

**PPL ELECTRIC UTILITIES CORPORATION**

**Exhibit Regs. § 53.52**  
**Exhibit Regs. § 53.53**

*8/9/04*  
*ITCS*

**Part I – Summary of Filing**  
**Part II – Primary Statements**  
**of Rate Base and Operating Income**

*JW*

**Docket No. R-00049255**

**PPL ELECTRIC UTILITIES CORPORATION**

**Exhibit Regs. § 53.52  
Exhibit Regs. § 53.53**

**DOCUMENT**

**Part I – Summary of Filing  
Part II – Primary Statements  
of Rate Base and Operating Income**

**Docket No. R-00049255**

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SECRETARY'S BUREAU**

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**This book contains responses to each of the pertinent items contained in § 53.52, (Information in Response to the Commission's Regulations), § 53.53, Part I (Summary of Filing), and § 53.53, Part II (Primary Statements of Rate Base and Operating Income) of the Commission's Regulations.**

**PPL ELECTRIC UTILITIES CORPORATION**  
**SUPPLEMENT NO. 38 TO TARIFF-ELECTRIC PA P.U.C. NO. 201**  
**SUPPLEMENTAL INFORMATION**  
**REQUIRED BY 52 PA. CODE § 53.52(a), (b) AND (c)**

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PPL Electric Utilities Corporation ("PPL Electric") hereby submits the following information in support of Supplement No. 38 to Tariff-Electric Pa P.U.C. No. 201. This tariff supplement proposes a distribution rate increase for PPL Electric's retail customers. In response to each of the applicable subsections of 52 Pa. Code § 53.52(a), (b) and (c), PPL Electric states the following:

52 Pa. Code § 53.52(a) (1)

Q. The specific reasons for each change.

A. See PPL Electric's Statement of Reasons in Exhibit Future 1, Section A.

52 Pa. Code § 53.52(a) (2)

Q. The total number of customers served by the utility.

A. As of December 31, 2003, PPL Electric served a total of 1,329,781 customers.

52 Pa. Code § 53.52(a) (3)

Q. A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.

A. See PPL Electric's Exhibit Future 1, Schedule D-3.

52 Pa. Code § 53.52(a) (4)

Q. The effect of the change on the utility's customers.

A. See PPL Electric's Exhibit Future 1, Schedule D-3.

52 Pa. Code § 53.52(a) (5)

Q. The effect, whether direct or indirect, of the proposed change on the utility's revenues and expenses.

A. See PPL Electric's Exhibit Future 1, Schedule D-1.

52 Pa. Code § 53.52(a) (6)

Q. The effect of the change on the service rendered by the utility.

A. See PPL Electric's Exhibits OGK1 and OGK2.

52 Pa. Code § 53.52(a) (7)

Q. A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement as to why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa.C.S. § 1308 (relating to voluntary changes in rates).

A. Not applicable.

52 Pa. Code § 53.52(a) (8)

- Q. Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa.C.S. § 1308.
- A. Not applicable.

52 Pa. Code § 53.52(a) (9)

- Q. Customer polls taken and other documentation which indicates customer acceptance and desire for the proposed change. If the poll or other documents reveal discernible opposition, *an explanation of why the change is in the public interest shall be provided.*
- A. PPL Electric did not take any customer polls or conduct any other research specifically addressing customer acceptance or desire for the proposed \$164.4 million increase in its distribution rates. However, the Company did undertake general customer research activities to gauge customer opinions on broad issues regarding the electric utility industry and PPL Electric. Topics included customer attitudes toward the Company, various social programs, different rate options, rate increase alternatives and communications.

52 Pa. Code § 53.52(a) (10)

- Q. Plans the utility has for introducing or implementing the changes with respect to its ratepayers.
- A. After the Commission acts on PPL Electric's filing, the Company will send a special bill insert to all customers. The bill insert will describe the rate changes approved by the Commission and indicate the impact on customer bills. The Company also plans to inform customers about approved rate changes in news releases, newsletters and on PPL's Internet site.

52 Pa. Code § 53.52(a) (11)

- Q. F.C.C., F.E.R.C. or Commission orders or rulings applicable to the filing.
- A. None.

52 Pa. Code § 53.52(b) (1)

- Q. The specific reasons for each increase or decrease.
- A. See PPL Electric's Statement of Reasons in Exhibit Future 1, Section A.

52 Pa. Code § 53.52(b) (2)

- Q. The operating income statement for the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing. Water and sewer utilities with annual revenues under \$100,000 and municipal corporations subject to Commission jurisdiction may provide operating income statements for a 12-month period, the end of which may not be more than 180 days prior to the filing.
- A. See PPL Electric's Exhibit Historic 1, Schedule B-2.

52 Pa. Code § 53.52(b) (3)

- Q. A calculation of the number of customers, by tariff subdivision, whose bills will be increased.
- A. See PPL Electric's response to 52 Pa. Code § 53.52(a) (3).

52 Pa. Code § 53.52(b) (4)

- Q. A calculation of total increases, in dollars, by tariff subdivision, projected to an annual basis.
- A. See PPL Electric's Exhibit Future 1, Schedule D-3.

52 Pa. Code § 53.52(b) (5)

- Q. A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.
- A. See PPL Electric's Exhibit Future 1, Schedule D-3.

52 Pa. Code § 53.52(b) (6)

- Q. A calculation of the total decreases, in dollars, by tariff subdivision, projected to an annual basis.
- A. See PPL Electric's Exhibit Future 1, Schedule D-3.

52 Pa. Code 53.52(c)(1)

- Q. A statement showing the utility's calculation of the rate of return earned in the 12-month period referred to in subsection (b)(2), and the anticipated rate of return to be earned when the tariff, revision, or supplement becomes effective. The rate base used in this calculation shall be supported by summaries of original cost.
- A. See Schedule C-1 of PPL Electric's Exhibits Historic 1 and Future 1.

52 Pa. Code 53.52(c)(2)

- Q. A detailed balance sheet of the utility as of the close of the period referred to in subsection (b)(2).
- A. See Schedule B-1 of PPL Electric's Exhibits Historic 1 and Future 1.

52 Pa. Code 53.52(c)(3)

- Q. A summary, by detailed plant accounts, of the book value of the property of the utility at the date of the balance sheet required by paragraph (2).
- A. See Schedule C-2 of PPL Electric's Exhibits Historic 1 and Future 1, and the response to Question 3 of Exhibit Regs § 53.53, Part V, Section A.

52 Pa. Code 53.52(c)(4)

- Q. A statement showing the amount of the depreciation reserve, at the date of the balance sheet required by paragraph (2), applicable to the property, summarized as required by paragraph (3).
- A. See Schedule C-2 of PPL Electric's Exhibits Historic 1 and Future 1, and the response to Question 3 of Exhibit Regs. § 53.53, Part V, Section A.

52 Pa. Code 53.52(c)(5)

- Q. A statement of operating income, setting forth the operating revenues and expenses by detailed accounts for the 12-month period ending on the date of the balance sheet required by paragraph (2).
- A. See Schedules B-2, B-3, B-4 and B-5 of PPL Electric's Exhibits Historic 1 and Future 1.

52 Pa. Code 53.52(c)(6)

- Q. A brief description of a major change in the operating or financial condition of the utility occurring between the date of the balance sheet required by paragraph (2) and the date of transmittal of the tariff, revision or supplement. As used in this paragraph, a major change is one which materially alters the operating or financial condition of the utility from that reflected in paragraphs (1) - (5).
- A. There have been no major changes in the operating or financial condition of PPL Electric between the date of the balance sheet as of December 31, 2003, and the date of the filing of Supplement No. 38.

Q.1. Provide a summary discussion of the rate change request, including specific reasons for each increase or decrease. Also provide a breakdown which identifies the revenue requirement value of the major items generating the requested rate change.

A.1. See Section A of Exhibit Future 1.

Q.2. Identify the proposed witnesses for all statements and schedules of revenues, expenses, taxes, property, valuation and the like.

A.2. See Testimony Book 1 and Testimony Book II.

Q.3. Provide a single page summary table showing, at present and at proposed rates, together with references to the filing information, the following as claimed for the fully adjusted test year:

Revenues  
Operating Expenses  
Operating Income  
Rate Base  
Rate of Return (produced)

A.3. Attachment I-A-3 provides the requested information.

**PPL ELECTRIC UTILITIES CORPORATION**

**PUC Jurisdictional  
Year Ended December 31, 2004  
(Thousands of Dollars)**

**AT PRESENT RATES**

**AT PROPOSED RATES**

	<b><u>Amount</u></b>	<b><u>Exhibit Future 1 Reference</u></b>	<b><u>Amount</u></b>	<b><u>Exhibit Future 1 Reference</u></b>
Revenue	\$ 523,208	Sch. D-1, Col. (6), line 1	\$ 687,646	Sch. D-1, Col. (8), line 1
Operating Expenses	<u>451,210</u>	Sch. D-1, Col. (6), line 12	<u>525,486</u>	Sch. D-1, Col. (8), line 12
Operating Income	\$ <u>71,998</u>	Sch. D-1, Col. (6), line 13	\$ <u>162,160</u>	Sch. D-1, Col. (8), line 13
Rate Base	\$ <u>1,842,744</u>	Sch. C-1, Col. (2), line 12	\$ <u>1,842,744</u>	Sch. C-1, Col. (2), line 12
Rate of Return	<u>3.91%</u>	Sch. C-1, Col. (2), line 14	<u>8.80%</u>	Sch. C-1, Col. (2), line 16

- Q.4. Whenever a major generating plant is placed in operating service or removed from operating service the utility shall separately indicate the effect of the plant addition or removal from service upon rate base, revenue, expense, tax, income and revenue requirement as it affects the test year.
- A.4. This filing requirement is not applicable to PPL Electric's current rate filing.

- Q. 1. 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 this Commonwealth, and the total number of customers or billed units in the areas served.
- A. 1. PPL Electric Utilities Corporation ("PPL Electric") was founded in 1920 through consolidation of eight electric companies.<sup>1</sup> 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. PPL Electric serves approximately 1.3 million customers.

The requested corporate history, together with a map of PPL Electric's service territory and a list of all governmental subdivisions in which service is rendered, is provided in Attachment I-B-1.

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<sup>1</sup> These Companies are listed at Page 1 of Attachment I-B-1.

## HIGHLIGHTS OF CORPORATE HISTORY

- 1920** Pennsylvania Power & Light Company (PP&L) founded through consolidation of eight electric companies,<sup>1</sup> 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 divests itself of all gas properties, in accordance with decision to confine operations to the electric business.<sup>2</sup>
- 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.

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<sup>1</sup> 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.

<sup>2</sup> Except some listed steam service provided to the City of Harrisburg.

- 1985** PP&L divests itself of all steam service provided to the City of Harrisburg.
- 1994** PP&L Resources, Inc. is incorporated as an energy and utility holding company.
- 1995** PP&L Resources, Inc. becomes the parent company of PP&L.
- 1997** Name of the operating electric utility changed from PP&L (Pennsylvania Power & Light Company) to PP&L, Inc.
- 1998** PP&L Resources, Inc. acquired Penn Fuel Gas, Inc. which owns two gas utilities, PFG Gas, Inc. and North Penn Gas Company.
- 2000** Name of the operating electric utility changed from PP&L, Inc. to PPL Electric Utilities Corporation and name of utility holding company changed from PP&L Resources, Inc. to PPL Corporation.
- 2000** On July 1, PPL Corporation and PPL Electric completed a corporate realignment in order to effectively separate PPL Electric's regulated transmission and distribution operations from its deregulated generation operations.
- 2001** PPL Corporation completed a strategic initiative to confirm the structural separation of PPL Electric from PPL Corporation's and PPL Electric's other affiliated companies.

