended and Restated Executive Retirement Security Plan, effective August 31, 1995 (Exhibit 10(l) to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1995)
- *■10(n)-1 - Amendment No. 1 to said Amended and Restated Executive Retirement Security Plan, effective January 1, 1996
- 10(o)-1 - Amended and Restated Incentive Compensation Plan, effective January 1, 1995 (Exhibit D to Proxy Statement of PP&L and Prospectus of Resources, dated March 9, 1995)
- 10(o)-2 - Amendment No. 1 to said Amended and Restated Incentive Compensation Plan, effective April 27, 1995 (Exhibit 10(m)-2 to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1995)
- *■10(o)-3 - Amendment No. 2 to said Amended and Restated Incentive Compensation Plan, effective January 1, 1996
- *■10(o)-4 - Amendment No. 3 to said Amended and Restated Incentive Compensation Plan, effective January 1, 1997
- *■10(p) - Description of Executive Compensation Incentive Award Program^{1/}
- 10(q) - Nuclear Fuel Lease, dated as of February 1, 1982, between PP&L, as lessee, and Newton I. Waldman, not in his individual capacity, but solely as Cotrustee of the Pennsylvania Power & Light Energy Trust, as lessor (Exhibit 10(g) to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1981)
- *12 - Computation of Ratio of Earnings to Fixed Charges
- *23(a) - Consent of Price Waterhouse LLP

^{1/} This description is provided pursuant to 17 C.F.R. § 229.601(b)(10)(iii)(A).

- *23(b) - Consent of Deloitte & Touche LLP
- *24 - Power of Attorney
- *27 - Financial Data Schedule

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PP&L RESOURCES, INC. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	1996	1995	1994	1993	1992
Fixed charges, as defined:					
Interest on long-term debt	\$207	\$213	\$214	\$226	\$240
Interest on short-term debt and other interest	17	18	18	13	12
Amortization of debt discount, expense and premium - net.....	2	2	2	2	1
Interest on capital lease obligations					
Charged to expense	13	15	12	9	10
Capitalized	2	2	1	1	2
Estimated interest component of operating rentals	8	8	6	5	5
Proportionate share of fixed charges of 50-percent-or-less-owned persons	1	1	1	1	1
Total fixed charges	<u>\$250</u>	<u>\$259</u>	<u>\$254</u>	<u>\$257</u>	<u>\$271</u>
Earnings, as defined:					
Net income	\$329	\$323	\$216	\$314	\$306
Preferred and Preference Stock Dividend Requirements.....	28	28	28	34	40
Less undistributed income of less than 50-percent-owned persons	-	-	-	-	-
Total earnings	<u>357</u>	<u>351</u>	<u>244</u>	<u>348</u>	<u>346</u>
Add (Deduct):					
Federal income taxes	189	195	198	163	145
State income taxes	64	62	77	64	65
Deferred income taxes	10	15	(45)	22	33
Investment tax credit - net	(10)	(10)	(12)	(14)	(14)
Income taxes on other income and deductions - net	0	24	(38)	(1)	0
Amortization of capitalized interest on capital leases	4	5	9	12	13
Total fixed charges as above (excluding capitalized interest on capital lease obligations)	<u>248</u>	<u>257</u>	<u>253</u>	<u>256</u>	<u>271</u>
Total earnings	<u>\$862</u>	<u>\$899</u>	<u>\$686</u>	<u>\$850</u>	<u>\$859</u>
Ratio of earnings to fixed charges	<u>3.45</u>	<u>3.47</u>	<u>2.70</u>	<u>3.31</u>	<u>3.15</u>

PENNSYLVANIA POWER & LIGHT COMPANY AND SUBSIDIARIES, CONSOLIDATED

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	(Millions of Dollars)				
	1996	1995	1994	1993	1992
Fixed charges, as defined:					
Interest on long-term debt	\$207	\$213	\$214	\$226	\$240
Interest on short-term debt and other interest	11	18	18	13	12
Amortization of debt discount, expense and premium - net.....	2	2	2	2	1
Interest on capital lease obligations					
Charged to expense	13	15	12	9	10
Capitalized	2	2	1	1	2
Estimated interest component of operating rentals	8	8	6	5	5
Proportionate share of fixed charges of 50-percent-or-less-owned persons	1	1	1	1	2
Total fixed charges	\$244	\$259	\$254	\$257	\$272
Earnings, as defined:					
Net income	\$357	\$352	\$243	\$348	\$346
Less undistributed income of less than 50-percent-owned persons	-	-	-	-	-
	357	352	243	348	346
Add (Deduct):					
Federal income taxes	189	195	199	163	145
State income taxes	64	62	77	64	65
Deferred income taxes	10	15	(45)	22	33
Investment tax credit - net	(10)	(11)	(12)	(14)	(14)
Income taxes on other income and deductions - net	(2)	26	(38)	(1)	0
Amortization of capitalized interest on capital leases	4	6	9	12	13
Total fixed charges as above (excluding capitalized interest on capital lease obligations)	243	257	253	256	271
Total earnings	\$855	\$902	\$686	\$850	\$859
Ratio of earnings to fixed charges	3.50	3.48	2.70	3.31	3.15

RP - H.13.
ATTACHMENT 2

delivering on our promises[®]



PP&L RESOURCES, INC. is the holding company for the subsidiaries listed below. Chairman, president and chief executive officer: *William F. Hecht*

PENNSYLVANIA POWER & LIGHT COMPANY, headquartered in Allentown, Pa., provides electric service to about 1.2 million homes and businesses throughout a 10,000-square-mile area in 29 counties of central eastern Pennsylvania. The area is at the heart of the nation's largest industrial and commercial market. More than 70 million consumers live within a 300-mile radius. Chairman, president and chief executive officer: *William F. Hecht*

POWER MARKETS DEVELOPMENT COMPANY, a subsidiary of PP&L Resources since 1995, develops, owns and operates electric generation and distribution companies domestically and overseas. PMDC's investments and commitments worldwide totaled more than \$250 million at the end of 1996. The company owns a 25 percent share of South Western Electricity in the U.K. and has holdings in Argentina, Bolivia, Peru, Spain and Portugal. President: *Robert D. Fagan*

SPECTRUM ENERGY SERVICES CORPORATION, formed in 1995, pursues business opportunities that are allied to the energy business. President: *John P. Kierzkowski*

This is our first summary annual report — a format that is shorter and easier to read than our prior annual reports. It contains condensed financial statements. Complete financial statements are published as part of our proxy statement. As our industry and our company change, we're working hard to improve communication with our shareowners — another example of how we deliver on our promises. We hope you find this report useful, and we welcome your comments.

A personal relationship is built on trust, on keeping promises. The same can be said of a corporation's relationship with the people who depend on it. At PP&L Resources, Inc., we understand that delivering on promises – to customers, investors, business partners, employees and communities – is the very essence of our business. Our well-earned reputation for integrity and reliability will serve us well as we pursue new opportunities in today's more competitive energy marketplace.



Highlights

for the years ended December 31	1996	1995
FINANCIAL		
Operating revenues (millions)	\$2,910	\$2,752
Net income (millions)	\$ 329	\$ 323
Total assets (millions)	\$9,636	\$9,492
Earnings per share	\$ 2.05	\$ 2.05
Dividends declared per share	\$ 1.67	\$ 1.67
Book value per share	\$16.87	\$16.29
Market price per share	\$23.00	\$25.00
Dividend yield	7.26%	6.68%
Dividend payout ratio	82%	82%
Market/book value ratio	136%	153%
Price/earnings ratio	11.2	12.2
Ratio of earnings to fixed charges	3.45	3.47
Return on average common equity	12.30%	12.81%
OPERATING		
Total energy sales (millions of kwh)	46,648	42,705
Net system capacity (thousands of kilowatts)	7,853	7,808
Number of customers (thousands)	1,236	1,226
Construction expenditures (millions)	\$ 267	\$ 359

Chairman's Letter

It has been said that promises are a way of ordering the future, of making it predictable and reliable to the extent that this is humanly possible. In a world where consumers and investors are inundated by choices and claims, a company that makes promises and keeps them is a welcome respite from the din.

At PP&L Resources, we understand the value of a promise made and a promise kept. Our customers, our investors, our business partners, our employees, and our communities trust us to deliver the performance that we say we'll deliver. They trust us to help them make their future more predictable, at least the part of it that we touch.

So, when people ask me why I'm convinced that PP&L Resources will be a winner in a more competitive electricity business, the answer is really quite simple: promises made and promises kept.

In 1996, we made great progress in further developing our overall business so that we will be well positioned to deliver on our promises in a widening, and more competitive, marketplace.

We were instrumental in bringing choice of electricity suppliers to customers in Pennsylvania. As a result, beginning as early as 1999, customers in the commonwealth, including job-producing businesses, will be permitted to select the company that generates their electricity. And, our Pennsylvania Power & Light Co. subsidiary will have extensive opportunities in new markets throughout Pennsylvania. The legislation provides important provisions for the company to recover the potentially stranded investment that would occur as part of the transition to a competitive marketplace.

Our Power Markets Development Co. subsidiary made impressive strides, most notably the acquisition of a 25 percent interest



William F. Hecht

"WE WILL SUCCEED
BECAUSE WE UNDERSTAND
THE PROMISES THAT
MATTER TO OUR CUSTOMERS
AND TO YOU,
OUR INVESTORS."

in a British utility. By the end of 1996, PMDC had investments or commitments in projects totaling more than \$250 million and was in the final stages of negotiations for a \$120 million stake in a Chilean electric distribution company.

Our energy services company, Spectrum Energy Services Corp., continued to expand its reach – with projects ranging from valve repairs at a Kansas nuclear power plant to providing energy management services for Geisinger Medical Center, one of Pennsylvania's best-known health care facilities.

We continued to make improvements in utility operations, reducing operating and capital expenditures significantly for the second year in a row. We expanded the scope and staffing of our Energy Marketing Center, which now is selling wholesale electricity not only in the Mid-Atlantic region but in the Midwest as well.

We also turned in a solid financial performance in 1996. Earnings were \$2.05 per share, up 26 cents per share from last year when one-time adjustments are excluded. Electricity sales were up substantially during 1996, even when adjusted for the effect of weather.

By all measures, we followed through on our promises in 1996.

But what about the future? What are the promises that PP&L Resources must keep as more competition comes to our business?

Your company will be delivering on the promise of providing high-quality, competitively priced retail electricity generation not only to the people of central eastern Pennsylvania, as we have done for more than seven decades, but also to others in Pennsylvania and the Mid-Atlantic region. Although such electricity sales are likely to produce lower margins in the future, the expanding market provides us with new revenue opportunities.

We will be providing excellent electricity delivery services to the residents of central eastern Pennsylvania under prices regulated by the Pennsylvania Public Utility Commission.

We will be selling wholesale electricity, through our Energy Marketing Center, to other utilities, power brokers and marketers.

We will continue to expand our worldwide operations through PMDC, making prudent acquisitions that take advantage of our extensive energy business experience to grow the value of your investment in PP&L Resources.

We will expand our efforts to provide energy management, engineering and educational services through Spectrum. This

subsidiary allows you, our shareowners, to directly benefit from the emerging markets in the domestic electricity business.

We will continue to examine opportunities to expand our business in energy-related areas.

While we are confident that we will continue to deliver on the promises we make to the many people who count on us, we realize that a more competitive marketplace brings significant challenges. We are meeting those challenges head-on, restructuring our utility subsidiary to meet the needs of the 1.2 million customers we now have and the others we will attract in the future.

We also are continuing our efforts on the legislative front, working for comprehensive federal customer choice legislation. Federal legislation can ensure that additional competitive markets are available to us and that all customers have choice opportunities within the next several years.

There are many who say that the electricity business in the United States is at a crossroads; that the decisions being made today will determine which companies will succeed.

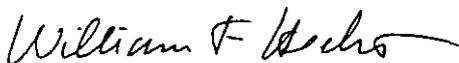
At PP&L Resources, we believe that the decisions already have been made that will determine which companies will succeed in the new energy marketplace. And, we made the right decisions when we decided to concentrate on improving the productivity of our utility operations and on expanding our operations into non-regulated businesses.

Our decision to take a leadership role in promoting customer choice was a simple extension of our understanding that this was the wave of the future.

Making and keeping promises is more than an operational commitment. It is a strategic one. We will succeed in the new marketplace not only because we deliver on the promises we make; we will succeed because we understand the promises that matter to our customers and to you, our investors.

We thank you for your continued investments in PP&L Resources.

Respectfully submitted,



William F. Hecht

IT'S A LINE CREW WORKING IN A DRIVING RAIN TO
TURN THE LIGHTS BACK ON AFTER A STORM.

IT'S A FRIENDLY VOICE
ON THE OTHER END OF THE PHONE LINE.