In addition to the communities indicated on the attached map, PPL Electric also serves certain other communities which border its chartered territory pursuant to its adjacency rights.

OVER SIZED DOCUMENTS

# Pennsylvania Power & Light Service Area



 AREAS ALSO SERVED  
BY OTHER COMPANIES



In addition to the communities indicated on the attached map, PPL also serves certain other communities which border its chartered territory pursuant to its adjacency rights.

**PP&L, Inc.****TERRITORY COVERED BY THIS TARIFF****BERKS COUNTY**

Boroughs of New Morgan, Robesonia, Shillington, Sinking Spring, Wemersville, 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 Trumbauersville. 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, Dunstable, Gallagher, Greens, 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 Berysburg, Dauphin, Elizabethville, Gratz, Halifax, Highspire, Hummelstown, Lykens, Millersburg, Paxtang, Penbrook, Pillow, Steelton, and Williamstown. 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 Thompsettown. 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), Litz, 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 Alburis, 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.

**LUZERNE COUNTY**

Cities of Hazleton, Pittston, and Wilkes-Barre. Boroughs of Ashley, Avoca, Bear Creek Village, Conyngham, Dupont, Duryea, Exeter, Freeland, Hughestown, Jeddo, Lafin, Laurel Run, Nescopeck, Nuangola, 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, Stocum, Sugarloaf, Wilkes-Barre, and Wright.

**PP&L, Inc.****TERRITORY COVERED BY THIS TARIFF (CONTINUED)****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, Platt, Porter, Shrewbury, 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 Catasauque, 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 Hemdon, Kulpmont, Marion Heights, McEwensville, Milton, Mount Carmel, Northumberland, Riverside, Snyderstown, and Turbotville.  
 Townships of Coal, Delaware, East Cameron, East Chillisquaque, Jackson, Jordon, 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 Zerba.

**PERRY COUNTY**

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, Coakdale, Cressona, Deer Lake, Frackville, Gliberton, 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, Relly, 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, Sellingsgrove, and Shamokin Dam.  
 Townships of Adams, Beaver, Centre, Chapman, Franklin, Jackson, Middlecreek, Monroe, Penn, Perry, Spring, Union, Washington, West Beaver, and West Perry.

**PP&L, Inc.**

**TERRITORY COVERED BY THIS TARIFF (CONTINUED)**

**SUSQUEHANNA COUNTY**

Boroughs of Forest City and Union Dale.

Townships of Clifford and Hemick.

**UNION COUNTY**

Boroughs of Hartleton and New Berlin.

Townships of Gregg; Hartley, Kelly, Lewis, Limestone,  
Union, West Buffalo and White Deer.

**WAYNE COUNTY**

Boroughs of Bethany, Hawley, Honesdale, Prompton, and  
Waymart.

Townships of Berlin, Canaan, Cherry Ridge, Clinton,  
Damascus, Dreher, Dyberry, Lake, Lebanon, Lehigh,  
Mount Pleasant, Oregon, Palmyra, Paupack, Salem,  
South Canaan, Sterling, and Texas.

**WYOMING COUNTY**

Borough of Factoryville.

Townships of Clinton, Nicholson, Overfield, and  
Tunkhannock.

**YORK COUNTY**

Boroughs of East Prospect and Wrightsville.

Townships of Fairview, Hellam and Lower Windsor.

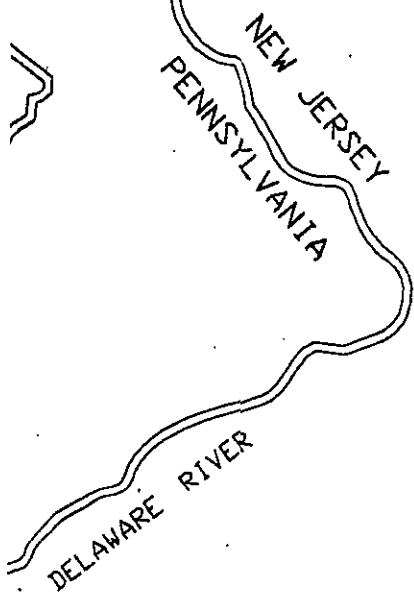
- Q.2. Provide a description of the property of the utility and an explanation of the system's operation, and supply the following, using available projections if actual data is unavailable:
- a) Schedule of generating capability showing for the test year, and for the two consecutive 12-month periods prior to the test year, net dependable capacity in KW 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 test year and for the 12-month period immediately prior to the test 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 test year or subsequent to the end of the test year, which shows the unit's KW capacity, hours of operation during the test year, net output generated, cents/KWH of maintenance and fuel expenses, and date of retirement.
  - d) A schedule showing latest projections of capacity additions and retirements - costs and KW - and reserve capacity at the time of peak for at least 10 years beyond the test year, including the inservice dates - actual or expected - and AFDC cutoff dates - if different from inservice dates - for all new generating units coming on line during or subsequent to the test year, if claimed.

A.2. This filing requirement is not applicable to PPL Electric's current rate filing.

Q.3. Provide an overall system map, including and labeling all generating plants, transmission substations - indicate voltage, transmission system lines - indicate voltage, and all interconnection points with other electric utilities, power pools, and other like systems.

A.3. Attachment I-B-3 provides the overall electric map.

**OVER SIZED DOCUMENTS**



ACCT- 805201		<p style="text-align: center;">ELECTRICAL SYSTEM MAP</p> <p style="text-align: center;">69KV-500KV TRANSMISSION AND SUBSTATION FACILITIES</p>	
SCALE- NONE			
BY-			
REVIEWED			
APPROVED ORIGINALLY BY G. HAKUN III		DATE 7/17/85	
PP&L DRAWING NO.	SHEET NO.	REV.	
D191830	1	0	

APPROVED

Attachment I-B-3

Q.1. Provide a schedule showing the test year rate base and rates of return at original cost less accrued depreciation under present rates and under proposed rates. Claims made on this schedule should be cross-referenced to appropriate supporting schedules.

A.1. Schedule C-1 of Exhibit Future 1 provides the requested information.

- Q.2. If the schedule provided in response to item 1, is based upon a future test year, provide a similar schedule which is based upon actual data for the 12-month period immediately prior to the test year.
- A.2. Schedule C-1 of Exhibit Historic 1 provides the requested information.

- Q.3. When a utility files a tariff stating a new rate based in whole or in part on the cost of construction, as defined in 66 Pa.C.S. § 1308(f) (relating to voluntary changes in rates), of an electric generating unit, the utility shall identify:
- a) The total cost of the generating unit.
  - b) The following specific costs:
    - (1) The cost and quantity of each category of major equipment, such as switchgear, pumps or diesel generators and the like.
    - (2) The cost and quantity of each category of bulk materials, such as concrete, cable and structural steel and the like.
    - (3) Manual labor.
    - (4) Direct and indirect costs of architect/engineering services.
    - (5) Direct and indirect costs of subcontracts or other contracts involving major components or systems such as turbines, generators, nuclear steam supply systems, major structures and the like.
    - (6) Distributed costs.
  - c) A cost increase of \$5 million or more, including AFUDC, over the original utility estimates provided under 66 Pa.C.S. § 515(a) (relating to construction cost of electric generating units) and its causes.
  - d) Compliance with subsections (a) and (b) will be identical in format and substance as that provided under 52 Pa. Code § 57.103 (relating to estimate of construction costs) for original cost estimates submitted under 66 Pa.C.S. § 515(a).
- A.3. This filing requirement is not applicable to PPL Electric's current rate filing.

- Q.1. If a claim is made for plant held for future use, supply the following:
- a) A description of the plant or land site and its cost and any accumulated depreciation.
  - b) The expected date of use for each item claimed.
  - c) An explanation as to why it is necessary to acquire each item in advance of its date of use.
  - d) The date when each item was acquired.
  - e) The date when each item was placed in plant held for future use.
- A.1.
- A) Attachment II-B-1 provides a description and the accumulated cost at December 31, 2003 by function. PPL Electric Utilities Corporation does not depreciate future use property.
  - B) Attachment II-B-1 provides the expected date of use for each claimed item.
  - C) PPL Electric Utilities Corporation acquires the future use property in advance to accommodate expected increase in load growth requirements and to allow construction projects to begin within the projected required construction period.
  - D) Attachment II-B-1 provides the date on which each item within the claim for future use plant was acquired.
  - E) Attachment II-B-1 provides the date each item was placed in plant held for future use.

PPL ELECTRIC UTILITIES CORPORATION

As of December 31, 2004  
Future Use Property

<u>DESCRIPTION</u>	<u>TOTAL AMOUNT</u>	<u>ORIGINAL DATE</u>	<u>EXPECTED UTILIZATION DATE</u>
Transmission Substations Right-of-way necessary for numerous existing transmission facilities on numerous property parcels associated with Theta Land Corp	\$ 56,210	2001	2004
Millwood 230/69 KV Sub	31,063	2002	2007
Site For Berwick 230-69 Kv Substation	10,512	1983	2010
69kv line connection-transmission for the proposed new Millwood 230/69 kv Sub	2,499	2003	2007
230kv line sectionalizing, R/W at proposed new Millwood 230/69 kv Sub	18,480	2002	2007
Site For Lock Haven Area 138-69 Kv Substation	92,178	1973	2010
Land Situated In Borough Of Archbald Adjacent To Peckville Substation, Lackawanna County	41,386	1960	2007
Construct proposed new Millwood 230/69kv Substation	2,721	2004	2007
Retain Portion Of Hauto Property For 230-69 Kv Substation	626	1975	2010
69kv line siting and R/W work for the proposed new Millwood 230/69kv Sub	2,534	2002	2007
Total Transmission Substations	<u>\$ 258,209</u>		

PPL ELECTRIC UTILITIES CORPORATION

As of December 31, 2004  
Future Use Property

<u>DESCRIPTION</u>	<u>TOTAL AMOUNT</u>	<u>ORIGINAL DATE</u>	<u>EXPECTED UTILIZATION DATE</u>
Transmission Lines Rights of Way and Engineering For the Sunbury-Hummelstown 230 Kv line, Northumberland And Dauphin Counties	\$ 141,759	1952	2007
Rights Of Way for Proposed Stanton-Lackawanna 500 Kv Line	529,261	1978	2010
Rights Of Way And Engineering For Proposed Susquehanna-Frackville 500 Kv Line	824,114	1970	2012
Rights of Way For Two Proposed Parallel 500Kv Line Get-A-Ways From Lackawanna Substation	405,464	1972	2012
Rights Of Way For Frackville-Bossards 500 Kv Line	887,775	1972	2012
Rights Of Way For Proposed Rebuilding Of The Frackville-Siegfried 230 Kv Line For 500 Kv Operation	403,941	1975	2012
Rights Of Way For Proposed Alburtis-Bossards 500 Kv Line	1,037,727	1969	2012
Rights Of Way For Proposed Bossards-Martins Creek 500 Kv Line	1,536,629	1969	2012
Rights Of Way For Proposed Steel City-Martins Creek 500 Kv Line	1,934,953	1973	2012
Sunbury-Milton Line North Star Steel Company 230KV Tap Construction	209,444	1992	2007
Rights Of Way And Engineering For A 230 Kv Circuit From The Manor-South Akron 230 Kv Line To Engleside Substation	\$ 218,571	1970	2007

PPL ELECTRIC UTILITIES CORPORATION

As of December 31, 2004

Future Use Property

<u>DESCRIPTION</u>	<u>TOTAL AMOUNT</u>	<u>ORIGINAL DATE</u>	<u>EXPECTED UTILIZATION DATE</u>
Sitings and R/W for Proposed 69KV Transmission Tap Twin Valley 69/12kv Substation (Morgantown Area)	\$ 576,935	2001	2004
SPRINGFIELD 69KV LINE CONNECTIONS - RIGHT-OF-WAY	745	2003	2011
Site for Otter Creek 500-230 KV substation	104,299	2000	2004
Rights Of Way For Proposed Milton-Muncy 69 Kv Line	618,998	1972	2010
Rights Of Way For 69 Kv Line To The Turbotville Area 69-12 Kv Substation	66,674	1974	2010
Rights Of Way For 69 Kv Line To The North Milton Area Substation	50,801	1974	2009
Rights Of Way For 69 Kv Line To The Millville Area 69-12 Kv Substation	246,727	1974	2007
Rights Of Way For Proposed 138 Kv Line Between Newfoundland And Lakeville 69-12 Kv Substations	473,932	1974	2010
North Shamokin 138Kv Tap Siting And Right-Of-Way	12,987	1991	2004
Rights Of Way For Proposed Valmont-East Hazleton 69 Kv Line	\$ 309,971	1972	2010

PPL ELECTRIC UTILITIES CORPORATION

As of December 31, 2004

Future Use Property

<u>DESCRIPTION</u>	<u>TOTAL AMOUNT</u>	<u>ORIGINAL DATE</u>	<u>EXPECTED UTILIZATION DATE</u>
Rights Of Way And Engineering For The Hunlock-Harwood 138 Kv Tie	\$ 50,756	1970	2007
Rights Of Way For Exchange- Danville, Sunbury-Danville Tie	4,670	1960	2008
Rights Of Way For Second 69 Kv Line To The Lake Harmony Area 69-12 Kv Substation	125,014	1969	2010
Rights Of Way And Engineering For A Second Freemansburg- Holland Junction 110 Kv Line	9,293	1944	2005
Rights Of Way For Hosensack-Richland 138 Kv Line	1,370	1975	2010
Rights Of Way For Bellaire 69 Kv Connecting Lines To Bellaire	60,934	1969	2010
Rights Of Way For Proposed 138 Kv Line Between Carlisle And West Carlisle Substations	422,567	1974	2010
Rights Of Way For Proposed 69 Kv Tie Line Between Mt. Rock And Newville Area 69-12 Kv Substations	\$ 271,533	1975	2012

PPL ELECTRIC UTILITIES CORPORATION

As of December 31, 2004  
Future Use Property

<u>DESCRIPTION</u>	<u>TOTAL AMOUNT</u>	<u>ORIGINAL DATE</u>	<u>EXPECTED UTILIZATION DATE</u>
Rights Of Way For The West Shore-White Hill 69 Kv Lines	\$ 152,653	1974	2010
Rights Of Way For A Double Circuit Single Wood Pole Line Between Dauphin Substation And Rockville 66KV Tap	32,549	1974	2010
Siting for Proposed 69KV sub - Morgantown area	277,164	2001	2004
Rights Of Way For 69 Kv Line From The Dauphin-Capital Park #1 69 Kv Line To Penbrook Area 69-12 Kv Substation	190,163	1974	2010
Rights Of Way For Proposed 138/69 Kv Line Between Pa. Casting And Kellogg Area	393,782	1990	2005
Lackawanna-East Carbondale 69 Kv Line - Reconstruct for Double Circuit 138 Kv - Siting and Right-of-Way	2,063	1993	2007
Derry-Millville 138/69KV Line-Stg.&R/W	1,899	1995	2007
Rights of Way for Lycoming-Kenmar 138 KV Line	8,333	1974	2010
Rights of Way for Proposed Seidersville-Richland 69 KV Line	301,688	1972 1991	2012 2012
Millwood 230KV LN Design/Construction	920	2002	2007
Total Transmission Lines	<u>\$ 12,899,058</u>		

PPL ELECTRIC UTILITIES CORPORATION

As of December 31, 2004

Future Use Property

<u>DESCRIPTION</u>	<u>TOTAL AMOUNT</u>	<u>ORIGINAL DATE</u>	<u>EXPECTED UTILIZATION DATE</u>
DISTRIBUTION PLANT - AREA - SUBSTATIONS			
Site For Eagle Area 69-12 Kv Substation	\$ 30,635	1977	2007
Site For Turbotville Area 69-12 Kv Substation, Lewis Twp., Northumberland County	17,196	1974	2010
Site For North Milton Area 69-12 Kv Substation	16,054	1974	2009
Site For Elk Mountain Area 69-12 Kv Substation	40,095	1987	2007
Site for Proposed Butler 69/12KV Sub. CANDO	313,646	1996	2008
Site for Tulphehocken Sub.	124,150	1996	2008
Site For Tanglewood Area 69-12 Kv Substation	50,147	1974	2010
Site For Henryville Area	25,553	1974	2005
North Shamokin 69-12KV Substation Site Acquisition	3,697	1992	2009
Telford 69-12Kv Substation Site Acquisition	\$ 207,286	1991	2003

PPL ELECTRIC UTILITIES CORPORATION

As of December 31, 2004

Future Use Property

<u>DESCRIPTION</u>	<u>TOTAL AMOUNT</u>	<u>ORIGINAL DATE</u>	<u>EXPECTED UTILIZATION DATE</u>
Site For Bellaire Area 69-12 KV Substation, North Middleton Twp., Cumberland Co.	\$ 26,403	1971	2010
Site For Shermansdale Area 69-12 Kv Substation	20,129	1974	2005
Site for Northumberland Area 69-12 Kv Substation	38,782	1986	2004
Site for New Kingstown Area 69-12 Kv Substation	3,902	1976	2005
Site For Devonshire Area	29,932	1977	2004
Site For Penbrook Area 69-12 Kv Substation	28,685	1974	2010
Site For Christiana Area 69-12 Kv Substation	15,036	1973	2007
Dem.Rem. Trolley Barn Prince Sub.	404,313	1998	2010
Purchase Land For Expansion Of Prince 69-12 Kv Substation		1984	2010
Site for Allenwood Sub.	32,940	2000	2007
Site For Proposed South Farmersville 69-12 Kv sub	411,073	1994	2004
New CANDO 69/12kV Sub 69 Kv Tap	738	2003	2007
New CANDO 69/12kV Sub & Term	\$ 1,382	2003	2007

PPL ELECTRIC UTILITIES CORPORATION

As of December 31, 2004

Future Use Property

<u>DESCRIPTION</u>	<u>TOTAL AMOUNT</u>	<u>ORIGINAL DATE</u>	<u>EXPECTED UTILIZATION DATE</u>
Site For Stabler Park 69-12KV Sub	\$ 74,491	1994	2013
Total Distribution Plant - Area - Substations	<u>1,916,265</u>		
DISTRIBUTION PLANT - AREA - LINES			
Rights Of Way For Nippenose 12 Kv Tap	30,075	1981	2007
Total Distribution Plant - Area - Lines	<u>30,075</u>		
OTHER DISTRIBUTION			
Installation Of Manholes And Conduit To Provide Supply To And From Central Wilkes-Barre Sub. For Electric Distribution System	262,366	1977	2012
Installation Of Conduit On Bridge Over Spring Creek,  <i>Harrisburg, Dauphin County</i>	3,972	1977	2007
Total Other Distribution	<u>266,338</u>		
Total Future Use Property	<u>\$ 15,369,945</u>		

- Q.2. If a claim is made for construction work in progress, provide a supporting schedule which sets forth separately, revenue-producing and *nonrevenue producing amounts*, and include, for each category a summary of all work orders, amounts expended at the end of the test year and anticipated inservice dates. Indicate if the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion dates and estimated total amounts to be spent on each project.
- A.2. PPL Electric is not making a claim for construction work in progress in the future test year.

- Q.3. If a claim is made for materials and supplies or fuel inventory provide a supporting schedule for each claim showing the latest actual 13 monthly balances and showing in the case of fuel inventory claims, the type of fuel, and location, as in station, and the quantity and price claimed.
- A.3. The requested information for materials and supplies is provided in Schedule C-5 of Exhibits Historic 1 and Future 1, respectively. There is no claim being made for fuel inventory.

- Q.4. If a claim is made for cash working capital provide a supporting schedule setting forth the method and all detailed data utilized to determine the *cash working capital requirement*. If not provided in the support data provide a lead-lag study of working capital, completed no more than 6 months prior to the rate increase filing.
- A.4. Attachment II-B-4 provides a copy of the working capital lead-lag study. Schedule C-4 of Exhibits Historic 1 and Future 1 sets forth the method and detailed data utilized to determine the Company's claimed cash working capital requirements.

**PPL Electric Utilities Corporation**  
**Lag in Days in Payment of Operating Expenses**  
**3 Months Ended September 30, 2003**

	<u>Lag in Days</u>
<b><u>Payroll</u></b> Lag between the midpoint of the 14 day payroll period and pay day (payroll period ends on a Sunday and employees are paid on the following Friday).	12
<b><u>Benefits</u></b> Lag between the midpoint of the calendar month when services are provided through PPL Services Corp. and the payment on the 20th of the following month.	35
<b><u>Affiliate Support Costs</u></b> Lag between the midpoint of the calendar month when services are provided and the payment on the 20th of the following month.	35
<b><u>Other Operating Expenses</u></b> Lag between the receipt of services and materials and payment of invoices based on a review of selected invoices.	41

**PPL Electric Utilities Corporation  
Lag in Payment of Payroll & Benefits  
3 Months Ended September 30, 2003**

**Payroll**

	<u>Number of Days</u>
Midpoint of 14 day payroll period	7
Lag between the end of the payroll period and the pay day (payroll period ends on a Sunday and employees are paid on the following Friday)	<u>5</u>
	<u><u>12</u></u>

**Benefits**

	<u>Number of Days</u>
Lag between the midpoint of the calendar month when services are provided through PPL Services Corp. and the payment on the 20th of the following month	35

**PPL Electric Utilities Corporation**  
**Lag in Payment of Affiliate Support Costs**  
**3 Months Ended September 30, 2003**

Description	Journal ID	Mid-point of Service Date	Payment Date	(A) Amount	(B) Days Lag	(A) x (B) Weighted Amount
July Direct Costs	EUL754	16-Jul-03	20-Aug-03	\$3,913,144.00	35	\$136,960,040
July Indirect Costs	EUL752	16-Jul-03	20-Aug-03	2,741,223.00	35	95,942,805
August Direct Costs	EUL754	16-Aug-03	22-Sep-03	4,747,485.00	37	175,656,945
August Indirect Costs	EUL752	16-Aug-03	22-Sep-03	3,263,694.00	37	120,756,678
September Direct Costs	EUL754	15-Sep-03	20-Oct-03	3,179,322.00	35	111,276,270
September Indirect Costs	EUL752	15-Sep-03	20-Oct-03	559,593.00	35	19,585,755
Quarterly Reconciliation of Affiliate Costs	EUL752	16-Aug-03	20-Oct-03	(749,068.65)	65	(48,689,462)
Quarterly Allocation of Captive Insurance Co.	EUL752	16-Aug-03	20-Oct-03	345,463.00	65	22,455,095
Total				<u>\$18,000,855.35</u>		<u>\$633,944,126</u>