IT'S TAKING A LEADERSHIP ROLE IN GIVING
MORE CHOICES TO OUR CUSTOMERS.

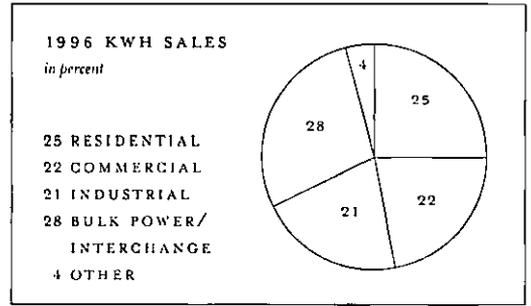
IT'S GOOD SERVICE AT A COMPETITIVE PRICE.

KEEPING OUR PROMISES TO

customers

Pennsylvania Power
& Light Co. customer
Faye Rentschler and
her son Kent.





Putting the customer first is more than just a slogan. It's commitment, and it's action. We never lose sight of the importance of satisfying our customers. Because no matter what else a company does well, if it doesn't please customers, it won't be successful. And that's especially true now, as we enter the era of customer choice.

We have competitive prices and reliable service. Our customers are loyal – among the most satisfied in the business. We understand their needs, and we understand how to give them what they want. Building on a long history of satisfying customers in the electric utility business, we're finding new customers in new markets around the world.



The Rentschler family – like more than 336,000 other Pennsylvania Power & Light Co. customers – heats their home with electricity.

Pennsylvania Power & Light Co., our electric utility subsidiary, is known for its reliable service and satisfied customers. Its power plants run well, and it has worked hard to keep its prices low. During 1996, for example, the Susquehanna nuclear plant had the highest generation and lowest production cost in its

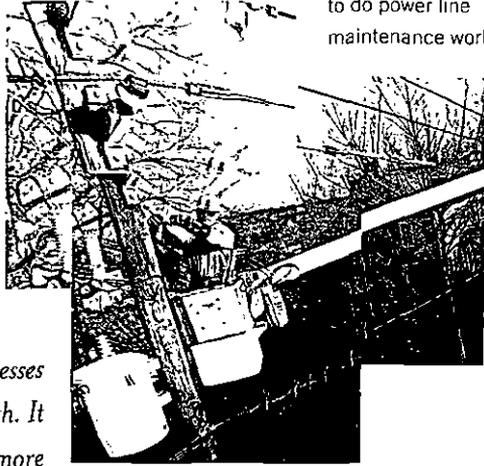
history, and fossil-fuel plants continued their work to improve competitiveness. As the market changes, the subsidiary is meeting customers' changing needs by offering new products and services.

PMDC, our worldwide power subsidiary, has extended our reputation for reliable electric service to parts of England, Argentina, Bolivia, Peru, Spain and Portugal. Now, electric customers around the world are beginning to reap the benefits of our company's long tradition of customer satisfaction.

Spectrum Energy Services Corp., our energy services subsidiary, is making inroads in the areas of energy management, electrical facility design, consulting and training. It has a growing list of customers who are finding out that service is something we take very seriously.

As our industry continues to change – bringing new choices and new opportunities for our customers – we will be there, as always using our experience and our expertise to keep customers satisfied.

Lineman Tom Waters prepares to do power line maintenance work.



Pennsylvania's electricity business changed forever on Dec. 3, 1996, when Gov. Tom Ridge signed legislation that will give customers the right to pick the company that generates their electricity.

The new law is expected to make Pennsylvania's businesses more competitive and draw new jobs to the commonwealth. It also provides customers with more choices, and it will lead to more efficiencies in our industry. We expect to be a strong competitor in this new marketplace through our utility subsidiary, Pennsylvania Power & Light Co.

Here's a rundown of the customer choice legislation:

Beginning as early as 1999, up to one-third of electric customers in Pennsylvania will be able to choose the company that generates their electricity.

Another one-third of customers will be able to choose as early as 2000, with the balance getting choice by 2001.

Local utilities will continue to provide delivery services for this electricity over existing wires, regardless of which company generates it.

The law recognizes that utilities have stranded costs — those costs for power plants and other investments that would have been recoverable in a regulated environment but which may not be recoverable in a competitive market.

The law provides for recovery of those costs, as approved by the state Public Utility Commission, through customer rates over a period of up to nine years.

The law also provides the opportunity to securitize stranded costs by issuing low-cost transition bonds. Savings resulting from securitization would help to reduce customer rates.

The law meets the important tests that we established to evaluate restructuring proposals: it makes choice available to all customers; it makes provisions for low-income customers; it contains provisions to ensure continued reliability of electricity service; and it contains provisions for recovery of stranded costs.



For Mike and Peg Lubenesky, PP&L Resources stock has been a solid, long-term investment.

IT'S SEARCHING THE WORLD
FOR NEW BUSINESS OPPORTUNITIES, WHILE MANAGING
THE COMPANY WELL HERE AT HOME.

IT'S DELIVERING A SOLID RETURN ON YOUR INVESTMENT.
IT'S INNOVATIVE THINKING, AND STAYING FOCUSED
ON PROVIDING GROWTH OVER THE LONG TERM.

KEEPING OUR PROMISES TO
investors

Paying attention to the expectations of investors is the foundation of future success. That's why PP&L Resources always has worked hard to enhance shareowner value, and to set the stage for growth in earnings and dividends.

Pennsylvania Power & Light Co. has reduced capital expenditures while maintaining reliability, improving its cash flow, and reducing interest costs through creative refinancings. That makes this subsidiary far more competitive than it was only a short time ago. At the same time, electricity sales are on the rise, particularly in the important commercial and industrial sectors.

In our other subsidiaries, we are seeing encouraging results in our efforts to find new areas of opportunity. PMDC's worldwide power operations produced a small profit in 1996 – two years ahead of its business plan. This subsidiary is building a track record of success, and is targeted to contribute up to 10 percent of our earnings by 2000. Spectrum shows good potential in generating revenue from opportunities in the area of energy-related products and services.

Our financial position is getting stronger. We're expanding our horizons. And we've positioned ourselves to succeed in the new competitive marketplace.



Rory Hertzog says the shares he bought for his young children are "the keystone of their investment portfolio."

PMDC President Bob Fagan (left) discusses a proposal with Dave Shultz, a PMDC Operations project manager.

12.

IT'S FORGING CREATIVE ALLIANCES
TO HELP THE COMPANY GROW.

IT'S LEARNING FROM THE EXPERIENCE OF OTHERS.

IT'S BRINGING OUR ENERGY AND EXPERTISE TO ALLIANCES,
PARTNERSHIPS AND JOINT VENTURES.

KEEPING OUR PROMISES TO

partners

In an increasingly competitive world, business partnerships are more important than ever. At PP&L Resources, we understand the value of strategic partnerships to the company's long-term success.

Pennsylvania Power & Light Co. has long reaped the benefits of key partnerships – in economic development, and with other utilities. Now, as our business expands, we are branching out and forging new partnerships, in our backyard and around the world.

Pennsylvania Power & Light Co. took a leadership role in building the consensus needed to give Pennsylvania customers the right to choose their generating company. The subsidiary also is pushing for choice on the national level. Activities such as these are building Pennsylvania Power & Light Co.'s reputation as an effective and desirable business partner.

A major reason for PMDC's success has been its philosophy of working with experienced professionals in projects to which we bring our expertise as well as funding. Experienced partners help share the risk of overseas investments, and provide local expertise in project management. On another front, Spectrum is becoming known in new markets through agreements to exchange information and technical knowledge with utilities in Ukraine and India.

There are many other examples, and many more to come, as we use business partnerships to expand our horizons, and our success.



Purpose

IT'S PROVIDING THE RIGHT TOOLS
AND THE RIGHT TRAINING
SO PEOPLE CAN WORK EFFICIENTLY AND SAFELY.

IT'S PRESERVING OUR REPUTATION AS A GOOD PLACE TO WORK.
IT'S PROVIDING OPPORTUNITIES FOR
ADVANCEMENT, AND FOR PERSONAL GROWTH.

Communication

KEEPING OUR PROMISES TO

employees

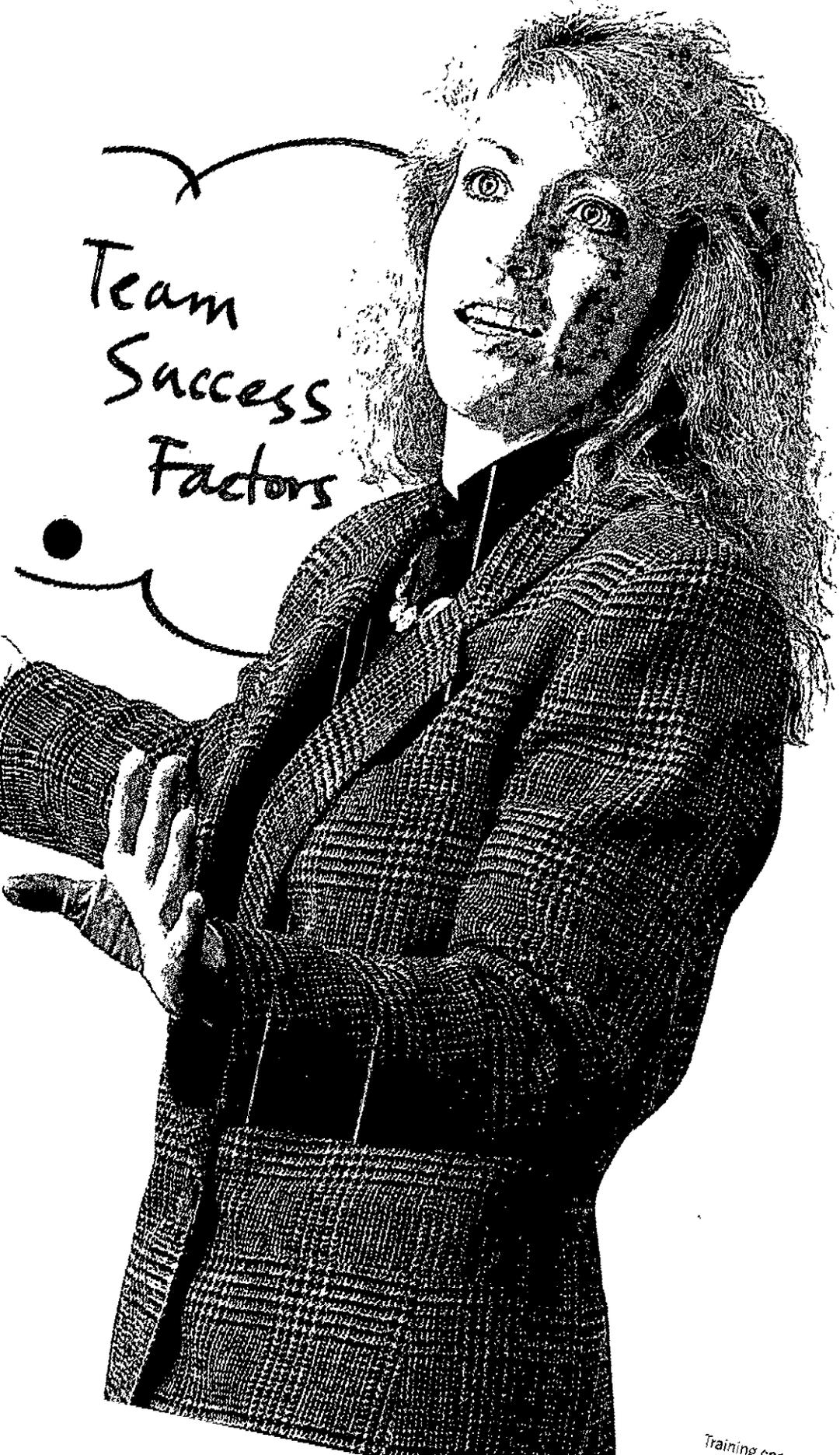


Power plant foreman
Bob Schock.

Our employees are our future. We want them to be satisfied and motivated; we want them to be proud to work here. That's why we're committed to giving them the tools and training they need, along with the challenges and opportunities necessary to prepare them for the new competitive environment. It's the right thing to do, and it makes strong business sense.

We have a reputation as a good place to work. We want to preserve and enhance that reputation. So, as we look ahead to the challenges yet to come, we will continue our never-ending focus on safety, and we will continue to provide ample opportunities for employee development. By having a knowledgeable, dedicated work force, we can be sure to deliver on our promises.

Team
Success
Factors



IT'S BEING A GOOD CORPORATE CITIZEN.

IT'S GIVING EMPLOYEES TIME TO TUTOR STUDENTS
AT A CITY ELEMENTARY SCHOOL.

IT'S CARING FOR THE ENVIRONMENT, AND PROVIDING SEED
MONEY FOR AFFORDABLE HOUSING.

KEEPING OUR PROMISES TO

communities

We operate our company so that people are glad to have us as a neighbor. We feel an obligation to give something back, and to help enhance the quality of life in our communities.

This spring, when the American shad begin their annual journey up the Susquehanna River to spawn, they'll get a little help from Pennsylvania Power & Light Co.' Fish lifts will carry the migrating shad over the Holtwood hydroelectric dam, restoring the historic shad run to the region.

The fish lifts are only one example of the environmental story at Pennsylvania Power & Light Co. The subsidiary nurtures endangered peregrine falcons; it maintains thousands of acres of wildlands for public education and enjoyment; and it takes significant steps to reduce emissions from power plants – all in keeping with its philosophy to provide energy in harmony with the environment.

This attitude of caring – for the environment, for our communities, and for the people who depend on us – extends throughout PP&L Resources. Through our subsidiaries, we support education by encouraging partnerships that enrich teachers and students. We encourage our employees to get involved in tutoring, mentoring and other in-school programs. We support our communities with millions of dollars in annual improvement grants, through programs that help low-income customers, and through the commitment of our thousands of employee volunteers.

And as our business expands, so, too, does the community of people who depend on us to be a good corporate citizen. We won't let them down.

Nat Jenkins,
a power line
siting coordinator,
takes time each
week to tutor
elementary
school children.



Condensed Consolidated Statement of Income

millions of dollars, except per share data	1996	1995
OPERATING REVENUES	\$2,910	\$2,752
OPERATING EXPENSES		
Fuel and purchased power	800	742
Other operation and maintenance	735	624
Depreciation and amortization	363	349
Taxes	456	463
	<u>2,354</u>	<u>2,178</u>
OPERATING INCOME	556	574
OTHER INCOME	21	2
INTEREST CHARGES	220	225
PREFERRED STOCK DIVIDENDS	28	28
NET INCOME	<u>\$ 329</u>	<u>\$ 323</u>
Average number of shares outstanding (thousands)	161,060	157,649
Earnings per share of common stock	\$2.05	\$2.05
Dividends declared per share of common stock	\$1.67	\$1.67

Summary Management Discussion and Financial Information

This is the first annual report that PP&L Resources has issued in a summary format. Complete financial statements are provided to all shareowners of record as of Feb. 28, 1997, as an appendix to the proxy statement of PP&L Resources, Inc. The full financials and extensive discussion of the business and operation of PP&L Resources, Inc. and its subsidiaries also are included in the 1996 Form 10-K filed with the Securities and Exchange Commission.

RESULTS OF OPERATIONS

Earnings Earnings for 1996 were \$329 million or \$2.05 per share of common stock, up from \$323 million or \$2.05 per share in 1995. Earnings in 1996 reflect a full year's effect of the rate increase for retail customers and higher energy sales. Earnings were somewhat reduced by lower contract power sales to another utility in 1996, as well as higher depreciation expense. The reduction in contract power sales to other major utilities will continue to adversely affect earnings over the next few years.

Earnings in 1995 were influenced by the cost of ongoing work-force reductions, and by several one-time adjustments related primarily to regulatory decisions and the sale of coal reserves. When the effects of these one-time adjustments are removed, earnings for 1995 were \$1.79 per share, compared to \$2.05 per share for 1996.

Revenues Operating revenues increased by \$158 million, or 5.8 percent, in 1996. The growth is attributable to the impact of the September 1995 retail rate decision and strong sales growth in all customer classes. In addition, cold weather during early 1996 had a favorable impact.

Operating Expenses Total operating expenses increased by \$176 million in 1996 compared to 1995. Fuel and purchased power increased by \$58 million.

Other operation and maintenance expenses increased by \$111 million, primarily due to our 1995 base rate decision. Excluding rate items, operation and maintenance costs actually decreased by \$11 million from 1995. This decrease was primarily due to work-force reductions and ongoing initiatives to reduce costs.

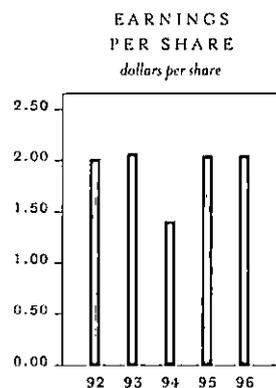
Customer Choice Legislation In December 1996, Pennsylvania enacted legislation to restructure its electric utility industry in order to create retail access to a competitive market for the generation of electricity. The legislation includes the following major provisions: (1) all electric utilities in Pennsylvania are required to file, with the state Public Utility Commission (PUC), a restructuring plan to implement direct access to a competitive market for electric generation; (2) retail customer choice will be phased in over three years, beginning as early as 1999; (3) electric distribution companies will be the suppliers of last resort, and the PUC will ensure that adequate generation reserves exist to maintain reliable electric service; (4) retail rates generally will be capped for at least four-and-a-half years for transmission and distribution charges and for at least nine years for generation charges; (5) utilities are permitted to recover PUC-approved transition or stranded costs through a non-bypassable transition charge; and (6) transition bonds may be issued to refinance the stranded costs, with a transition charge on customer bills to repay the bonds.

PP&L is formulating its restructuring plan, which it currently plans to file with the PUC by April 1, 1997. Under the legislation, the PUC must take action on the restructuring plan within nine months of the filing date. PP&L is unable to predict the ultimate effect of this legislation on its financial position, results of operations or its need to issue securities to meet future capital requirements.

Unregulated Investments Power Markets Development Co. (PMDC) is continuing to pursue opportunities to develop and acquire electric generation, transmission and distribution facilities in the United States and abroad. As of December 31, 1996, PMDC had either investments or commitments in electric projects, totaling more than \$250 million, throughout the world, including the United Kingdom, Bolivia, Peru, Argentina, Spain and Portugal. The largest investment to date is a 25 percent interest in SWEB, a British regional electric utility company. PMDC also is negotiating for the purchase of a 25.05 percent interest in Empresas Emel S.A., a distributor of electricity in Chile and Bolivia. Under the terms of the agreement being negotiated, PMDC would invest about \$120 million in Emel. PMDC is targeted to enhance earnings by 10 percent by the year 2000.

PP&L Resources' other unregulated subsidiary, Spectrum Energy Services Corp., is offering energy-related products and services domestically and worldwide.

Common Dividends PP&L Resources maintained the annual dividend rate of \$1.67 per share. The dividend payout ratio was 82 percent in 1996, and the dividend yield on common stock was 7.3 percent, based on the year-end market price. The closing market price at the end of December 1996 was \$23 per share.



Condensed Consolidated Statement of Cash Flows

millions of dollars	1996	1995
OPERATING ACTIVITIES		
Net income	\$ 329	\$ 323
Adjustments for noncash items		
Depreciation and amortization	437	394
Change in current assets and current liabilities	(49)	13
Voluntary early retirement program		(66)
Other operating activities – net	76	28
Net cash provided by operating activities	<u>793</u>	<u>692</u>
INVESTING ACTIVITIES		
Construction	(267)	(359)
Investment in electric energy projects	(201)	(12)
Other investing activities – net	36	58
Net cash used in investing activities	<u>(432)</u>	<u>(313)</u>
FINANCING ACTIVITIES		
Issuance of common stock	77	81
Change in long-term debt – net	(29)	(85)
Change in short-term debt – net	55	15
Common and preferred dividends paid	(296)	(290)
Other financing activities – net	(87)	(90)
Net cash used in financing activities	<u>(280)</u>	<u>(369)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		
	81	10
Cash and cash equivalents at beginning of period	20	10
Cash and cash equivalents at end of period	<u>\$ 101</u>	<u>\$ 20</u>

FINANCIAL CONDITION

Net cash provided from operating activities for 1996 increased \$101 million over 1995. PP&L Resources' cash flow from operating activities for 1996 exceeded the funding required for construction, payment of dividends and other investing and financing activities (excluding investments in electric energy projects) by 29 percent.

Net cash used in investing activities was \$119 million higher in 1996 than 1995. This increase was primarily due to PMDC's increased investments in electric energy projects. PP&L continues to reduce its construction expenditures and this is contributing to improved cash flow. Construction expenditures are expected to be 51 percent lower in 1999 than they were in 1994, down \$244 million. PP&L has reduced its planned capital expenditures for the next five years by about \$640 million from levels anticipated two years ago.

PP&L Resources plans to continue to reduce long-term debt and preferred stock to lower its overall cost of financing. It is currently expected that common stock will continue to be issued through the dividend reinvestment and employee stock ownership plans after 1997.

Condensed Consolidated Balance Sheet

millions of dollars, at December 31

1996

1995

ASSETS

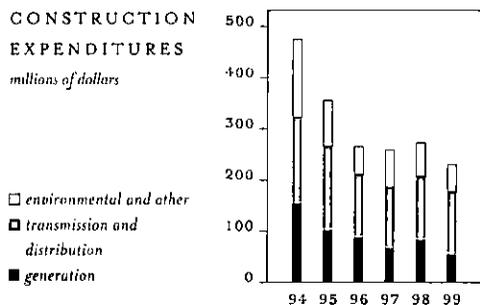
Property, plant and equipment		
Electric utility plant in service	\$ 9,824	\$ 9,637
Accumulated depreciation	(3,337)	(3,113)
Construction work in progress	172	170
Nuclear fuel and other leased property	246	219
Electric utility plant – net	6,905	6,913
Other property – net	55	57
	<u>6,960</u>	<u>6,970</u>
Investments	520	289
Current assets	749	693
Regulatory and other assets	1,407	1,540
	<u>\$ 9,636</u>	<u>\$ 9,492</u>

CAPITALIZATION AND LIABILITIES

Common equity	\$ 2,745	\$ 2,597
Preferred stock	466	466
Long-term debt (less current portion)	2,802	2,829
Total capitalization	6,013	5,892
Current liabilities	621	601
Deferred income taxes and investment tax credits	2,261	2,325
Other deferred credits	741	674
	<u>\$ 9,636</u>	<u>\$ 9,492</u>

CONSTRUCTION EXPENDITURES

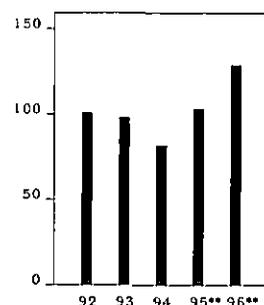
millions of dollars



INTERNALLY GENERATED CASH VS. CAPITAL REQUIREMENTS *

in percent
*capital requirements include construction, investing and financing activities and dividends paid.

**excludes investments in worldwide electric projects



22.

Report of Independent Accountants

To the Shareowners and Board of Directors of PP&L Resources, Inc.

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements of PP&L Resources, Inc. and its subsidiaries as of Dec. 31, 1996 and 1995 and for each of the years then ended appearing in an appendix to the proxy statement for the 1997 annual meeting of shareowners of the company (which statements are not presented herein); and in our report dated Feb. 3, 1997 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of Dec. 31, 1996 and 1995 and the related condensed consolidated statements of income and cash flows for each of the years then ended, when read in conjunction with the consolidated financial statements from which it has been derived, is fairly stated in all material respects in relation thereto.

Price Waterhouse LLP

Price Waterhouse LLP

Philadelphia, Pa.

Feb. 3, 1997

Management's Report on Responsibility for Financial Statements

The management of PP&L Resources, Inc. and its subsidiaries is responsible for the financial statements and related information presented in this summary annual report. These statements and information are derived from the complete set of financial statements and related information contained in the 1996 Annual Report on Form 10-K and an appendix to the proxy statement for the 1997 annual meeting of shareowners, both of which are filed with the Securities and Exchange Commission. Those financial statements are prepared in conformity with generally accepted accounting principles and have been audited by the company's independent accountants who have rendered unqualified opinions. For more complete details regarding financial information on the company, refer to the Form 10-K or the appendix to the proxy statement.

William F. Hecht

William F. Hecht
Chairman, President and
Chief Executive Officer

R.E. Hill

R.E. Hill
Senior Vice President—Financial

Directors

PP&L RESOURCES, INC.

DIRECTORS

Frederick M. Bernthal 54 (*)
Washington, D.C.; President,
Universities Research Associates.
A not-for-profit consortium of
major research universities.

E. Allen Deaver 61 (6)
Lancaster; Executive Vice President,
Armstrong World Industries Inc.
Manufacturer of interior furnishings
and specialty products.

Nance K. Dicciani 49 (3)
Philadelphia; Vice President and
Monomers Business Unit Director,
Rohm and Haas Co.
Manufacturer of specialty chemicals.

William J. Flood 61 (7)
Hazleton; Secretary - Treasurer,
Highway Equipment &
Supply Co. Supplier of
heavy equipment for highway
construction and industry.