Weighted Average Lag (A x B) / A =

35.22

Days

**PPL Electric Utilities Corporation  
Lag in Payment of Other Expenses  
3 Months Ended September 30, 2003**

<b>Category</b>	<b>Amount</b>	<b>Days Lag</b>	<b>Weighted Amount</b>
Employee Expenses*	\$636,938	12.00	\$7,643,256
Materials & Supplies	617,554	55.35	34,181,614
Printing & Office Supplies	301,276	-5.64	(1,699,197)
Tree Trimming	3,862,562	56.08	216,612,477
Work by Outsiders	4,946,413	80.71	399,224,993
Services	1,726,824	54.52	94,146,444
Postage	1,277,309	-13.73	(17,537,453)
Telephone & Leased Wires	624,380	18.29	11,419,910
Rents	1,883,186	-22.25	(41,900,889)
Advertising	739,563	9.55	7,062,827
Miscellaneous	2,836,460	34.49	97,829,505
<b>Total</b>	<b>\$19,452,465</b>		<b>\$806,983,489</b>

Weighted Average Lag = Total Weighted Amount / Total Amount = 41.48 Days

\* The majority of employee expenses are processed on a pay period basis, accordingly, the 12-day payroll lag is deemed to be representative

**PPL Electric Utilities Corporation**  
**Lag in Payment of Materials - BI 25**  
**3 Months Ended September 30, 2003**

Vendor Name	Voucher Number	Invoice Number	Mid-point of Service Date	Payment Date	(A) Amount	(B) Days Lag	(A) x (B) Weighted Amount
Flir Systems Inc	1735624	31558	24-Jun-03	15-Sep-03	\$ 50,827.00	83	\$ 4,218,641
Achieveglobal Inc	1716934	1277619	24-Jul-03	29-Aug-03	13,623.12	36	490,432
Benson W Probst Excavating	1742225	780	09-Sep-03	09-Oct-03	1,244.44	30	37,333
GREENTREE TRANSPORTATION CO	1730555	G606053A	14-Aug-03	04-Sep-03	546.48	21	11,476
BOC GASES	1740099	29433179	29-Aug-03	09-Oct-03	299.88	41	12,295
ITRON	1713074	213376	23-Jun-03	11-Aug-03	17,162.31	49	840,953
Achieveglobal Inc	1716934	1277619	24-Jul-03	29-Aug-03	13,623.12	36	490,432
MEGASYS INC	1709165	PPLSERV 04 25 03	26-Mar-03	04-Aug-03	11,315.78	131	1,482,367
KEYSTONE FLUID POWER	1716741	307405	05-Aug-03	04-Sep-03	720.13	30	21,604
UNITED PARCEL SERVICE	1714524	172377303	23-Jul-03	11-Aug-03	358.02	19	6,802
BURKHARDT EXCAVATING	1722889	9653	22-Apr-03	22-Aug-03	201.00	122	24,522
Flir Systems Inc	1693192	31390	18-Jun-03	04-Aug-03	104,848.57	47	4,927,883
MEGASYS INC	1701905	PPLSERV 06 13 03	02-May-03	23-Jul-03	8,968.78	82	735,440
Osmose Utilities Services Inc	1701078	72 3300074	05-Jun-03	25-Jul-03	8,205.05	50	410,253
Airgas East	1691639	116788279	30-Sep-03	07-Jul-03	5,842.00	-85	(496,570)
BRAZEN SOFTWARE INC	1702191	172	15-Jul-03	31-Jul-03	1,023.96	16	16,383
EMERY FORWARDING	1698533	2784666696	03-Jun-03	16-Jul-03	506.66	43	21,786
UGI UTILITIES INC	1703165	6.09549E+11	25-Jun-03	23-Jul-03	247.20	28	6,922
Total					<u>\$ 239,563.50</u>		<u>\$ 13,258,955</u>

Weighted Average Lag (A x B) / A

55.35 days

**PPL Electric Utilities Corporation  
Lag in Payment of Printing & Office Supplies - BI 26  
3 Months Ended September 30, 2003**

Vendor Name	Voucher Number	Invoice Number	Mid-point of Service Date	Payment Date	(A) Amount	(B) Days Lag	(A) x (B) Weighted Amount
ASPECT COMMUNICATIONS CORPORATION	1734396	600852	31-Jul-03	15-Sep-03	\$ 15,000.00	46	\$ 690,000
BOISE CASCADE OFFICE PRODUCTS	1738791	460506	06-Sep-03	08-Oct-03	650.00	32	20,800
PRINT-O-STAT INC	1732540	DC000022	20-Jul-03	12-Sep-03	314.97	54	17,008
SPRINT	1740346	7.17436E+12	22-Sep-03	24-Sep-03	236.38	2	473
ITRON	1713074	213376	23-Jun-03	11-Aug-03	9,861.78	49	483,227
BRAZEN SOFTWARE INC	1727189	165	15-Jun-03	28-Aug-03	6,714.57	74	496,878
PRINT-O-STAT INC	1712014	M0000206	22-Jul-03	21-Aug-03	491.80	30	14,754
UNISOURCE WORLDWIDE INC/MID ATLANT	1718488	53846968511	06-Aug-03	05-Sep-03	391.67	30	11,750
FIVE THOUSAND FORMS INC	1704378	20309	08-Jul-03	18-Aug-03	246.68	41	10,114
WITNESS SYSTEMS INC	1691651	INV30171	26-Nov-03	07-Jul-03	10,481.70	-142	(1,488,401)
BRAZEN SOFTWARE INC	1702191	172	15-Jul-03	31-Jul-03	6,714.57	16	107,433
WITNESS SYSTEMS INC	1691651	INV30171	26-Nov-03	07-Jul-03	6,178.95	-142	(877,411)
FIVE THOUSAND FORMS INC	1704378	20309	08-Jul-03	18-Aug-03	4,358.02	41	178,679
SPECPRINT	1695133	80630	13-Oct-03	09-Jul-03	413.40	-96	(39,686)
DEER PARK SPRING WATER	1691059	03F0425864212	20-May-03	03-Jul-03	248.46	44	10,932
UNISOURCE WORLDWIDE INC/MID ATLANT	1704978	53846918480	17-Jul-03	08-Sep-03	210.94	53	11,180
<b>Total</b>					<u>\$ 62,513.89</u>		<u>\$ (352,270)</u>

Weighted Average Lag (A x B) / A

-5.64 days

**PPL Electric Utilities Corporation  
Lag in Payment of Tree Trimming - BI 31  
3 Months Ended September 30, 2003**

Vendor Name	Voucher Number	Invoice Number	Mid-point of Service Date	Payment Date	(A) Amount	(B) Days Lag	(A) x (B) Weighted Amount
JAFLO INC	1739735	000647 WEEK 34	20-Aug-03	06-Oct-03	\$ 122,928.00	47	\$ 5,777,616
JAFLO INC	1736871	641	06-Aug-03	26-Sep-03	9,825.00	51	501,075
JAFLO INC	1714762	632	25-Jun-03	22-Aug-03	3,425.58	58	198,684
JAFLO INC	1714762	632	25-Jun-03	22-Aug-03	1,195.20	58	69,322
JAFLO INC	1728720	643	06-Aug-03	22-Sep-03	88,583.00	47	4,163,401
ASPLUNDH TREE EXPERT CO	1709520	227474	25-May-03	20-Aug-03	39,649.04	87	3,449,466
JAFLO INC	1720012	635	09-Jul-03	10-Sep-03	19,702.80	63	1,241,276
JAFLO INC	1728701	639	23-Jul-03	15-Sep-03	8,784.75	54	474,377
JAFLO INC	1694690	621	28-May-03	28-Jul-03	112,697.40	61	6,874,541
JAFLO INC	1705268	627	11-Jun-03	07-Aug-03	15,218.50	57	867,455
JAFLO INC	1694690	621	28-May-03	28-Jul-03	5,750.00	61	350,750
ASPLUNDH TREE EXPERT CO	1697899	207665	11-May-03	15-Jul-03	2,544.17	65	165,371
Total					<u>\$ 430,303.44</u>		<u>\$ 24,133,334</u>

Weighted Average Lag (A x B) / A

56.08 days

**PPL Electric Utilities Corporation**  
**Lag in Payment of Work By Outsiders - BI 32**  
**3 Months Ended September 30, 2003**

Vendor Name	Voucher Number	Invoice Number	Mid-point of Service Date	Payment Date	(A) Amount	(B) Days Lag	(A) x (B) Weighted Amount
ASPLUNDH TREE EXPERT CO	1725064	267717	22-Jun-03	15-Sep-03	\$ 76,514.51	85	\$ 6,503,733
ASPLUNDH TREE EXPERT CO	1723510	247752	07-Jun-03	11-Sep-03	70,669.68	96	6,784,289
HENKELS & MCCOY INC	1725419	PPLA01 11346	24-Jul-03	30-Sep-03	26,965.46	68	1,833,651
COMMUNITY ACTION COMMITTEE OF LEHIGH VALLEY	1730668	307 03 0	08-Jul-03	04-Sep-03	3,026.19	58	175,519
BEITER'S APPLIANCES	1730716	3 7268	30-Jul-03	03-Sep-03	1,710.84	35	59,879
SOLOMON AND SOLOMON PC	1741537	123262	11-Aug-03	26-Sep-03	1,014.08	46	46,648
ASPLUNDH TREE EXPERT CO	1725556	267719	22-Jun-03	28-Aug-03	36,350.58	67	2,435,489
RESEARCH DATA ANALYSIS INC	1722043	8139	30-Apr-03	15-Sep-03	29,570.00	138	4,080,660
HAVERFIELD CORPORATION	1730171	20032001 22	13-Aug-03	17-Sep-03	26,000.00	35	910,000
COMMUNITY ACTION COMMITTEE OF LEHIGH VALLEY	1714015	267 03 0	17-Jun-03	08-Aug-03	2,580.86	52	134,205
SCRANTON LACKAWANNA HUMAN	1723680	73003	30-Jul-03	29-Aug-03	1,545.23	30	46,357
HENKELS & MCCOY INC	1670185	PPLA01 11104	28-Apr-03	13-Jun-03	1,002.71	46	46,125
ICR	1697063	4719	21-May-03	23-Jul-03	28,750.00	63	1,811,250
Osrose Utilities Services Inc	1697198	70 3301008	05-Jun-03	18-Jul-03	2,898.02	43	124,615
COMMUNITY ACTION PROGRAM OF LANCASTER	1708440	3709	18-Jun-03	14-Aug-03	1,683.26	57	95,946
SOLOMON AND SOLOMON PC	1698390	121482	09-Jun-03	14-Jul-03	1,010.91	35	35,382
Total					<u>\$311,292.33</u>		<u>\$ 25,123,748</u>