Elmer D. Gates 67 (7)
Bethlehem; Vice Chairman,
Fuller Co. Manufacturer of plants,
machinery and equipment
for industry.

Derek C. Hathaway 52 (1)
Camp Hill; Chairman, President
and Chief Executive Officer,
Harsco Corporation.
Manufacturer of processed and
fabricated metals.

William F. Hecht 53 (6)
Allentown; Chairman, President
and Chief Executive Officer,
PP&L Resources, Inc.

Stuart Heydt 57 (6)
Danville; President and
Chief Executive Officer,
Geisinger Foundation.

Clifford L. Jones 69 (8)
Mechanicsburg; Former President,
Capital Region Economic
Development Corp.

Ruth Leventhal 56 (8)
Hershey; Professor of Biology,
The Milton S. Hershey
Medical Center.

Frank A. Long 56 (4)
Allentown; Executive Vice
President, PP&L Resources, Inc.

Norman Robertson 69 (27)
Pittsburgh; Former Senior
Vice President and Chief
Economist, Mellon Bank, N.A.

Numbers noted above indicate
age and years of board service (),
as of March 1, 1997.

*Less than one year of service -
Dr. Bernthal was elected to the
board effective March 1, 1997.

Shareowner Information

ANNUAL MEETING

Shareowners are invited to attend the annual meeting, to be held April 23, 1997, at Lehigh University's Stabler Arena in Bethlehem, Pa.

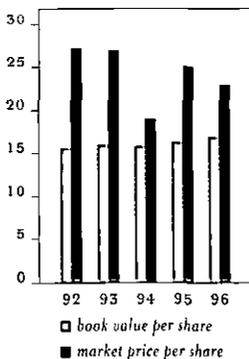
STOCK EXCHANGE LISTINGS

PP&L Resources common stock is listed on the New York and Philadelphia Stock exchanges. The trading symbol is PPL.

COMMON STOCK PRICES & DIVIDENDS

1996	High	Low	Dividends
1st qtr.	\$26	\$23½	\$.4175
2nd qtr.	24½	22	.4175
3rd qtr.	24	21½	.4175
4th qtr.	24½	21¾	.4175
1995	High	Low	Dividends
1st qtr.	\$20¾	\$19¾	\$.4175
2nd qtr.	19¾	17¾	.4175
3rd qtr.	23½	18¾	.4175
4th qtr.	26½	21¾	.4175

COMMON STOCK
BOOK VALUE VS.
MARKET PRICE
dollars per share



DIVIDENDS

The 1997 dates for consideration of the declaration of dividends by the board of directors or its finance committee are Feb. 26, May 28, Aug. 27 and Nov. 26. Subject to the declaration, dividends are paid on the first day of April, July, October and January. Dividend checks are mailed in advance of those dates with the intention that they arrive as close as possible to the payment dates. The 1997 record dates for dividends are expected to be the tenth day of March, June, September and December.

DIRECT DEPOSIT OF DIVIDENDS

Shareowners may choose to have their dividend checks deposited directly into their checking or savings account. Quarterly dividend payments are electronically credited on the dividend date or the first business day thereafter.

DIVIDEND REINVESTMENT PLAN

Shareowners may choose to have dividends on their PP&L Resources common stock or PP&L preferred stock reinvested in PP&L Resources common stock instead of receiving the dividend by check.

CERTIFICATE SAFEKEEPING

Shareowners participating in the Dividend Reinvestment Plan may choose to have their common stock certificates forwarded to PP&L for safekeeping.

LOST DIVIDEND CHECKS

Dividend checks lost by investors, or those that may be lost in the mail, will be replaced if the check has not been located by the tenth business day following the payment date.

TRANSFER OF STOCK

Stock may be transferred from one name to another or to a new account in the name of another person. Please contact Investor Services regarding transfer instructions.

LOST STOCK CERTIFICATES

Please contact Investor Services for an explanation of the procedure to replace lost stock certificates.

PUBLICATIONS

Several publications are prepared each year and sent to all investors of record and to others who request that their names be placed on our mailing list. If your stock is held in street name and you wish to receive company information on a more timely basis, write, E-mail or call Investor Services at the addresses or number listed below. We will add your name to our direct mailing list.

DUPLICATE MAILINGS

Annual reports and other investor publications are mailed to each investor account. If you have more than one account, or if there is more than one investor in your household, you may contact Investor Services to request that only one publication be delivered to your address.

FORM 10-K

PP&L Resources' annual report filed with the Securities and Exchange Commission on Form 10-K is available about mid-March. Investors may obtain a copy, at no cost, by contacting Investor Services.

INVESTOR SERVICES

For any questions you have or additional information you require about PP&L Resources and its subsidiaries, please call the toll-free number listed below, or write to:

George I. Kline
Manager-Investor Services
Pennsylvania Power & Light Co.
Two North Ninth Street
Allentown, PA 18101
Toll-Free Number:
1-800-345-3085

INTERNET ACCESS

For updated information throughout the year, check out our home page at <http://www.papl.com>. You also may contact Investor Services via E-mail at invserv@papl.com.

STOCK TRANSFER AGENTS AND REGISTRARS

Norwest Bank Minnesota, N.A.
Shareowner Services
161 North Concord Exchange
South St. Paul, MN 55075

Pennsylvania Power & Light Co.
Investor Services Department

DIVIDEND DISBURSING OFFICE AND DIVIDEND REINVESTMENT PLAN AGENT

Pennsylvania Power & Light Co.
Investor Services Department

SECURITY ANALYST AND INSTITUTIONAL INVESTOR INQUIRIES

Members of the financial community seeking additional information may contact:

Timothy J. Paukovits
Investor Relations Manager
Phone: (610) 774-4124
Fax: (610) 774-5106
E-mail: tjpaukovits@papl.com

PP&L Resources, Inc.
Two North Ninth Street
Allentown, PA 18101-1179

<http://www.papl.com>

RP - H.13.
ATTACHMENT 3

PROSPECTUS SUPPLEMENT
(To Prospectus dated September 15, 1993)

\$200,000,000
Pennsylvania Power & Light Company
First Mortgage Bonds, 7.70% Series due 2009

Interest Payable April 1 and October 1

Due October 1, 2009

The First Mortgage Bonds, 7.70% Series due 2009 (Offered Bonds) are not redeemable prior to maturity, except as hereinafter provided. Any registered owner of the Offered Bonds shall have the right to require the Company to redeem all or any portion (in integral multiples of \$1,000) of such registered owner's Offered Bonds on October 1, 1999 (Redemption Date) at a price of 100% of the principal amount thereof plus accrued interest, if any, to the Redemption Date. The right to require the Company to redeem such registered owner's Offered Bonds, which is irrevocable when exercised, must be exercised in compliance with the applicable requirements of the Mortgage (as defined in the accompanying Prospectus) within the period commencing on August 1, 1999 and ending at 5:00 PM, New York City time, on September 1, 1999. See "Certain Terms of the Offered Bonds" herein.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	<u>Price to Public(1)</u>	<u>Underwriting Discounts</u>	<u>Proceeds to Company(1)(2)</u>
Per Bond	100.000%	.625%	99.375%
Total	\$200,000,000	\$1,250,000	\$198,750,000

(1) Plus accrued interest, if any, from the date of first authentication of the Offered Bonds.

(2) Before deduction of expenses payable by the Company estimated at \$250,000.

The Offered Bonds are offered by the Underwriters when, as and if issued by the Company, delivered to and accepted by the Underwriters, and subject to their right to accept or reject orders in whole or in part. It is expected that the Offered Bonds will be ready for delivery on or about October 6, 1994. The Offered Bonds will be issued only in fully registered form.

CS First Boston

Goldman, Sachs & Co.

Morgan Stanley & Co.
Incorporated

Salomon Brothers Inc

The date of this Prospectus Supplement is September 29, 1994.

APPLICATION OF PROCEEDS

The net proceeds from the sale of the Offered Bonds will be added to the Company's general funds and will be used for corporate purposes, including the retirement of short-term debt incurred to provide interim financing. At September 29, 1994, the Company had \$210 million of short-term debt outstanding at interest rates of approximately 4.90%.

RECENT DEVELOPMENTS

Early Retirement Program

As part of its continuing efforts to reduce the size of its work force, the Company is offering early retirement to 354 management employees who will be age 55 by December 31, 1994. Inclusion in this program of an additional 493 bargaining unit employees who will be age 55 by the end of the year is being negotiated. The Company currently has about 7,600 employees. The early retirement program provides for a lump sum payment based on an employee's years of service, no reduction in retirement benefits for age and supplemental monthly payments.

Eligible employees will have until December 15, 1994 to make a decision about the retirement offer. Until that time, the Company will not be able to determine the annual payroll savings or the exact cost to the Company for this early retirement program. To the extent that the costs associated with the early retirement program are not recoverable in customer rates, the Company would be required to charge such amount to earnings.

Regulatory Matters

In April 1994, the Pennsylvania Public Utility Commission (PUC) reduced the Company's proposed 1994-95 Energy Cost Rate (ECR) for the period from April 7, 1994 through March 31, 1995 by approximately \$15.7 million. The reduction represents the PUC's calculation of costs associated with the purchase of replacement power during a portion of the period that Unit 1 of the Company's Susquehanna nuclear plant was out of service for refueling and repairs.

As a result of the PUC's action, the Company recorded a charge against income in the first quarter of 1994 for the \$15.7 million of unrecovered replacement power costs which adversely affected net income by about \$9.0 million or 6 cents per share of common stock.

The Company filed a complaint with the PUC objecting to the decision to exclude these replacement power costs from the 1994-95 ECR. This complaint was consolidated with complaints filed against the 1994-95 ECR by the Pennsylvania Office of Consumer Advocate and a group of industrial customers.

The Company has reached an agreement in principle with the complainants and the PUC's Office of Trial Staff to settle the 1994-95 ECR proceeding. The general terms of this settlement are as follows: (a) the ECR disallowance will be \$6 million rather than the \$15.7 million disallowance originally imposed by the Commission; (b) the Company will recover the \$9.7 million differential through the 1995-96 ECR beginning on April 1, 1995, without interest; and (c) all complaints against the Company's 1994-95 ECR will be withdrawn.

A settlement agreement must be executed by the parties and approved by the presiding Administrative Law Judge and the PUC. Upon PUC approval of the settlement agreement, the Company will record a credit to income of \$9.7 million to partially reverse the charge recorded in the first quarter of 1994. This credit would increase net income by about \$5.5 million or 3.6 cents per share of common stock.

SELECTED FINANCIAL INFORMATION

The following material summarizes the results of operations of the Company for the year 1993 and the twelve months ended June 30, 1994:

	1993	Twelve Months Ended June 30, 1994
Operating Revenues (thousands)	\$2,727,002	\$2,788,849
Operating Income (thousands)	562,808	545,168
Total Allowance for Funds Used During Construction and Interest Capitalized (thousands)	15,581	14,008
Net Income—Before Dividends on Preferred and Preference Stock (thousands)	348,126	330,175
Earnings Applicable to Common Stock (thousands)	314,241	300,948
Earnings Per Share of Common Stock	2.07	1.98
Property, Plant and Equipment (Owned and Leased)—Net—at End of Period (thousands)	7,145,581	7,197,526
Capital Lease Obligations, Including Capital Lease Obligations Due Within One Year (Not Included in Capitalization) (thousands)	\$ 249,025	\$ 238,654
Ratio of Earnings to Fixed Charges—Total Enterprise Basis (a)	3.31	3.28
Electric Energy Sales (millions of kwh)	42,334	40,735

Comparative information for the years 1991 and 1992 and the twelve months ended June 30, 1993 is set forth on page 3 of the accompanying Prospectus.

	As of June 30, 1994		
	Actual	As Adjusted (b)	
Capitalization (thousands)			
Long-Term Debt (including current maturities)	\$2,740,375	\$2,940,375	50.0%
Preferred Stock			
With Sinking Funds	295,000	295,000	5.0
Without Sinking Funds	171,375	171,375	2.9
Common Equity	2,474,090	2,474,090	42.1
Total	<u>\$5,680,840</u>	<u>\$5,880,840</u>	<u>100.0%</u>

- (a) The ratios for 1989 through 1992 are set forth on page 3 of the accompanying Prospectus.
- (b) As adjusted to give effect to: (i) the issuance in September 1994 of \$115.5 million principal amount of Series J Pollution Control First Mortgage Bonds; (ii) the planned redemption on September 30, 1994 of \$115.5 million principal amount of Series F Pollution Control First Mortgage Bonds; and (iii) the planned sale of the Offered Bonds.

CERTAIN TERMS OF THE OFFERED BONDS

The following information concerning the Offered Bonds supplements and should be read in conjunction with the statements under "DESCRIPTION OF BONDS" in the accompanying Prospectus.

Maturity, Interest Rate and Payment Dates. The Offered Bonds will mature on October 1, 2009 and will bear interest from the date of first authentication at the rate of 7.70% per annum. Interest will be payable semiannually on April 1 and October 1 in each year, commencing April 1, 1995.

Redemption of the Offered Bonds. The Offered Bonds are not redeemable prior to maturity, except at the option of the registered owner as hereinafter provided.

Redemption at the Option of the Registered Owner. Any registered owner of the Offered Bonds shall have the right, by complying with the applicable requirements of the Mortgage, to require the Company to redeem all or any portion (in integral multiples of \$1,000) of such registered owner's Offered Bonds on October 1, 1999 (Redemption Date) at a price of 100% of the principal amount thereof plus accrued interest, if any, to the Redemption Date.

Any registered owner of the Offered Bonds electing to have all or any portion (in integral multiples of \$1,000) of such Offered Bonds redeemed by the Company shall deliver (directly or through a duly authorized agent or attorney) to the Trustee, at its office in The City of New York, not earlier than August 1, 1999 and not later than 5:00 PM, New York City time, on September 1, 1999, the certificate or certificates representing the Offered Bonds to be redeemed, together with the appropriately completed "Redemption Notice" printed on the reverse side of the certificate representing such Offered Bonds.

The exercise of the redemption option by the registered owner of an Offered Bond may not, without the consent of the Company, be revoked following receipt by the Trustee of the "Redemption Notice". The Company shall deposit with the Trustee before the Redemption Date funds sufficient to redeem Offered Bonds validly delivered for redemption.

Concerning the Trustee. Effective August 5, 1994, Bankers Trust Company was designated as Trustee under the Mortgage, as successor to Morgan Guaranty Trust Company of New York.

Certain Tax Matters. In the opinion of Michael A. McGrail, Esq., Senior Counsel of the Company, Offered Bonds owned by individuals residing in Pennsylvania are subject to the 4 mills (\$4.00 on each \$1,000 of principal amount) Pennsylvania corporate loans tax. Such tax will be withheld from interest payments to such individuals. Mr. McGrail is also of the opinion that the Offered Bonds are exempt from existing personal property taxes in Pennsylvania.

EXPERTS

Statements made in this Prospectus Supplement, in the accompanying Prospectus and in the documents incorporated by reference in the Prospectus as to matters of law and legal conclusions have been reviewed by Michael A. McGrail, Esq., Senior Counsel of the Company, and have been made in reliance upon his authority as an expert.

LEGAL OPINIONS

The validity of the Offered Bonds will be passed upon for the Company by Michael A. McGrail, Esq., Senior Counsel of the Company, and Reid & Priest, New York, NY, and for the Underwriters by Sullivan & Cromwell, New York, NY. However, all matters pertaining to the organization of the Company and titles and the lien of the Mortgage will be passed upon only by Mr. McGrail. As to matters involving the law of the Commonwealth of Pennsylvania, Reid & Priest and Sullivan & Cromwell will rely on the opinion of Mr. McGrail. Mr. McGrail is a full-time employee of the Company.

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement between the Company and the Underwriters named below, the Underwriters have severally agreed to purchase, and the Company has agreed to sell to them, severally, the respective principal amounts of the Offered Bonds set forth below:

<u>Underwriter</u>	<u>Principal Amount</u>
CS First Boston Corporation	\$ 50,000,000
Goldman, Sachs & Co.	50,000,000
Morgan Stanley & Co. Incorporated	50,000,000
Salomon Brothers Inc	50,000,000
Total	<u>\$200,000,000</u>

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent. The nature of the underwriting commitment is such that the Underwriters purchasing the Offered Bonds will be obligated to purchase all of the Offered Bonds if any of the Offered Bonds are purchased.

The Company has been advised by the Underwriters that the Underwriters propose to offer the Offered Bonds to the public initially at the public offering price set forth on the cover page of this Prospectus Supplement and to certain dealers at such price less a concession of .375% of the principal amount of the Offered Bonds; that the Underwriters and such dealers may allow a discount of .250% of such principal amount on sales to certain other dealers; and that the public offering price and concessions and discounts to dealers may be changed by the Underwriters.

The Company has been advised by the Underwriters that one or more of them initially intend to make a market in the Offered Bonds, but there can be no assurance that they will continue to do so. While the Company's First Mortgage Bonds normally trade in the secondary market, such trading in the Offered Bonds will depend upon, among other factors, the nature and extent of the distribution by the Underwriters or dealers and prevailing market conditions.

The Company has agreed to indemnify the several Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933.

Pennsylvania Power & Light Company

First Mortgage Bonds

The Company expects to offer from time to time up to \$900,000,000 aggregate principal amount of its First Mortgage Bonds (Bonds) at prices and on terms to be determined at the time of each sale. For each series of Bonds for which this Prospectus is delivered (Offered Bonds), there will be an accompanying Prospectus Supplement (Prospectus Supplement) that will set forth the aggregate principal amount, interest rate and payment dates, maturity date, initial public offering price, if any, the net proceeds to the Company, redemption provisions and other specific terms of the Offered Bonds.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Bonds will be sold in accordance with the plan of distribution described in "Plan of Distribution" herein.

The date of this Prospectus is September 15, 1993.

IN CONNECTION WITH THIS OFFERING, THE PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AND OTHER FIRST MORTGAGE BONDS OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission. Such reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following Regional Offices of the Commission: Suite 1400, 500 West Madison Street, Chicago, IL 60661; and Seven World Trade Center, Suite 1306, New York, NY 10048. Copies of this material can also be obtained at prescribed rates from the Public Reference Section of the Commission at its principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. Certain securities of the Company are listed on the New York and Philadelphia Stock Exchanges. Reports, proxy statements and other information concerning the Company can be inspected and copied at the respective offices of those exchanges at 20 Broad Street, New York, NY, and at 1900 Market Street, Philadelphia, PA. In addition, reports, proxy statements and other information concerning the Company can be inspected at the offices of the Company, Two North Ninth Street, Allentown, PA.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

1. The Company's Annual Report on Form 10-K for the year ended December 31, 1992.
2. The Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1993 and June 30, 1993.
3. The Company's Current Reports on Form 8-K filed since December 31, 1992.

All documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 prior to the termination of the offering made by this Prospectus shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of filing of such documents (such documents, and the documents enumerated above, being hereinafter referred to as "Incorporated Documents"). Any statement contained in an Incorporated Document shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed Incorporated Document or in the accompanying Prospectus Supplement modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

COPIES OF THE DOCUMENTS REFERRED TO ABOVE (OTHER THAN EXHIBITS TO SUCH DOCUMENTS, UNLESS SUCH EXHIBITS ARE SPECIFICALLY INCORPORATED BY REFERENCE THEREIN) WILL BE FURNISHED UPON REQUEST WITHOUT CHARGE TO EACH PERSON TO WHOM THIS PROSPECTUS IS DELIVERED. WRITTEN OR TELEPHONE REQUESTS SHOULD BE DIRECTED TO PENNSYLVANIA POWER & LIGHT COMPANY, TWO NORTH NINTH STREET, ALLENTOWN, PA 18101, ATTENTION: INVESTOR SERVICES DEPARTMENT (800/345-3085).

SUMMARY INFORMATION

The following material is qualified in its entirety by, and should be read in conjunction with, the detailed information appearing elsewhere in this Prospectus and in the Incorporated Documents, including financial statements and other information, incorporated in this Prospectus by reference.

THE OFFERING

Security Offered First Mortgage Bonds
 Use of Proceeds General corporate purposes, including the refunding of first mortgage bonds expected to be called for redemption or the reduction of short-term debt incurred to provide interim financing.

SUMMARY FINANCIAL INFORMATION

	1991	1992	Twelve
			Months Ended
			June 30,
			1993
Operating Revenues (thousands)	\$2,740,715	\$2,744,122	\$2,690,019
Operating Income (thousands)	582,331	573,431	570,089
Total Allowance for Funds Used During Construction and Interest Capitalized (thousands)	11,910	14,940	15,888
Net Income—Before Dividends on Preferred and Preference Stock (thousands) ..	348,414	346,724	349,525
Earnings Applicable to Common Stock (thousands)	303,727	306,229	310,377
Earnings Per Share of Common Stock	2.01	2.02	2.04
Property, Plant and Equipment (Owned and Leased)—Net—at End of Period (thousands)	6,929,578	7,019,504	7,022,954
Capital Lease Obligations, including Capital Lease Obligations Due Within One Year (Not included in Capitalization) (thousands)	\$ 271,976	\$ 251,058	\$ 211,886
Ratio of Earnings to Fixed Charges—Total Enterprise Basis (a)	3.04	3.15	3.21
Electric Energy Sales (millions of kwh)	43,772	42,242	43,406
	As of June 30, 1993		
	Actual	As Adjusted(b)	
Capitalization (thousands)			
Long-Term Debt (including current maturities)	\$2,763,254	\$2,661,466	47.3%
Preferred and Preference Stock			
With Sinking Funds	390,100	350,000	6.2
Without Sinking Funds	223,612	226,375	4.0
Common Equity	2,408,095	2,394,893	42.5
Total	<u>\$5,785,061</u>	<u>\$5,632,734</u>	<u>100.0%</u>

(a) The ratios for 1988, 1989 and 1990 were 2.57, 2.69 and 2.81, respectively.

(b) As adjusted to give effect to: (i) the redemption in July 1993 of \$21.6 million of Series Preferred Stock through sinking fund provisions; (ii) the redemption in July 1993 of \$93.24 million of Series Preferred Stock through optional redemption provisions; (iii) the sale in August, 1993 of \$115 million of Series Preferred Stock; (iv) the planned sale of \$235 million of Series Preferred Stock; (v) the planned redemption of \$272.5 million of Series Preferred Stock and Preference Stock; (vi) the redemption in August 1993 of \$125 million principal amount of First Mortgage Bonds, 9% Series due 1998; (vii) the planned redemption of \$875 million aggregate principal amount of First Mortgage Bonds; and (viii) the planned sale of \$900 million principal amount of the Offered Bonds.

THE COMPANY

The Company is an operating electric utility, incorporated under the laws of the Commonwealth of Pennsylvania in 1920. The Company's general offices are located at Two North Ninth Street, Allentown, Pennsylvania 18101, and its telephone number is 215/774-5151.

The Company serves approximately 1.2 million customers in a 10,000 square mile territory in 29 counties of central eastern Pennsylvania (see Map), with a population of approximately 2.6 million persons. This service area has 125 communities with populations over 5,000, the largest of which are the cities of Allentown, Bethlehem, Harrisburg, Hazleton, Lancaster, Scranton, Wilkes-Barre and Williamsport.

During the twelve months ended June 30, 1993, about 59% of the energy generated by the Company's plants came from coal-fired stations, 36% from the Susquehanna nuclear station, 3% from oil-fired stations and 2% from hydroelectric stations.

APPLICATION OF PROCEEDS

The Company plans to issue and sell a maximum of \$900 million principal amount of First Mortgage Bonds (Bonds) on terms to be determined when the agreement to sell is made or at the time of sale. The net proceeds from the sale of the Bonds will be added to the Company's general funds and used for general corporate purposes, including the refunding of first mortgage bonds expected to be called for redemption or the reduction of short-term debt incurred to provide interim financing. Pending such use, the net proceeds will be invested by the Company in short-term money market instruments.

DESCRIPTION OF BONDS

General. The Bonds will be issued under a Mortgage and Deed of Trust, dated as of October 1, 1945, as supplemented (Mortgage), of which Morgan Guaranty Trust Company of New York is Trustee, and rank on a parity with other series of the Company's First Mortgage Bonds. Principal and interest will be payable in New York City at the office or agency of the Company, which initially will be the principal office of the Trustee. Interest also will be payable at the general offices of the Company in Allentown, Pennsylvania.

Statements herein concerning the Bonds and the Mortgage are brief summaries and do not purport to be complete. They are subject to the detailed provisions of the Mortgage. The Bonds do not have any sinking or improvement fund or other provision for amortization prior to maturity. However, all series of bonds created prior to 1973 do have sinking or improvement fund provisions.

Form and Exchanges. The Bonds will be issued only in registered form in denominations of \$1,000 and multiples thereof. Exchanges and transfers of the Bonds may be made at the principal office of the Trustee or at the offices of such other companies as the Company may designate from time to time. The Company does not presently plan to designate any other company for such purpose. There will be no charge by the Company for any exchange or transfer of the Bonds.

Maturity, Interest Rate and Payment Dates. See the accompanying Prospectus Supplement.

Redemption and Purchase of the Bonds. See the accompanying Prospectus Supplement.