Weighted Average Lag (A x B) / A

80.71 days

**PPL Electric Utilities Corporation**  
**Lag in Payment of Services - BI 33**  
**3 Months Ended September 30, 2003**

Vendor Name	Voucher Number	Invoice Number	Mid-point of Service Date	Payment Date	(A) Amount	(B) Days Lag	(A) x (B) Weighted Amount
PPL Solutions Monthly Billing	-	EUL 757	15-Sep-03	20-Oct-03	\$ 77,900.00	35	\$ 2,726,500
MINER & MINER CONSULTING	1738137	14933	13-Jun-03	19-Sep-03	61,296.00	98	6,007,008
COMVERGE TECHNOLOGIES INC	1740656	0022053IN	09-Jul-03	25-Sep-03	35,843.12	78	2,795,763
Baker Tanks Inc	1726997	1053750 001	21-May-03	17-Sep-03	2,304.20	119	274,200
TROY MECHANICAL INC	1696091	3088	06-Jun-03	23-Sep-03	1,054.33	109	114,922
Airgas East	1735670	116038763	31-Aug-03	29-Oct-03	112.25	59	6,623
J D Power and Associates	1723950	30997	28-Jul-03	28-Aug-03	65,000.00	31	2,015,000
KEMA CONSULTING	1723554	70951	30-May-03	02-Sep-03	26,123.07	95	2,481,692
MINER & MINER CONSULTING	1712856	14874	27-May-03	07-Aug-03	14,339.68	72	1,032,457
Metropolitan Communications Group Inc	1720111	685	04-Aug-03	25-Aug-03	10,559.88	21	221,757
CONCRETE SAFETY SYSTEMS	1717333	418864	06-Aug-03	05-Sep-03	10,000.00	30	300,000
PENNSYLVANIA ONE CALL SYSTEM INC	1721139	153282	15-Jul-03	29-Aug-03	1,642.00	45	73,890
ROWE LINE CONSTRUCTION INC	1728195	3947	17-Jul-03	29-Aug-03	461.46	43	19,843
SCHUYLKILL MOBILE FONE INC	1710925	31476135	15-Aug-03	05-Aug-03	159.00	-10	(1,590)
COMVERGE TECHNOLOGIES INC	1696523	0021862 IN	09-May-03	18-Jul-03	39,671.13	70	2,776,979
EGYPTIAN MARKETING CONSULTANTS	1702766	ASWAN	31-Mar-03	23-Jul-03	12,039.02	114	1,372,448
CGI/CYME	1692106	20654	31-Jan-04	18-Jul-03	10,444.00	-197	(2,057,468)
FABLING & ASSOCIATES	1701792	TSF2003 06 06	30-May-03	23-Jul-03	2,513.84	54	135,747
PENNSYLVANIA ONE CALL SYSTEM INC	1702086	151649	15-Jul-03	30-Jul-03	865.02	15	12,975
EMPLOYMENT LEARNING INNOVATIONS	1709414	30796	26-Jun-03	04-Aug-03	490.06	39	19,112
<b>Total</b>					<u>\$ 372,818.06</u>		<u>\$ 20,327,859</u>

Weighted Average Lag (A x B) / A

54.52 days

**PPL Electric Utilities Corporation**  
**Lag in Payment of Postage - BI 34**  
**3 Months Ended September 30, 2003**

Vendor Name	Voucher Number	Invoice Number	Mid-point of Service Date	Payment Date	(A) Amount	(B) Days Lag	(A) x (B) Weighted Amount
Postage Costs		JEF3420002	15-Sep-03	04-Sep-03	\$ 345,141.18	-11	\$ (3,796,553)
Postage Costs		JEF3420002	15-Sep-03	04-Sep-03	28,461.92	-11	(313,081)
DIRECT MAIL SERVICE & PRESS INC	1738004	SEPPOSTAGE	15-Oct-03	19-Sep-03	10,000.00	-26	(260,000)
Postage Costs		JEF3420002	15-Aug-03	01-Aug-03	361,321.31	-14	(5,058,498)
Postage Costs		JEF3420002	15-Aug-03	01-Aug-03	24,775.64	-14	(346,859)
KUTZTOWN PUBLISHING CO INC	1719278	KUTZPUBL 030830	22-Aug-03	15-Aug-03	6,055.00	-7	(42,385)
ANCORA	1710197	76329	14-Jun-03	27-Oct-03	2,382.93	135	321,696
Postage Costs		JEF3420002	15-Jul-03	28-Jun-03	376,880.94	-17	(6,406,976)
Postage Costs		JEF3420002	15-Jul-03	27-Jun-03	29,288.41	-18	(527,191)
UNITED STATES POSTAL SERVICE	1697164	35653955	15-Jul-03	14-Jul-03	13,650.00	-1	(13,650)
<b>Total</b>					<b>\$ 1,197,957</b>		<b>\$ (16,443,498)</b>

Weighted Average Lag (A x B) / A

-13.73 days

**PPL Electric Utilities Corporation  
Lag in Payment of Phones & Wires - BI 35  
3 Months Ended September 30, 2003**

Vendor Name	Voucher Number	Invoice Number	Mid-point of Service Date	Payment Date	(A) Amount	(B) Days Lag	(A) x (B) Weighted Amount
VERIZON	1736460	215181361335564Y	15-Sep-03	18-Sep-03	\$ 6,375.08	3	\$ 19,125
VERIZON	1736483	717192568345499Y	15-Sep-03	18-Sep-03	4,274.46	3	12,823
SPRINT	1733579	717 240 0009 259	09-Sep-03	05-Sep-03	3,569.26	-4	(14,277)
COMMONWEALTH TELEPHONE CO	1741251	01 111 0071 8 402 6	15-Sep-03	25-Sep-03	2,250.77	10	22,508
Nextel Partners	1739941	421031087 0700252264	02-Aug-03	23-Sep-03	2,176.80	52	113,194
VERIZON	1726312	215190682099924Y	15-Aug-03	28-Aug-03	51,966.89	13	675,570
VERIZON	1726312	215190682099924Y	15-Aug-03	28-Aug-03	33,360.00	13	433,680
ATX TELECOMMUNICATIONS SERVICES	1718128	8003425775	10-Jul-03	14-Aug-03	11,262.39	35	394,184
ATX TELECOMMUNICATIONS SERVICES	1720568	8003586623	10-Jul-03	28-Aug-03	6,101.13	49	298,955
VERIZON	1717391	717194560215332Y	15-Aug-03	13-Aug-03	4,199.52	-2	(8,399)
ATX TELECOMMUNICATIONS SERVICES	1702753	8003425775	10-Jun-03	23-Jul-03	21,715.46	43	933,765
VERIZON	1701062	215181361335564Y	15-Jul-03	21-Jul-03	6,375.08	6	38,250
VERIZON	1701621	717194560215332Y	15-Jul-03	22-Jul-03	4,157.31	7	29,101
VERIZON	1701430	717196153811906Y	15-Jul-03	22-Jul-03	3,019.61	7	21,137
VERIZON	1701894	717193346599910Y	15-Jul-03	22-Jul-03	2,472.43	7	17,307
Totals					<u>\$ 163,276</u>		<u>\$ 2,986,923</u>

Weighted Average Lag (A x B) / A

18.29 days

**PPL Electric Utilities Corporation  
Lag in Payment of Rents - BI 36  
3 Months Ended September 30, 2003**

Vendor Name	Voucher Number	Invoice Number	Mid-point of Service Date	Payment Date	(A) Amount	(B) Days Lag	(A) x (B) Weighted Amount
ASPECT COMMUNICATIONS		Monthly Lease JE 322	15-Sep-03	01-Oct-03	\$ 35,310.56	16	\$ 564,969
NATIONAL RAILROAD PASSENGER CORP	1738041	MKA CMAGEDEL	01-Mar-04	22-Sep-03	14,928.59	-161	(2,403,503)
United Rentals Inc.	1738037	33163983 006	25-Aug-03	29-Sep-03	2,913.92	35	101,987
CLEVELAND BROTHERS EQUIP CO INC	1740618	K7719515	30-Jul-03	25-Sep-03	2,385.00	57	135,945
DILO CO.		Monthly Lease JE 322	15-Sep-03	01-Oct-03	1,384.78	16	22,156
CLEVELAND BROTHERS EQUIP CO INC	1743520	P6972428	17-Aug-03	02-Oct-03	1,219.00	46	56,074
IPC INFORMATIONAL SYSTEM		Monthly Lease JE 322	15-Sep-03	30-Sep-03	1,168.16	15	17,522
ASPECT COMMUNICATIONS		Monthly Lease JE 322	15-Aug-03	01-Oct-03	35,470.51	47	1,667,114
DOBLE ENGINEERING COMPANY	1714803	27525	01-Feb-04	11-Aug-03	25,557.50	-174	(4,447,005)
CLEVELAND BROTHERS EQUIP CO INC	1729146	K7719513	30-May-03	02-Sep-03	2,438.00	95	231,610
METROPOLITAN EDISON CO	1157094	INTERCONNECTION-30	15-Sep-03	29-Aug-03	1,767.00	-17	(30,039)
IPC INFORMATION SYSTEMS		Monthly Lease JE 322	15-Aug-03	01-Oct-03	1,318.12	47	61,952
PRECISE POSITIONING PRODUCTS	1685998	E13952	30-May-03	11-Jul-03	35,838.60	42	1,505,221
ASPECT COMMUNICATIONS		Monthly Lease JE 322	15-Jul-03	01-Aug-03	35,566.01	17	604,622
SUSQUEHANNA COAL CO	410998	R/W RENT-6	01-Jan-04	01-Jul-03	19,886.00	-184	(3,659,024)
United Rentals Inc.	1704837	33163983 002	01-Jul-03	04-Aug-03	2,913.92	34	99,073
HV DIAGNOSTICS		Monthly Lease JE 322	15-Jul-03	01-Oct-03	2,267.04	78	176,829
IPC INFORMATION SYSTEMS		Monthly Lease JE 322	15-Jul-03	01-Oct-03	1,321.07	78	103,043
IPC INFORMATIONAL SYSTEM		Monthly Lease JE 322	15-Jul-03	30-Sep-03	1,184.61	77	91,215
AVO INTERNATIONAL		Monthly Lease JE 322	15-Jul-03	30-Sep-03	977.65	77	75,279
<b>Total</b>					<u>\$ 225,816.04</u>		<u>\$ (5,024,958)</u>

Weighted Average Lag (A x B) / A

-22.25 days

**PPL Electric Utilities Corporation  
Lag in Payment of Advertising - BI 37  
3 Months Ended September 30, 2003**

<b>Vendor Name</b>	<b>Voucher Number</b>	<b>Invoice Number</b>	<b>Mid-point of Service Date</b>	<b>Payment Date</b>	<b>(A) Amount</b>	<b>(B) Days Lag</b>	<b>(A) x (B) Weighted Amount</b>
McCaffery Ratner Gottlieb & Lane Inc	1738095	F58092003	15-Sep-03	22-Sep-03	\$ 46,875.00	7	\$ 328,125
On-Line Publishers Inc	1734218	16984	01-Sep-03	01-Oct-03	2,140.00	30	64,200
M. D. Sponsor Ad	1734038	SPONS	03-Oct-03	07-Oct-03	2,000.00	4	8,000
McCaffery Ratner Gottlieb & Lane Inc	1724635	F58 08	15-Aug-03	25-Aug-03	46,875.00	10	468,750
McCaffery Ratner Gottlieb & Lane Inc	1724632	P13409	26-Jun-03	25-Aug-03	26,073.71	60	1,564,423
Mid-Atlantic Newspaper Services	1723476	03075PP00 00	27-Jul-03	29-Aug-03	8,349.16	33	275,522
McCaffery Ratner Gottlieb & Lane Inc	1699822	P13370	09-Jul-03	16-Jul-03	500,000.00	7	3,500,000
McCaffery Ratner Gottlieb & Lane Inc	1699819	F58 07	15-Jul-03	18-Jul-03	46,875.00	3	140,625
Mid-Atlantic Newspaper Services	1704507	03064PP02 00	22-Jun-03	28-Jul-03	5,045.86	36	181,651
<b>Totals</b>					<b>\$ 684,233.73</b>		<b>\$ 6,531,296</b>