Maintenance and Replacement Fund. Each year 15½% of adjusted gross operating revenues must be spent for maintenance and replacements of mortgaged electric, gas, steam and hot water property and certain automotive equipment. The Company now owns no gas, steam or hot water property. Such requirements may be met by depositing cash with the Trustee; certifying expenditures for maintenance and repairs of such property, for gross property additions, and for certain automotive equipment; or by taking credit for bonds and qualified prior lien bonds retired. Such cash may be withdrawn on similar bases. The Company has reserved the right (without any consent or other action by the holders of any series of bonds created after January 1973, including the Bonds) to make such amendments to the Mortgage as shall be necessary to delete the Maintenance and Replacement Fund. The Company has no present intention of requesting a bondholders' meeting to delete the Maintenance and Replacement Fund.

The Company has agreed not to apply any cash deposited with the Trustee pursuant to the Maintenance and Replacement Fund to the redemption of the Bonds so long as any bonds of other series Outstanding at the date of original issue of any series of the Bonds remain Outstanding.

Special Provisions for Retirement of the Bonds. If, during any twelve-month period, mortgaged property is disposed of by order of or to any governmental authority, resulting in the receipt of \$10 million or more as proceeds, the Company (subject to certain conditions) must apply such proceeds (less certain deductions) to the retirement of bonds of any series. In that event, the Bonds will be redeemable at the special redemption prices set forth under "Redemption and Purchase of the Bonds" in the accompanying Prospectus Supplement.

Security. The Bonds, together with all other bonds now or hereafter issued under the Mortgage, will be secured by the Mortgage, which constitutes, in the opinion of counsel for the Company, a first mortgage lien on all of the Company's properties (except those referred to below), subject to: (1) leases of minor portions of the Company's property to others for uses which, in such counsel's opinion, do not interfere with its business; (2) leases of certain property of the Company not used in its electric utility business; (3) minor defects, irregularities and deficiencies in titles of properties and rights-of-way, which do not materially impair the use of such property and rights-of-way for the purposes of the Company; and (4) other excepted encumbrances. In general, there are excepted from the lien of the Mortgage all cash and securities; equipment, apparatus, materials or supplies held for sale or other disposition; aircraft, automobiles and other vehicles; timber, minerals, mineral rights and royalties; and receivables, contracts, leases and operating agreements.

The Mortgage contains provisions for including after-acquired property within the lien thereof, subject to any pre-existing liens and to certain limitations in the case of consolidation, merger or sale of substantially all of the Company's assets.

Issuance of Additional Bonds. Bonds of any series may be issued from time to time on the bases of: (1) 60% of property additions to electric, gas, steam or hot water property, acquired after June 30, 1945, but not including natural gas production property and after adjustments for retirements of funded property other than property for supplying water; (2) retirement or cancellation of bonds or qualified prior lien bonds; and (3) deposit of cash. With certain exceptions in the case of (2) above, the issuance of bonds is subject to an earnings coverage test which requires adjusted net earnings before

income taxes for twelve out of the preceding fifteen months of at least twice the annual interest requirements on all bonds at the time outstanding, including those being issued, and on all indebtedness of prior rank. In computing adjusted net earnings, an amount equal to the Maintenance and Replacement Fund requirements must be used in lieu of actual expenditures for maintenance and repairs and provisions for property retirement. The issuance of bonds on the basis of property additions subject to liens is restricted. It is expected that about \$600 million of the Bonds will be issued against the retirement of bonds and the balance will be issued against unfunded property additions, which were in excess of \$2.5 billion at June 30, 1993. The issuance tests contained in the Mortgage are not expected to limit the Company's ability to issue the Bonds.

The Company has reserved the right to amend the Mortgage without any consent or other action by holders of any series of bonds (including the Bonds) created: (1) after February 28, 1970 to include Nuclear Fuel (and similar or analogous devices or substances) as Property Additions; and (2) after November 30, 1976 to make available as Property Additions various forms of space satellites, space stations and other analogous facilities, various fuel transportation facilities (primarily railroad cars and other railroad equipment, tankers and other vessels), and generally, electric, gas and energy or fuel property (including property for the development of electricity, gas and fuel or energy in any form) and water and steam heat property. Such property could be located anywhere if duly subject to the lien of the Mortgage and useful in connection with the energy, fuel or water business. Excepted property would continue to include property used principally for the production or gathering of natural gas.

The amount of the obligations secured by prior liens on mortgaged property may be increased, provided that, if any property subject to such prior lien shall have been made the basis of a credit under the Mortgage, all the additional obligations are deposited with the Trustee or the trustee or other holder of a qualified lien.

Release and Substitution of Property. Property may be released upon the bases of: (1) the deposit of cash, or, to a limited extent, purchase money mortgages; (2) property additions, after adjustments in certain cases to offset retirements and after making adjustments for qualified prior lien bonds outstanding against property additions; and (3) waiver of the right to issue bonds without applying any earnings tests. Cash may be withdrawn upon the bases stated in (2) and (3) above.

Dividend Covenant. No cash dividends on common stock may be paid unless after such payments the amount remaining in earned surplus plus the provisions made subsequent to September 30, 1945 for depreciation and retirement of property shall equal the Maintenance and Replacement Fund requirements of the Mortgage for such period, less maintenance expenditures.

Modification of Mortgage. Bondholders' rights may be modified with the consent of the holders of 70% of the bonds. If less than all series of bonds are affected, the consent of the holders of 70% of each series affected is also required. The Company has reserved the right (without any consent or other action by holders of any series of bonds created after 1970, including the Bonds) to substitute 66²/₃% for 70% in the foregoing provisions. The Company also has reserved the right (without any consent or other action by holders of any series of bonds created after 1991, including the Bonds) to substitute for the foregoing provisions the following: Bondholders' rights may be modified with the consent of the

holders of a majority of the bonds, but if less than all series of the bonds are so affected, only the consent of a majority of the affected bonds is required. In general, no modification of the terms of payment of principal or interest and no modification affecting the lien or reducing the percentage required for modification is effective against any bondholder without his consent.

Defaults and Notice Thereof. Defaults are: default in payment of principal; default for 60 days in payment of interest or of installments of funds for retirement of bonds; certain defaults with respect to qualified lien bonds; certain events in bankruptcy, insolvency or reorganization; and default for 90 days after notice in other covenants. The Trustee may withhold notice of default (except in payment of principal, interest or any fund for retirement of bonds), if it thinks it is in the interests of the bondholders.

Holders of 25% of the bonds may declare the principal and interest due on default, but a majority may annul such declaration if such default has been cured. No holder of bonds may enforce the lien of the Mortgage unless (1) such holder has given the Trustee written notice of a default; (2) holders of 25% of the bonds have requested the Trustee to act and offered it reasonable opportunity to act and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred thereby; and (3) the Trustee has failed to act. The Trustee is not required to risk its funds or incur personal liability if there is reasonable ground for believing that the repayment is not reasonably assured. The holders of a majority of the bonds may direct the time, method and place of conducting any proceedings for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee.

Evidence to Be Furnished to the Trustee. Compliance with Mortgage provisions is evidenced by written statements of the Company's officers or persons selected or paid by the Company. In certain major matters, the accountant, appraiser, engineer or counsel must be independent. Various certificates and other papers are required to be filed annually and in certain events, including an annual certificate with reference to compliance with the terms of the Mortgage and absence of Defaults.

Concerning the Trustee. The Trustee is a depository of funds of the Company and from time to time may make loans to the Company.

Certain Tax Matters. In the opinion of G. D. Caliendo, Esq., Senior Vice President, General Counsel and Secretary of the Company, Bonds owned by individuals residing in Pennsylvania are subject to the 4 mills (\$4.00 on each \$1,000 of principal amount) Pennsylvania corporate loans tax. Such tax will be withheld from interest payments to such individuals. Counsel for the Company is also of the opinion that the Bonds are exempt from existing personal property taxes in Pennsylvania.

EXPERTS

The consolidated financial statements and related financial statement schedules of the Company incorporated in this Prospectus by reference from the Company's Annual Report on Form 10-K have been audited by Deloitte & Touche, independent public accountants, as stated in their reports which are incorporated herein by reference, and have been so incorporated in reliance upon such reports given upon the authority of that firm as experts in accounting and auditing.

Statements made herein and in the documents incorporated by reference in this Prospectus as to matters of law and legal conclusions have been reviewed by G. D. Caliendo, Esq., Senior Vice President, General Counsel and Secretary of the Company, and have been made in reliance upon his authority as an expert. Mr. Caliendo is the beneficial owner of 5,677 shares of the Common Stock of the Company.

LEGAL OPINIONS

The validity of the Bonds will be passed upon for the Company by G. D. Caliendo, Esq., Senior Vice President, General Counsel and Secretary of the Company, and Reid & Priest, New York, NY, and for any agent, underwriter or dealer by Sullivan & Cromwell, New York, NY. However, all matters pertaining to the organization of the Company and titles and the lien of the Mortgage will be passed upon only by Mr. Caliendo. As to matters involving the law of the Commonwealth of Pennsylvania, Reid & Priest and Sullivan & Cromwell will rely on the opinion of Mr. Caliendo. Mr. Caliendo is a full-time employee of the Company.

PLAN OF DISTRIBUTION

The Company may sell the Bonds in any of three ways: (1) through underwriters or dealers; (2) directly to a limited number of purchasers or to a single purchaser; or (3) through agents. The Prospectus Supplement with respect to the Offered Bonds will set forth the terms of the offering and the proceeds to the Company from such sale, any underwriting discounts and other items constituting underwriters' compensation, any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

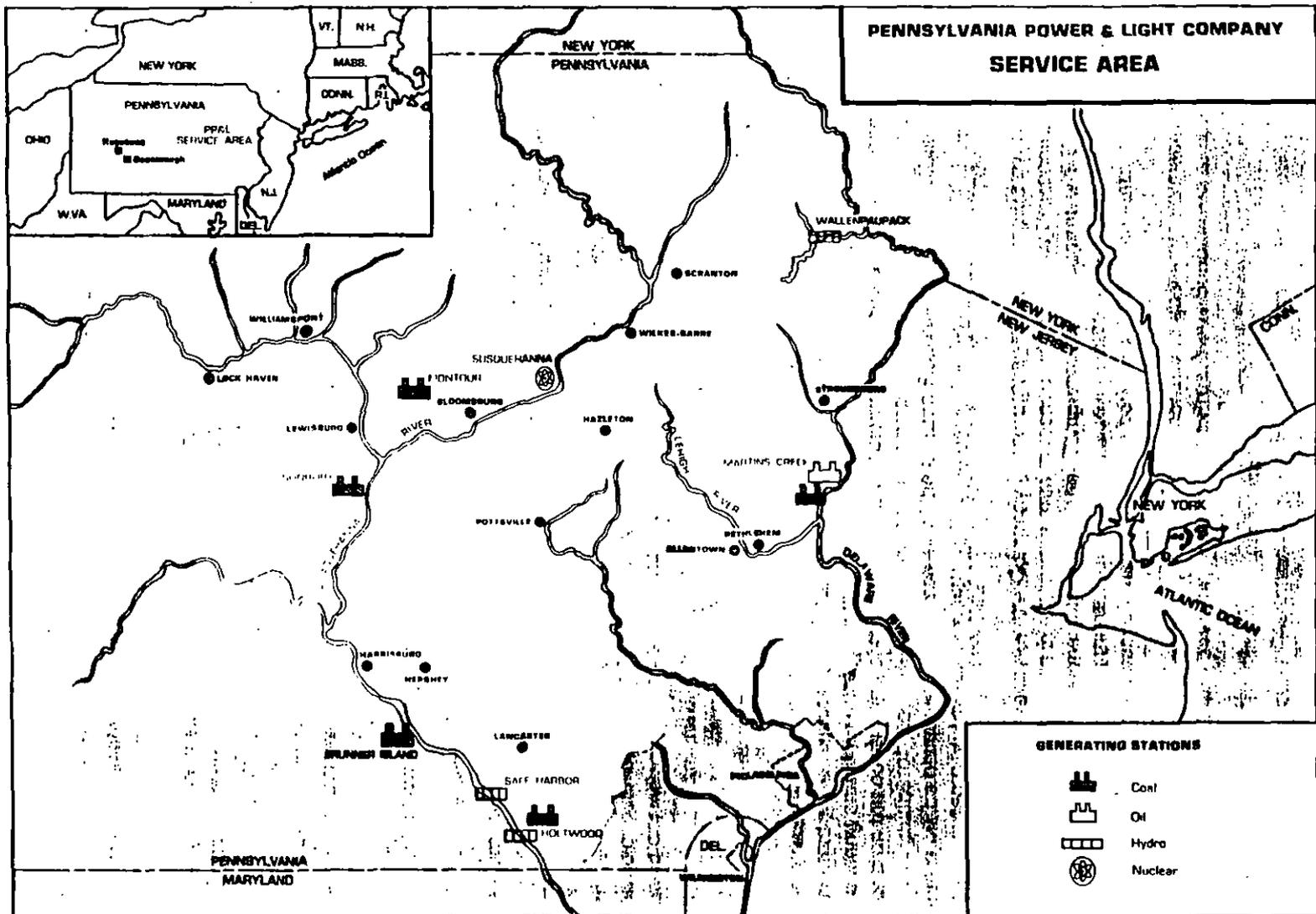
If underwriters are used in the sale, the Offered Bonds will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The Offered Bonds may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. The underwriter or underwriters with respect to the Offered Bonds will be named in the Prospectus Supplement relating to such offering and, if an underwriting syndicate is used, the managing underwriter or underwriters will be set forth on the cover page of the Prospectus Supplement. Any underwriting agreement will provide that the obligations of the underwriters will be subject to certain conditions precedent and that the underwriters will be obligated to purchase all of the Offered Bonds if any are purchased. The Company will agree to indemnify any underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933.

Bonds may be sold directly by the Company or through agents designated by the Company from time to time. Any agent involved in an offer or sale in respect of which this Prospectus is delivered will be named and any commissions payable by the Company to such agent will be set forth in the Prospectus Supplement relating thereto. Unless otherwise indicated in the Prospectus Supplement, any such agent will be acting on a best efforts basis for the period of its appointment.

No dealer, salesman or other person has been authorized to give any information or to make any representation not contained in this Prospectus or in the Prospectus Supplement and, if given or made,

such information or representation must not be relied upon as having been authorized by the Company or any underwriter. This Prospectus and the Prospectus Supplement do not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction in which it is unlawful to make such an offer or solicitation.

Neither the delivery of this Prospectus and the Prospectus Supplement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of the Prospectus Supplement.



- Q. Supply projected capital requirements and sources of the filing utility, its parent and system -- consolidated -- for the base year and the subsequent ten calendar years.
- A. The following are the projected capital requirements and sources for PP&L Resources, Inc. for the base year and each of the subsequent five calendar years. The Company does not prepare estimates of capital expenditures and associated financing beyond this five-year period.

	12 Mos. Ended	Estimated				
	Dec. 31, 1996	1997	1998	1999	2000	2001
		(Millions of Dollars)				
Capital Requirements^{1/}						
Construction	\$ 265	\$ 258	\$ 272	\$ 230	\$ 243	\$ 230
Nuclear Fuel Payments ^{2/}	98	68	71	67	71	73
Security Maturities and Sinking Fund	30	30	150	40	125	146
Prepayments	115	571	—	—	160	125
Other	243	186	71	76	22	11
Total Requirements	\$ 751	\$ 1,113	\$ 564	\$ 413	\$ 621	\$ 585
Sources^{1/}						
Internal	\$ 410	\$ 348	\$ 417	\$ 382	\$ 404	\$ 428
Nuclear Fuel Sale	93	68	71	67	71	73
Sale of Investments	—	172	—	—	—	—
Outside Financing						
Long-Term Debt	116	205	—	—	—	—
Preferred Stock	—	103	—	—	—	—
Common Stock	77	77	45	44	8	9
Short-Term Debt Change	55	140	31	(80)	138	75
Total Outside	248	525	76	(36)	146	84
Total Fund Sources	\$ 751	\$ 1,113	\$ 564	\$ 413	\$ 621	\$ 585

^{1/} Excludes the effect of capitalizing lease obligations. If included there would be no change in outside financing.

^{2/} Arrangements were established in February 1982 which currently permit the Company to lease 90% share of nuclear fuel up to a maximum of \$250 million.

- Q. State what coverage requirements or capital structure ratios are required in the most restrictive of applicable indentures/charter tests and how these measures have been computed.
- A. A summary of PP&L's charter and mortgage indenture provisions which describes coverage requirements, limits on proportions of types of capital outstanding, and restrictions on dividend payouts and the method for computing these measures is set forth on Attachment 1, pages 1 and 2. Details from the Mortgage and Deed of Trust are provided on Attachment 1, pages 3 through 7 and details from the Restated Articles of Incorporation, as Amended, are provided on Attachment 1, pages 8 through 13.

Pennsylvania Power & Light Company

Summary of Charter and Indenture Provisions

Mortgage restrictions on issuing bonds and paying dividends:

The Company's Mortgage and Deed of Trust, as amended, which is secured by a lien on substantially all the Company's property and under which all mortgage bonds are issued, includes in Article V, Section 27 (Attachment 1, page 3) and Article I, Section 7 (Attachment 1, pages 3-6) and Article VIII, Section 39 (III) (Attachment 1, page 7) restrictions on issuing bonds and paying dividends as summarized below:

No bonds may be issued unless the adjusted net earnings before income taxes for twelve out of the preceding fifteen months is at least twice the annual interest requirements on all bonds at the time outstanding, including those being issued, and on all indebtedness of prior rank. In computing adjusted net earnings, an amount equal to the maintenance and replacement fund requirements must be used in lieu of actual expenditures for maintenance and repairs and provisions for property retirement.

Bonds may be issued on the basis of Bond retirements without any requirement for meeting the two times coverage test. See Section 29 of the Mortgage.

No cash dividends on common stock may be paid unless after such payments the amount remaining in earned surplus (herein described as earnings reinvested) plus the provisions made subsequent to September 30, 1945 for depreciation and retirement of property shall equal the maintenance and replacement fund requirements of the Mortgage for such period, less maintenance expenditures.

The Company's Restated Articles of Incorporation, as amended, include in Section 2(C)(3) of Division A of Article VI (Attachment 1, pages 8-9) and in Section 2(B)(3) of Division B of Article VI (Attachment 1, pages 10-11) the restrictions on issuance of capital stock summarized below:

The Company may not issue additional shares of Preferred Stock ranking prior to or on a parity with the existing classes of Preferred Stock as to dividends or distributions unless the Company meets certain tests as to earnings which, in general, are that the

Pennsylvania Power & Light Company

Summary of Charter and Indenture Provisions

Company shall have had during a specified 12 months' period preceding such issuance net earnings equal to twice its annual dividend requirements on all Preferred Stock to be outstanding thereafter and gross income equal to one and one-half times such dividend requirements plus its annual interest charges.

The Company's Restated Articles of Incorporation, as amended, include in Section I(C) of Division E of Article VI (Attachment 1, pages 12-13) the restrictions on the payment of Common Stock dividends summarized below:

No dividends (other than dividends payable by the issuance of Common Stock) on, or purchases or acquisitions of, or distributions on, the Common Stock shall be paid or made by the Company aggregating an amount in excess of (a) 75% of the current year's earnings otherwise available for Common Stock, if after such payment, purchase, acquisition or distribution the ratio of the aggregate of the stated value of Common Stock and earnings reinvested to total capitalization, including earnings reinvested, will be less than 25%; and (b) 50% of such earnings, if after such payment, purchase, acquisition or distribution, such ratio will be less than 20%.

The terms relating to certain series of the Company's Series Preferred Stock, which terms are part of the Company's Restated Articles of Incorporation, as amended, contain provisions to the effect that the Company will not declare or pay any dividends on, or make any other distribution of property with respect to, or purchase or otherwise acquire, Common Stock at any time when the Company shall have failed to discharge in full its obligation to redeem shares required to be redeemed pursuant to the sinking funds for those Series.

The Restated Articles of Incorporation, as amended, limit the issuance of unsecured debt to an amount equal to 20% of secured indebtedness and capital and surplus. See Article VI of the Charter, Division A, Section 2(C)(4) (Attachment 1, pages 9-10), and Division B, Section 2(B)(4) (Attachment 1, pages 11-12).

Pennsylvania Power & Light Company

Details from Mortgage and Deed of Trust

Article V, Section 27

No bonds shall be authenticated and delivered upon the basis of Property Additions unless, as shown by a Net Earning Certificate, the Adjusted Net Earnings of the Company for the period therein referred to shall have been in the aggregate at least equivalent to twice the Annual Interest Requirements as shall be specified, pursuant to the provisions of subdivision (B) of Section 7 hereof, in such Net Earning Certificate.

Article I, Section 7

The term "Net Earning Certificate" shall mean a certificate signed by the President or a Vice-President of the Company and an accountant, who unless required to be independent, may be an officer or employee of the Company, stating

(A) the Adjusted Net Earnings of the Company for a period of twelve (12) consecutive calendar months within the fifteen (15) calendar months immediately preceding the first day of the month in which the application for the authentication and delivery under this Indenture of bonds then applied for is made, specifying:

(1) its operating revenues, with the principal divisions thereof;

(2) its operating expenses, with the principal divisions thereof, including, but without limitation, all expenses and accruals for repairs and maintenance and all appropriations out of income for property retirement not only in respect of the Mortgaged and Pledged Property but also in respect of all other property owned by the Company; provided, however, that, in lieu of including in such operating expenses the amounts actually expended for and the amounts accrued for repairs and maintenance of and the amount actually appropriated out of income for depreciation and retirement of the Mortgaged and Pledged Property used primarily and principally in the electric, gas, steam and/or hot water utility business and of the automotive equipment of the Company used in the operation of such property, there shall be included in such operating expenses an amount equal to fifteen and one-half per centum (15-1/2%) of the Adjusted Gross Operating Revenues (as defined in Section 39 hereof) for such period of twelve (12) consecutive calendar months;

Pennsylvania Power & Light Company

Details from Mortgage and Deed of Trust

(3) the amount remaining after deducting the amount required to be stated in such certificate by clause (2) of this Section from the amount required to be stated therein by clause (1) of this Section;

(4) its rental expenses for plants or systems not otherwise deducted from revenues or from other income in such certificate;

(5) the balance remaining after deducting such rental expenses from the amount required to be stated in such certificate by clause (3) of this Section;

(6) its rental revenues from plants or systems not otherwise included in revenues, or in other income (net), in such certificate;

(7) the sum of the amounts required to be stated in such certificate by clauses (5) and (6) of this Section;

(8) its other income (net);

(9) the sum of the amounts required to be stated in such certificate by clauses (7) and (8) of this Section;

(10) the amount, if any, by which the aggregate of (a) such other income (net) and (b) that portion of the amount required to be stated in such certificate by clause (7) of this Section which, in the opinion of the signers, is directly derived from the operations of property (other than paving, grading and other improvements to, under or upon public highways, bridges, parks or other public properties of analogous character) not subject to the Lien of this Indenture at the date of such certificate, exceeds fifteen per centum (15%) of the sum required to be stated by clause (9) of this Section; provided, however, if the amount required to be stated in such certificate by clause (7) of this Section includes revenues from the operation of property not subject to the Lien of this Indenture, there shall be included in the calculation to be made pursuant to this clause (10) such reasonable interdepartmental or interproperty revenues and expenses between the Mortgaged and Pledged Property and the property not subject to the Lien hereof as shall be allocated to such respective properties by the Company, and

(11) the Adjusted Net Earnings of the Company for such period of twelve (12) consecutive calendar months (being the amount remaining after deducting

Pennsylvania Power & Light Company

Details from Mortgage and Deed of Trust

in such certificate the amount required to be stated by clause (10) of this Section from the sum required to be stated by clause (9) of this Section);

(B) the Annual Interest Requirements, being the interest requirements for twelve (12) months upon:

(i) all bonds Outstanding hereunder at the date of such certificate, except any for the refunding of which the bonds applied for are to be issued;

(ii) all bonds then applied for in pending applications, including the application in connection with which such certificate is made;

(iii) all Qualified Lien Bonds which will be Outstanding immediately after the authentication of the bonds then applied for in pending applications, including the application in connection with which such certificate is made; and

(iv) the principal amount of all other indebtedness (except indebtedness for the payment of which the bonds applied for are to be issued and indebtedness for the purchase, payment or redemption of which moneys in the necessary amount shall have been deposited with or be held by the Trustee or the trustee or other holder of a Qualified Lien or Lien prior to the Lien of this Indenture upon property subject to the Lien of this Indenture with irrevocable direction so to apply the same; provided that, in the case of redemption, the notice required therefore shall have been given or have been provided for to the satisfaction of the Trustee), outstanding in the hands of the public on the date of such certificate and secured by lien prior to the Lien of this Indenture upon property subject to the Lien of this Indenture, if said indebtedness has been assumed by the Company or if the Company customarily pays the interest upon the principal thereof.