Weighted Average Lag (A x B) / A

9.55 days

**PPL Electric Utilities Corporation**  
**Lag in Payment of Miscellaneous Expenses - BI 49**  
**3 Months Ended September 30, 2003**

Vendor Name	Voucher Number	Invoice Number	Mid-point of Service Date	Payment Date	(A) Amount	(B) Days Lag	(A) x (B) Weighted Amount
Bloom institute Inc	1727120	93	23-Jul-03	02-Sep-03	\$ 5,023.04	41	\$ 205,945
HOLIDAY INN	1719944	73103	23-Jul-03	21-Oct-03	3,459.60	90	311,364
ERIE INSURANCE GROUP	1739140	PD HAR 03 052 010170650840	03-Sep-03	19-Sep-03	3,246.70	16	51,947
ROXANNE BREINER	1735095	9087038005	12-Aug-03	11-Sep-03	2,492.74	30	74,782
JAMES F GIBBONS	1735199	1917123008	05-Aug-03	11-Sep-03	2,114.68	37	78,243
MARY DESALES CLARKE	1735093	59681 15009	26-Aug-03	11-Sep-03	2,013.74	16	32,220
COLLINS DAYLOR & NOONE LLC	1712523	72203	17-Jul-03	11-Aug-03	11,200.00	25	280,000
CHAZ RITCHIE	1710098	1197002002PAGNANO	28-Jul-03	01-Aug-03	4,275.00	4	17,100
TELLERS MILL CONDO ASSOCIATION	1719893	61260 23001	11-Aug-03	18-Aug-03	3,860.00	7	27,020
ERIE INSURANCE GROUP	1715863	HAR PD 03 042 010170650989BM	04-Aug-03	11-Aug-03	3,260.85	7	22,826
BARTELL & BARTELL LTD	1714609	3245	16-Jun-03	08-Aug-03	2,840.80	53	150,562
Accenture	1690543	49349781	15-May-03	03-Jul-03	22,991.00	49	1,126,559
ECONOMIC DEVELOPMENT COMPANY	1691145	61603	16-Jun-03	02-Jul-03	5,000.00	16	80,000
STEPHEN DAVIDOVICH III	1690105	18650 30003	22-May-03	01-Jul-03	3,136.95	40	125,478
<b>Totals</b>					<b><u>\$ 74,915.10</u></b>		<b><u>\$ 2,584,046</u></b>

Weighted Average Lag (A x B) / A

34.49 days

- Q.5. If a claim is made for compensating bank balances, provide the following information:
- a) Name and address of each bank.
  - b) Types of accounts with each bank—checking, savings, escrow, other services, and the like.
  - c) Average daily balance in each account.
  - d) Amount and percentage requirements for compensating bank balance at each bank.
  - e) Average daily compensating bank balance at each bank.
  - f) Documents from each bank explaining compensating bank balance requirements.
  - g) Interest earned on each type of account.
  - h) A calculation showing the average daily float for each bank.
- A.5. PPL Electric has no requirements for compensating bank balances with its banks and has not made a claim for this item as a component of working capital.

- Q.6. Explain in detail by statement or exhibit the appropriateness of additional claims or the use of a method not previously mentioned, in the claimed rate base.
- A.6. An explanation of PPL Electric's claim for any additional rate base items is set forth in Section C of Exhibit Future 1.

- Q. 1. Prepare a Statement of Income including:
- a) The book, or budgeted, statement for the test year.
  - b) Adjustments to annualize and normalize under present rates, including an elimination of the effects on income of the energy cost rate and state tax adjustment surcharge.
  - c) The income statement under present rates after adjustment.
  - d) The adjustment for the revenue requested.
  - e) The income statement under requested rates after adjustment.

Each adjustment, including those relating to adjustment clauses, shall contain an explanation in sufficient clarifying detail to allow a reasonably informed person to understand the method and rationale of the adjustment.

- A. 1. The information requested in items a. through e. is set forth in Section D of Exhibit Future 1.

- Q.2. If the schedule provided in item 1 is based upon budgeted data for a future test year, provide a similar schedule which is based upon actual data for the 12-month period immediately prior to the test year.
- A.2. The information requested is set forth in Section D of Exhibit Historic 1.

- Q. 1. Provide a schedule showing all revenues and expenses for the test year and for the 12-month period immediately prior to the test year, together with an explanation for major variances between test year revenues and expenses and those for the previous 12-month period. Revenues and expenses shall be summarized by the major account categories listed below. If budgeted data for a future test year is not readily available by these categories, an analysis of the data for the 12-month period immediately prior to the future test year or for the most recent available calendar year may serve as the basis for ratably allocating the budgeted data into the account categories.
- A. 1. Attachment II-D-1a provides the requested schedule of revenues and expenses by account categories. Attachment II-D-1b provides explanations for major variances.

**PPL ELECTRIC UTILITIES CORPORATION**  
**Operating Statements**  
**For the 12 Months Ended December 31,**  
**(Thousands of Dollars)**

	<u>2004</u>	<u>2003</u>	<u>Difference</u>
<b><u>OPERATING REVENUES</u></b>			
400			
Electric Revenue:			
Residential	\$ 977,194	\$ 964,948	\$ 12,246
Commercial	860,283	767,043	93,240
Industrial	461,588	430,331	31,257
Public Authorities	17,581	17,915	(334)
Railroads	4,330	2,934	1,396
Sales for Resale	146,494	179,900	(33,406)
Total Sales Revenue	<u>2,467,470</u>	<u>2,363,071</u>	<u>104,399</u>
Other Electric Revenue:			
Forfeited Discounts	6,000	7,717	(1,717)
Miscellaneous Service Revenue	0	(125)	125
Rent from Electric Property	16,906	18,989	(2,083)
Unbilled Revenues - Net	8,866	8,910	(44)
Other Electric Revenue	16,493	21,131	(4,638)
Total Other Electric Revenue	<u>48,265</u>	<u>56,622</u>	<u>(8,357)</u>
Total Operating Revenue	<u>2,515,735</u>	<u>2,419,693</u>	<u>96,042</u>
<b><u>OPERATING EXPENSE</u></b>			
401 - 402			
Operation and Maintenance Expense			
Power Production Expenses:			
Power Purchases	1,667,312	1,596,799	70,513
Ancillary Service Costs	60,285	58,252	2,033
Other	20	24	(4)
Transmission Expenses	15,056	13,630	1,426
Distribution Expenses	127,832	122,954	4,878
Customer Accounts Expenses	54,211	54,757	(546)
Customer Service & Informational Expenses	13,597	11,328	2,269
Sales Expenses	6,591	5,738	853
Administrative and General Expenses	127,180	136,669	(9,489)
Total Operation & Maint. Expense	<u>2,072,084</u>	<u>2,000,151</u>	<u>71,933</u>
403 - 405			
Depreciation Expense and Amortization of Electric Plant	108,619	102,604	6,015
407			
Regulatory Debits (Credits), net	4,750	6,997	(2,247)
408.1			
Taxes Other Than Income Taxes	176,974	170,668	6,306
411.6/411.7			
(Gains)/Losses From Disposition of Utility Plant	0	(19)	19
Total Operating Expenses Prior to Federal & State Income Taxes	<u>2,362,427</u>	<u>2,280,401</u>	<u>82,026</u>
Operating Income Prior to Federal & State Income Taxes	153,308	139,292	14,016

**PPL ELECTRIC UTILITIES CORPORATION**  
**Operating Statements**  
**For the 12 Months Ended December 31,**  
**(Thousands of Dollars)**

	<u>2004</u>	<u>2003</u>	<u>Difference</u>
<b><u>FEDERAL AND STATE INCOME TAXES</u></b>			
409.1 Federal Income Taxes	\$ (9,086)	\$ (3,859)	\$ (5,227)
State Income Taxes	5,678	2,471	3,207
410.1 & 411.1			
Deferred Federal Income Taxes - Net	32,314	21,323	10,991
Deferred State Income Taxes - Net	(3,401)	(1,892)	(1,509)
Investment Tax Credit Adjustments			
Deferrals	0	0	0
411.4 Amortization - Credit	(2,745)	(2,768)	23
Total Federal & State Income Taxes	22,760	15,275	7,485
Operating Income After Federal & State Income Taxes	130,548	124,017	6,531
<b><u>OTHER INCOME AND DEDUCTIONS</u></b>			
Other Income			
415 Merchandising Income	572	1,691	(1,119)
416,417 Merchandising Expense	(386)	(1,488)	1,102
418.0 Non-Utility Operating Income (Loss)	0	(45)	45
418.1 Equity in Earnings of Subsidiary Companies	0	(39)	39
419.0 Interest & Dividend Income	5,254	6,791	(1,537)
419.1 Allowance for Other Funds Used During Construction	0	188	(188)
421.1 Gain on Disposition of Property	3,250	8	3,242
421 Other Misc. Non-Operating Income	0	417	(417)
Total Other Income	8,690	7,523	1,167
Other Income Deductions			
421.2 Loss on Disposition of Property	0	3	(3)
426 Miscellaneous	1,339	1,347	(8)
Total Other Income Deductions	1,339	1,350	(11)
Taxes Applicable to Other Income Deductions			
408.2 Taxes Other Than Income Taxes	0	94	(94)
409.2 Federal Income Tax	2,573	1,704	869
State Income Tax	734	546	188
410.2 & 411.2			
Deferred Federal Income Taxes - Net	0	24	(24)
Deferred State Income Taxes - Net	0	8	(8)
Total Taxes Applicable to Other Income Deduction	3,307	2,376	931
Income Before Interest Charges	134,592	127,814	6,778

**PPL ELECTRIC UTILITIES CORPORATION**  
**Operating Statements**  
**For the 12 Months Ended December 31,**  
**(Thousands of Dollars)**

	<u>2004</u>	<u>2003</u>	<u>Difference</u>
<b><u>INTEREST CHARGES</u></b>			
427 Interest on Long-term Debt	\$ 83,339	\$ 91,115	\$ (7,776)
428 Amortization of Debt Discount & Expense	4,699	5,952	(1,253)
428.1 Amortization of Loss on Reacquired Debt	2,734	2,447	287
429 Amortization of Premium on Debt-Credit	0	0	0
430 Interest on Debt to Associated Companies	0	0	0
431 Other Interest Expense	(234)	552	(786)
432 Allowance for Borrowed Funds Used During Construction	(1,454)	(683)	(771)
Net Interest Charges	<u>89,084</u>	<u>99,383</u>	<u>(10,299)</u>
 Net Income	<u>\$ 45,508</u>	<u>\$ 28,431</u>	<u>\$ 17,077</u>

**PPL ELECTRIC UTILITIES CORPORATION**  
**Operating Statements**  
**For the 12 Months Ended December 31, 2003 and 2004**

Significant increases or decreases (in thousands of dollars) are attributed to the following:

**Account 400 - Operating Revenues - \$96,042**

Residential Sales - \$12,246 - Mild weather during 2003, combined with projected increased customers and customer usage, and an increase in energy and capacity rates in 2004 are expected to increase residential revenues. Future test year residential sales reflect a weather-normalized level of sales.

Commercial Sales - \$93,240 - Increased customer usage, an increase in energy and capacity rates for provider of last resort customers, and fewer customers receiving energy from alternative suppliers are forecasted for 2004.

Industrial Sales - \$31,257 - Increased customer usage over 2003, and an increase in energy and capacity rates for provider of last resort industrial customers are forecasted for 2004.