In calculating such Adjusted Net Earnings, all the Company's expenses for taxes (other than income, profits and other taxes measured by, or dependent on, net income), assessments, rentals and insurance shall be included in its operating expenses, or otherwise deducted from its revenues and income; provided,

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Details from Mortgage and Deed of Trust

however, that no expenses or provisions for interest on any of its indebtedness or for the amortization of debt discount and expense or for other amortization or for any improvement or sinking fund or other device for the retirement of any indebtedness, shall be required to be included in operating expenses to be deducted from, or shall be otherwise required to be deducted from, its revenues or its other income. Rental expenses for tires not owned by the Company shall for all purposes of the Net Earnings Certificate be deemed to be maintenance expenses.

If any of the property of the Company owned by it at the time of the making of any Net Earning Certificate shall have been acquired during or after any period for which Adjusted Net Earnings of the Company are to be computed, the Adjusted Net Earnings of such property (computed in the manner in this Section provided for the computation of the Adjusted Net Earnings of the Company) during such period or such part of such period as shall have preceded the acquisition thereof, to the extent that the same have not otherwise been included and unless such property shall have been acquired in exchange or substitution for property the earnings of which have been included, may, at the option of the Company, be included in the Adjusted Net Earnings of the Company for all purposes of this Indenture, and shall be included if such property has been operated as a separate unit or if the earnings therefrom are readily ascertainable.

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The phrase "appropriations out of income for property retirement", and other phrases of similar import shall be deemed to include not only charges made upon a retirement accounting theory but also charges made on any depreciation or other accounting theory intended to provide for retirement of property.

The accounting terms used in this Indenture shall be construed either in accordance with generally accepted accounting principles and practices in use at the time by companies operating like properties or, at the option of the Company, in accordance with generally accepted accounting principles and practices in use at the date of this Indenture.

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Article VIII, Section 39

(III) So long as any of the bonds of the First Series remain Outstanding, the Company will not declare or pay dividends (other than dividends payable solely in shares of its common stock) on or make any other distributions on or acquire (unless acquired without cost to the Company) any shares of its common stock unless the provisions for depreciation and retirement of property (but excluding any provisions for amortization of any amounts included in utility plant acquisition adjustment accounts or utility plant adjustment accounts or in any accounts for similar purposes) during the period from October 1, 1945, to the date of the proposed payment of said dividends or making of such distribution or acquisition, plus earned surplus of the Company (including as earned surplus current net income available to be transferred to earned surplus) remaining:

(a) after payment of such dividends or making of such distribution or acquisition; and

(b) after deducting any remainder of the amount of the earned surplus of the Company as of September 30, 1945, after deducting from such amount the charges to earned surplus subsequent to September 30, 1945, other than charges to earned surplus with corresponding credits to reserves for depreciation and retirement of property;

shall be at least equal to the aggregate amounts required to be stated for such period in the Officers' Certificates of Maintenance and Replacements by the provisions of subdivision (1) of subsection (I) of this Section less the aggregate amounts stated for such period in such Officers' Certificates of Maintenance and Replacements as permitted by the provisions of subdivision (2) of said subsection (I), including proportionate amounts calculated as provided in said subdivisions (1) and (2) for any portions of the period elapsed since September 30, 1945, not theretofore included in any Officers' Certificates of Maintenance and Replacements.

The provisions of Section 39 (III) set forth above have been made applicable to each subsequent series of First Mortgage Bonds issued by the Company.

Pennsylvania Power & Light Company

Details from Restated Articles of Incorporation, as Amended

Article VI, Division A, Section 2

(C) So long as any shares of the 4-1/2% Preferred Stock are outstanding, the Corporation shall not, without the consent (given by vote at a meeting held pursuant to notice containing a statement of such purpose) of the holders of a majority of the total number of shares of the 4-1/2% Preferred Stock then outstanding:

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(3) Issuance of Senior Stock in Absence of Satisfaction of Certain Earnings Requirements. Issue any share of Senior Stock (the term "Senior Stock" whenever used in this Article VI shall include the 4-1/2% Preferred Stock, the Series Preferred Stock and any other class of stock ranking prior to or on a parity with the 4-1/2% Preferred Stock and the Series Preferred Stock as to the payment of dividends or distribution of assets) in addition to the shares of Senior Stock then outstanding, even though such stock has been authorized pursuant to the provisions of Section 2(A) of this Division A and the provisions of Section 2(A) of Division B; provided, however, that such consent of the holders of the 4-1/2% Preferred Stock shall not be required for the issuance of such stock if the net income of the Corporation determined after provisions for depreciation and all taxes, and in accordance with generally accepted accounting practices, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the issuance, sale or disposition of such stock is at least equal to twice the annual dividend requirements on all outstanding shares of the Senior Stock, including the shares proposed to be issued, and if the gross income of the Corporation for said period, determined in accordance with generally accepted accounting practices (but in any event after deducting the amount for said period charged by the Corporation on its books to depreciation expense and all taxes) to be available for the payment of interest shall have been at least one and one-half times the sum of:

- (a) the annual interest charges on all interest-bearing indebtedness of the Corporation; and

Pennsylvania Power & Light Company

Details from Restated Articles of Incorporation, as Amended

(b) the annual dividend requirements on all outstanding shares of the Senior Stock, including the shares proposed to be issued.

There shall be excluded from the foregoing computation, interest charges on all indebtedness and dividends on all stock which are to be retired in connection with the issue of such additional shares of Senior Stock.

Where such additional shares of Senior Stock are to be issued in connection with the acquisition of new property, the net earnings of the property to be so acquired may be included on a proforma basis in the foregoing computation, computed on the same basis as the net earnings of the Corporation.

(4) Issuance of Unsecured Indebtedness in Excess of Certain Limitations. Issue any unsecured notes, debentures or other securities representing unsecured indebtedness, or assume any such unsecured securities, for purposes other than:

(a) the refunding of outstanding unsecured securities, theretofore issued or assumed by the Corporation

(b) the reacquisition, redemption or other retirement of any indebtedness, if such reacquisition, redemption or other retirement has been authorized by the Securities and Exchange Commission under the provisions of the Public Utility Holding Company Act of 1935 or by any successor commission or other regulatory authority of the United States of America having jurisdiction over the reacquisition, redemption or other retirement of such indebtedness, or

(c) the reacquisition, redemption or other retirement of any or all of the outstanding shares of the 4-1/2% preferred stock:

if, immediately after such issuance or assumption, the total principal amount of all unsecured securities then outstanding would exceed twenty per centum (20%) of:

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(i) the total principal amount of all bonds or other securities representing secured indebtedness issued or assumed by the Corporation and then to be outstanding, and

(ii) the capital and surplus of the Corporation as then to be stated on the books of account of the Corporation.

Article VI, Division B, Section 2

(B) So long as any shares of the Series Preferred Stock are outstanding, the Corporation shall not, without the consent (given by vote at a meeting held pursuant to notice containing a statement of such purpose) of the holders of a majority of the total number of shares of the Series Preferred Stock and the 4-1/2% Preferred Stock then outstanding (voting as a single class separate from the holders of the Preference Stock and the Common Stock):

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(3) Issuance of Senior Stock in Absence of Satisfaction of Certain Earnings Requirements. Issue any share of Senior Stock (the term "Senior Stock" whenever used in this Article VI shall include the 4-1/2% Preferred Stock, the Series Preferred Stock and any other class of stock ranking prior to or on a parity with the 4-1/2% Preferred Stock and the Series Preferred Stock as to the payment of dividends or distribution of assets) in addition to the shares of Senior Stock then outstanding, even though such stock has been authorized pursuant to the provisions of Section 2(A) of this Division A and the provision of Section 2(A) of Division B; provided, however, that such consent of the holders of the 4-1/2% Preferred Stock shall not be required for the issuance of such stock if the net income of the Corporation determined after provisions for depreciation and all taxes, and in accordance with generally accepted accounting practices, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the issuance, sale or disposition of such stock is at least equal to twice the annual dividend requirements on all outstanding shares of the Senior Stock, including the shares proposed to be issued, and if the gross income of the Corporation for said period, determined in accordance with generally accepted accounting practices (but in any event after deducting the amount for said period charged by the Corporation on its books to depreciation

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expense and all taxes) to be available for the payment of interest shall have been at least one and one-half times the sum of:

(a) the annual interest charges on all interest-bearing indebtedness of the Corporation; and

(b) the annual dividend requirements on all outstanding shares of the Senior Stock, including the shares proposed to be issued.

There shall be excluded from the foregoing computation, interest charges on all indebtedness and dividends on all stock which are to be retired in connection with the issue of such additional shares of Senior Stock. Where such additional shares of Senior Stock are to be issued in connection with the acquisition of new property, the net earnings of the property to be so acquired may be included on a proforma basis in the foregoing computation, computed on the same basis as the net earnings of the Corporation; or

(4) Issuance of Unsecured Indebtedness in Excess of Certain Limitations. Issue any unsecured notes, debentures or other securities representing unsecured indebtedness or assume any such unsecured securities, for purposes other than:

(a) the refunding of outstanding unsecured securities, theretofore issued or assumed by the Corporation

(b) the reacquisition, redemption or other retirement of any indebtedness, if such reacquisition, redemption or other retirement has been authorized by the Securities and Exchange Commission under the provisions of the Public Utility Holding Company Act of 1935 or by any successor commission or other regulatory authority of the United States of America having jurisdiction over the reacquisition, redemption or other retirement of such indebtedness, or

(c) the reacquisition, redemption or other retirement of any or all of the outstanding shares of the Series Preferred Stock or the 4-1/2% Preferred Stock:

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if, immediately after such issue or assumption, the total principal amount of all unsecured securities then outstanding would exceed twenty per centum (20%) of:

(i) the total principal amount of all bonds or other securities representing secured indebtedness issued or assumed by the Corporation and then to be outstanding, and

(ii) the capital and surplus of the Corporation as then to be stated on the books of account of the Corporation.

Article VI, Division E, Section 1

(C) So long as any shares of the 4-1/2% Preferred Stock and the Series Preferred Stock are outstanding and the aggregate of stated capital of Common Stock and surplus equals less than 25% of total capitalization, including surplus, the Corporation shall not pay any dividends on Common Stock (other than dividends on Common Stock payable by the issuance of Common Stock), or make any distribution on, or purchase or otherwise acquire for value, any of its Common Stock or other Stock, if any, subordinate to such 4-1/2% Preferred Stock and the Series Preferred Stock, if after giving effect to any such payment, distribution, purchase or acquisition, the aggregate amount of such dividends, distributions, purchases and acquisitions paid or made subsequent to December 31, 1945, exceeds 75% of the aggregate of the Corporation's net income available for Common Stock subsequent to December 31, 1945; and no such dividends, distributions, purchases or acquisitions may be made or paid by the Company, if after giving effect thereto, the ratio of the aggregate of stated capital of Common Stock and surplus to total capitalization, including surplus, is less than . . . 25%, provided that, when the aggregate of the stated value for Common Stock and surplus shall have reached 25% of total capitalization, including surplus, all restrictions on the payment of dividends on the Common Stock, or the purchase or acquisition of or distributions on the Common Stock, shall be, so long as such ratio remains at 25% or above, eliminated; provided further that, after once having reached such ratio of 25%, no dividends on or distributions, purchases or acquisitions of Common Stock shall be paid or made, aggregating an amount in excess of 75% of the current year's earnings otherwise available for Common Stock, if after such payment, distribution, purchase or acquisition, the ratio of the aggregate of capital for Common Stock and surplus to the total capitalization, including surplus will be less than 25% and

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no dividends on or distributions, purchases or acquisitions of Common Stock shall be paid or made, aggregating an amount in excess of 50% of the current year's earnings otherwise available for Common Stock, if after such payment, distribution, purchase or acquisition, the ratio of the aggregate of capital for Common Stock and surplus to the total capitalization, including surplus will be less than 20%.

- Q. A schedule of comparative financial data shall be supplied for the base year. Changes in Moody's/Standard & Poors ratings, noted on this schedule, shall be accompanied by the Moody's /Standard & Poors write up of such change, if available. The following financial data and ratios shall be supplied for the utility's parent, where applicable, if not available for the utility.
- (a) Times interest earned ratio -- pre-tax and post-tax basis.
 - (b) Preferred stock dividend coverage ratio -- post-tax basis.
 - (c) Times fixed charges earned ratio -- pre-tax basis.
 - (d) Earnings per share.
 - (e) Dividend per share.
 - (f) Average dividend yield (52-week high/low common stock price).
 - (g) Average book value per share.
 - (h) Average market price per share.
 - (i) Market price-book value ratio.
 - (j) Earnings-book value ratio (per share basis, average book value).
 - (k) Dividend payout ratio.
 - (l) Allowance for Funds Used During Construction as a percent of earnings available for common equity.
 - (m) Construction work in progress as percent of net utility plant.
 - (n) Effective income tax rate.
 - (o) Internal cash generations as a percent of total capital requirements.
- A. See Attachment 1.

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