Sales for Resale - (\$33,406) - The decrease is primarily the result of lower sales to FERC wholesale customers due to a contract expiration after January 2004, and lower NUG transactions.

Rent from Electric Property - (\$2,083) - The decrease is primarily due to lower projected pole attachment revenues due to lower rates associated with Federal Communication Commission contracts starting in 2004.

Other Electric Revenue - (\$4,638) - The decrease is driven by lower projected revenues for transmission access from other utilities as a result of a change in PJM rules regarding the disbursement of revenues to transmission owners.

**Accounts 401 & 402 - Operation and Maintenance Expenses - \$71,933**

PPL Electric's budgeting process entails budgeting by category of expense, not by account. However, the Company is providing, for the purpose of this filing, an allocation of budgeted operation and maintenance expenses to accounts. This allocation is based primarily on the ratio of the actual charges by account for the historic test year.

Following is a comparison of these expenses by category of expense:

	<u>2004</u>	<u>2003</u>	<u>Difference</u>
Power Purchases	\$ 1,727,617	\$ 1,655,075	\$ 72,542
Wages & Employee Benefits	115,068	129,491	(14,423)
Other Operating Costs	229,399	215,585	13,814
	<u>\$ 2,072,084</u>	<u>\$ 2,000,151</u>	<u>\$ 71,933</u>

Explanations of major changes in category of expense are:

Power Purchases - \$72,542 - Increase due to increased provider of last resort load due to decreased shopping and higher customer usage, and higher ancillary service costs, partially offset by lower power purchases to fulfill FERC wholesale contracts and lower NUG power purchases due to a NUG outage in 2004.

**PPL ELECTRIC UTILITIES CORPORATION**  
**Operating Statements**  
**For the 12 Months Ended December 31, 2003 and 2004**

Wages & Employee Benefits - (\$14,423) - Decrease is due to charges incurred in 2003, but not budgeted in 2004. Charges in 2003 included a \$8.8 million severance charge for a workforce reduction, and a \$5.2 million charge to adjust the liability for retiree health care.

PPL Electric Other Operating Costs - \$13,814 - Other Operating Costs are further segregated into the following categories of expense:

	<u>2004</u>	<u>2003</u>	<u>Difference</u>
Employee Expenses	\$ 1,738	\$ 1,817	\$ (79)
Vehicles & Equipment Use	12,545	12,969	(424)
Materials & Supplies	5,053	6,098	(1,045)
Printing & Office Supplies	590	793	(203)
Tree Trimming	15,969	17,333	(1,364)
Work by Outsiders	53,363	48,759	4,604
Services	4,159	6,000	(1,841)
Postage	5,125	5,076	49
Telephone & Leased Wires	3,690	2,401	1,289
Rents	8,032	7,277	755
Advertising	2,424	2,499	(75)
Uncollectible Accounts	22,148	23,183	(1,035)
Sustainable Energy Fund Exp.	3,689	3,392	297
Miscellaneous	4,474	(5,912)	10,386
	<u>142,999</u>	<u>131,685</u>	<u>11,314</u>
PPL Electric Other Operating Costs			
PPL Services Corp. charges to PPL Electric	<u>86,400</u>	<u>83,900</u>	<u>2,500</u>
	<u>\$ 229,399</u>	<u>\$ 215,585</u>	<u>\$ 13,814</u>
Total Other Operating Costs			

Tree Trimming (\$1,364) - Decrease due to increased volume of work incurred during 2003 as a result of an unusual amount of storm activity. The budget for 2004 reflects a normal volume of tree trimming work.

Work By Outsiders \$4,604 and Services (\$1,841) - The combined increase of \$2,763 is due to additional projected use of foreign utilities and contractors to supplement PPL Electric's Field Services direct workforce.

Telephone & Leased Wires \$1,289 - Increase due to deployment of Automated Meter Reading (AMR) project and increased telephone charges for the Customer Contact Center. The full deployment of the AMR project will result in increased usage of communication lines to the substations. The Customer Contact Center increased costs are due to the use of a more reliable long-distance carrier and an expected increase in call volumes.

**PPL ELECTRIC UTILITIES CORPORATION**  
**Operating Statements**  
**For the 12 Months Ended December 31, 2003 and 2004**

Uncollectible Accounts - (\$1,035) - Decrease due to an anticipated reduction in uncollectible accounts due to more aggressive collection activities.

Miscellaneous \$10,386 - Increase primarily due to the deferral of Hurricane Isabel costs in 2003. The credit to expense for the deferral was accounted for in the Miscellaneous budget item.

PPL Services Corp. charges to PPL Electric \$2,500 - See Filing Requirement II-D-8 for an explanation of the variance.

Accounts 403 - 405 - Depreciation Expense & Amortization of Electric Plant - \$6,015 - Increase is the result of forecasted capital additions in 2004, as well as a full year of depreciation in 2004 for capital additions put in service in 2003.

Account 408.1 - Taxes Other Than Income Taxes - \$6,306 - Increase is due primarily to higher gross receipts and Revenue Neutral Reconciliation taxes resulting from projected increased retail sales in 2004.

Account 409.1 - Federal Income Taxes - (\$5,227) - Decrease is due primarily to a higher income tax expense recorded in 2003 related to the 2002 income tax return filings, and increased tax depreciation in 2004, partially offset by a projected increase in tax expense from higher pre-tax net operating income in 2004 and tax deductions related to Hurricane Isabel that were taken in 2003.

Account 409.1 - State Income Taxes - \$3,207 - Increase is due to higher projected pre-tax operating income in 2004 and tax deductions related to Hurricane Isabel that were taken in 2003.

Account 410.1 & 411.1 - Deferred Income Taxes - Federal & State - Net - \$9,482 - Increase is due primarily to deferred tax credits recorded in 2003 related to the 2002 income tax return filings, higher tax depreciation in 2004 as compared to 2003, partially offset by a decrease in deferred taxes resulting from the Hurricane Isabel deferral recorded in 2003.

Account 421.1 - Gain on Disposition of Property - \$3,242 - The future test year includes a budgeted amount for the sale of non-utility property that is considered no longer needed.

Account 427 - Interest on Long Term Debt - (\$7,776) - The decrease in interest on long-term debt is the result of the combined lower principal amounts of long-term debt outstanding and lower interest rates in the future test year.

- Q.2. Provide a summary of test year adjustments which sets forth the effect of the adjustment upon the following: operating revenues, operating expenses, taxes other than income taxes, operating income before income taxes, State income tax, Federal income tax and income available for return. In addition, test year adjustments shall be presented on the basis of the major account categories set out at II-D-1.
- A.2. Schedule D-2 of Exhibit Future 1 provides a summary of test year adjustments claimed by PPL Electric by major account categories.

- Q.3. List and explain all nonrecurring or extraordinary expenses incurred in the test year and all expenses included in the test year which do not occur yearly but are of a nature that they do occur over an extended period of years, for example, nonyearly maintenance programs, and the like.
- A.3. Test year expenses that are non-recurring, extraordinary or do not occur yearly, but over an extended period of years, are explained and adjusted in Section D of Exhibit Future 1.

- Q.4. As a separate item, list extraordinary property losses related to property previously included in cost of service when the gain or loss on this property has occurred or is likely to occur in the future test year. The proposed ratemaking treatment of extraordinary gains and losses must also be disclosed. Sufficient supporting data must be provided.
- A.4. PPL Electric does not expect to incur any extraordinary gains or losses in the future test year related to property previously included in cost of service.

Q.5. Provide the amount of accumulated reserve for uncollectible accounts, method and rate of accrual, amounts accrued and amounts written off in each of the last 3 calendar years.

A.5. The provision for uncollectible accounts for any year is determined by reviewing the projected annual revenue, current reserve balance, current receivable status, receivable trends, write-off trends and the projected impact of future collection initiatives on the quality of receivables.

Attachment II-D-5 presents the accumulated provision for the uncollectible accounts and the amounts written off for the years ended December 31, 2001, December 31, 2002 and December 31, 2003.

**PPL ELECTRIC UTILITIES CORPORATION**  
**Accumulated Provision for Uncollectible Accounts**  
*(Thousands of dollars)*

	Customers <u>14410</u>	Other <u>14440</u>	Property Damage <u>14450</u>	<u>Total</u>
Balance December 31, 2000	\$ 15,143	\$ 89	\$ 215	\$ 15,447
Provision	25,700	558	150	26,408
Amounts Written Off	<u>(23,299)</u>	<u>(155)</u>	<u>(225)</u>	<u>(23,679)</u>
Balance December 31, 2001	\$ 17,544	\$ 492	\$ 140	\$ 18,176
Provision	22,703	(14)	500	23,189
Amounts Written Off	<u>(18,540)</u>	<u>(77)</u>	<u>(412)</u>	<u>(19,029)</u>
Balance December 31, 2002	\$ 21,707	\$ 401	\$ 228	\$ 22,336
Provision	21,700	135	1,350	23,185
Amounts Written Off	<u>(21,302)</u>	<u>(147)</u>	<u>(547)</u>	<u>(21,996)</u>
Balance December 31, 2003	<u>\$ 22,105</u>	<u>\$ 389</u>	<u>\$ 1,031</u>	<u>\$ 23,525</u>

- Q.6. Supply detailed calculations to support the total claim for rate case expense, including supporting data for outside service rendered. Provide the items comprising the estimated rate case expense claim for the current rate case.
- A.6. Schedule D-6 of Exhibit Future 1 sets forth PPL Electric's claim for rate case expense.

Q.7. Submit schedules for the test year and for the 12-month period immediately prior to the test year showing by major components, if included in claimed test year expenses, the expenses incurred in each of the following expense categories.

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

Explain major variances between the test year expenses and those expenses for the prior 12-month period.

A.7. See the following attachments for the requested data and an explanation of the major variances:

- a) Attachment II-D-7a - Miscellaneous general expenses including account 930
- b) Attachment II-D-7b - Outside service expenses
- c) Attachment II-D-7c - *Regulatory commission expenses*
- d) Attachment II-D-7d - Advertising expenses
- e) Attachment II-D-7e - Research and development expenses
- f) Attachment II-D-7f - Charitable and civic contributions

PPL ELECTRIC UTILITIES CORPORATION

Miscellaneous General Expenses - Account 930.2  
Years Ended December 31,  
*(Thousands of Dollars)*

<u>Line No.</u>	<u>Expense</u>	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>
1	Sustainable energy funding mandated in the PPUC order in PPL Electric's stranded cost filing	\$ 3,689	\$ 3,392	\$ 297
2	Environmental remediation expense	3,556	3,025	531
3	Miscellaneous	131	111	20
4	<b>Total</b>	<u>\$ 7,376</u>	<u>\$ 6,528</u>	<u>\$ 848</u>

PPL ELECTRIC UTILITIES CORPORATION

**Outside Service Expenses**  
**Years Ended December 31,**  
***(Thousands of Dollars)***

<b>Line No.</b>	<b>Service</b>	<b>2004</b>	<b>2003</b>	<b>Increase (Decrease)</b>
1	Legal services	\$ 310	\$ 311	\$ (1)
2	<b>Total</b>	<b>\$ 310</b>	<b>\$ 311</b>	<b>\$ (1)</b>

PPL Electric budgets by expense type (payroll, materials, rents, etc.) and activity, not by FERC account. Therefore, the test year projection in Account 923 - Outside Services Employed, is based on an allocation. Each line item of detail is allocated based on the various charges to Account 923 during the 12 months ended December 31, 2003.

See Filing Requirement II-D-8 Charges by Affiliates for a listing of services provided by PPL Services Corporation.

**PPL ELECTRIC UTILITIES CORPORATION**  
**Regulatory Commission Expenses - Account 928**  
**Years Ended December 31,**  
***(Thousands of Dollars)***

<b>Line No.</b>	<b>Expense</b>	<b>2004</b>	<b>2003</b>	<b>Increase (Decrease)</b>
1	PUC Annual Assessment	4,155	\$ 3,534	\$ 621
2	FERC Annual Charges	108	92	16
3	<b>Total</b>	<b>\$ 4,263</b>	<b>\$ 3,626</b>	<b>\$ 637</b>

PPL ELECTRIC UTILITIES CORPORATION

Advertising Expenses  
Years Ended December 31,  
(Thousands of Dollars)

Line No.	Description/Purpose	2004	2003	Increase (Decrease)
1	Goodwill or institutional advertising (a)	\$ 2,000	\$ 2,124	\$ (124)
2	Weather Relief Assistance Program (WRAP)	-	112	(112)
3	OnTrack Payment Plan	-	19	(19)
4	Line and cable safety program	-	13	(13)
5	Economic Development - Demonstrations and selling and miscellaneous	-	213	(213)
6	Miscellaneous	-	19	(19)
7	<b>Total</b>	<u>\$ 2,000</u>	<u>\$ 2,500</u>	<u>\$ (500)</u>
<b>Types of Advertising</b>				
8	Television (a)	\$ 2,000	\$ 2,100	\$ (100)
9	Printed Media	-	400	(400)
10	<b>Total</b>	<u>\$ 2,000</u>	<u>\$ 2,500</u>	<u>\$ (500)</u>

Note: This schedule reflects only the costs of outside advertising expenses.

(a) The amounts included above for goodwill or institutional advertising are charged to Account 588, Miscellaneous distribution expenses, and Account 913, Advertising expenses. PPL Electric is not seeking recovery of these costs in this rate filing.

PPL ELECTRIC UTILITIES CORPORATION

Research and Development Expenses (a)  
Years Ended December 31,  
*(Thousands of Dollars)*

Line No.	Project	2004	2003	Increase (Decrease)
1	Support for Penn State's Municipal Tree Restoration Project	\$ 3	\$ 3	\$ -
2	<b>Total</b>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ -</u>

(a) Research support to the Electric Power Research Institute (EPRI), along with other research and development projects, is now being incurred by PPL Services Corp. In connection with the corporate realignment on July 1, 2000, certain corporate functions previously included in PPL Electric's operations were transferred to PPL Services Corp.

PPL ELECTRIC UTILITIES CORPORATION

Charitable and Civic Contributions - Account 426.1  
Years Ended December 31,  
*(Thousands of Dollars)*

<u>Line No.</u>	<u>Recipient</u>	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>
1	Operation Help	\$ 257	\$ 258	\$ (1)
2	Other - each less than \$5,000	2	2	-
3	<b>Total</b>	<u>\$ 259</u>	<u>\$ 260</u>	<u>\$ (1)</u>

Note: Charitable and civic contributions are charged to 'Other income and (deductions),' Account 426.1, and not to operating expense. Therefore, contributions of this type are not reflected in customer rates.

Q.8. Provide an analysis by function of charges by affiliates, for the test year and the 12-month period immediately prior to the test year, for services rendered included in the operating expenses of the filing company. Explain the nature of the service and the basis on which charges or allocations are made, including a copy of applicable contract. Also, explain major variances between the charges for the test year and the corresponding charges for the prior 12-month period.

A.8a. PPL Services Corporation ("PPL Services"), formed on July 1, 2000 as the result of a PPL Corporation realignment, provides various administrative and general services for PPL Electric and the other subsidiaries of PPL Corporation. Providing and charging for these services is based on an agreement dated April 27, 1995, by and between PPL Resources, Inc (now PPL Corporation) and its subsidiaries, including PPL Services and Pennsylvania Power & Light Company (now PPL Electric). Attachment II-D-8a is a copy of that agreement. Services are provided in two basic forms—Direct Support and Indirect Support. Direct Support is defined as a distinct product or service, which can be readily identified as being incurred for a specific affiliate, or group of affiliates, accounted for, and monitored as direct support. Any allocation to a specific affiliate of Direct Support is based on product/service unit pricing, or specific and identifiable cost accumulation and transfer. Indirect Support represents general and administrative support that generally benefits all PPL Corporation subsidiaries and cannot be readily identified as being incurred for a specific affiliate. Allocation of indirect support is based on a multi-factor allocation guidelines recommended by the PUC and described in Attachment II-D-8c.

Listed below are PPL Services individual departments.

- Information Services Department (ISD) – provides Information Technology, computer hardware and software, and telecommunications support. Direct Support fees are assessed based on the cost of the service provided.
- External Affairs – provides governmental relations and various corporate communications activities, such as media and public relations services, and strategic and employee communications. Direct charges to clients are based on actual costs incurred for specific services rendered.
- Human Resources (HR) – provides for the acquisition and departure of personnel, performance management, consulting, technical training, compensation and benefits programs, medical screening, and labor relations.
- Environmental Management (EMD) – provides technical support and waste management system training, corporate liability and remediation

management, systems and program development, policy and direction, and auditing and compliance services.

- Safety Operations – provides safety training, safety program evaluation and inspections, accident/incident investigation, regulatory compliance/consultation, and other related items.
- Community Affairs – provides support for administering and coordinating the corporate charitable contribution fund. Also provides support for community aid and public education programs.
- Financial Department – provides accounting services, corporate disbursements, pension plan services, insurance, credit and receipts. Also provides material management services – acquisition and handling.
- Office of General Counsel – provides legal services. Direct charges to clients are based on actual cost incurred for specific services rendered.
- Auditing – provides assessments, consultative services, and investigations.
- Facilities Management – provides building management services.

**PPL Services  
Support to PPL Electric  
Operating Expense  
(Millions of Dollars)**

Business Line	2003	2004
Information Services Department	\$ 36.1	\$ 37.3
External Affairs	0.8	1.2
Human Resources	3.5	4.8
Environmental Management	0.6	0.6
Safety Operations	1.4	1.2
Community Affairs	0.4	0.8
Financial Department	6.2	7.1
Office of General Counsel	7.5	6.9
Auditing	0.3	0.3
Facilities Management	(1.2)	2.6
<b>Total Direct Support</b>	<b>\$ 55.6</b>	<b>\$ 62.8</b>
<b>Total Indirect Support</b>	<b>28.3</b>	<b>23.6</b>
<b>Total Service Co Support</b>	<b>\$ 83.9</b>	<b>\$ 86.4</b>

Major variances between the test year and the 12-month period prior to the test year are as follows:

- The Information Services variance is due to a change in the level of work required to support PPL Electric. The budget for support to PPL Electric includes ongoing improvements and upgrades to the Electric Facilities Database, Work Management System, and other projects.
- The Human Resources variance is due to an increased quantity of services to be provided in 2004. A transfer from PPL Electric to Human Resources of personnel, who will continue to support PPL Electric, also contributed to the variance. In addition, Human Resources' ability to better identify the products and services provided to affiliates resulted in a realignment of support from Indirect Support to Direct Support.
- The Financial Department variance between 2003 actual and 2004 budget is primarily due to the higher rental cost for the replacement of remittance processing equipment and an increase of insurance premiums.
- The Facilities Management amount shown is a net amount which reflects charges and offsetting credits from PPL Electric's rental fees to affiliates. The variance is due to a general inflationary increase in expenses, such as wages and benefits. In addition, several improvements were completed in 2003 as part of the overall renovation of building space occupied in the Allentown General Office Complex. The consolidation of parking facilities at the Allentown General Office Complex, completed in 2003, also caused an increase in expense. These improvements enhance security and working conditions for employees.
- The indirect cost allocation variance is due to an overall reduction in PPL Services' indirect costs. In 2003, a comprehensive initiative was conducted to review and reduce the total cost of corporate services with the reductions effective for the 2004 budget.

A.8b. PPLSolutions, LLC provides various services to PPL Electric for energy supplier coordination. These services include administration and communications with the various energy suppliers serving customers within PPL Electric's service territory. PPLSolutions also provides energy load scheduling and reconciliation services, as well as miscellaneous other services. Attachment II-D-8b is the Service Agreement, which describes in detail all of the services provided and the price schedule. Charges to PPL Electric in 2003 were \$0.9 million, and are projected to be \$1.2 million in 2004.

**Services Agreement**

This Agreement is made as of April 27, 1995, by and between PP&L Resources, Inc., a Pennsylvania corporation ("Resources"), and Pennsylvania Power & Light Company, a Pennsylvania corporation ("PP&L").

WHEREAS, Resources, under its Articles of Incorporation, may engage in any lawful act concerning any lawful business for which corporations may be incorporated under the Pennsylvania Business Corporation Law and was formed for the purpose of separating PP&L's regulated and unregulated business activities; and

WHEREAS, PP&L is a subsidiary of Resources and is engaged in providing electric utility service to customers in portions of central eastern Pennsylvania subject to regulation by the Pennsylvania Public Utility Commission; and

WHEREAS, Resources and PP&L each possess knowledge and skill in various aspects of business operations; and

WHEREAS, the provision of certain services between Resources and PP&L will enable the parties to obtain these services effectively and efficiently; and

WHEREAS, Resources desires to procure services from PP&L on a non-exclusive basis, and PP&L is willing to provide these services; and

WHEREAS, PP&L desires to procure services from Resources on a non-exclusive basis, and Resources is willing to provide these services;

**NOW, THEREFORE**, in consideration of the agreements set forth herein and intending to be legally bound hereby, Resources and PP&L agree as follows:

**A. Services**

1. Resources agrees to provide, on an as-available basis, such services as may from time to time be requested by PP&L. These services may include any services necessary and appropriate to the safe, efficient and cost effective operation of PP&L's business, including but not limited to, executive management, administration, accounting, finance, legal, communications, purchasing, billing, information systems, corporate secretarial, human resources, insurance and other similar types of services.

2. PP&L agrees to provide, on an as-available basis, such services as may from time to time be requested by Resources. These services may include any services necessary and appropriate to the safe, efficient and cost effective operation of Resources' business, including but not limited to, executive management, administration, accounting, finance, legal, communications, purchasing, billing, information systems, corporate secretarial, human resources, insurance and other similar types of services.

3. Resources and PP&L may request services of this nature from time to time on an as-needed basis. Neither Resources nor PP&L is under any obligation to procure a set amount of services pursuant to this Agreement. In addition, neither Resources nor PP&L is obligated to procure these types of services solely from the other party to this Agreement. If they so desire, Resources and PP&L may procure these or similar services from third-party providers.

**B. Costs and Accounting**

1. Services provided pursuant to Section A of this Agreement are to be charged to the recipient at their full cost to the provider.

a. Direct Costs

If costs can be determined with reasonable certainty, these costs will be assumed to be the direct and full costs of providing the services at issue.

b. Indirect Costs

Costs shall include applicable indirect costs such as overhead, to the extent that such costs can be calculated with reasonable certainty and are readily ascertainable. For example, costs associated with an individual's time may include a component for additional, related costs, as appropriate (e.g., applicable employee benefit costs).

c. Allocation

If charges cannot be directly assigned to one party, they will be allocated between the parties based on a reasonable approximation of the costs attributable to each party.

2. All costs incurred by the providing party shall be determined in accordance with generally accepted accounting principles and shall include reasonable indirect costs, including overhead, as set forth in Section A of this Agreement.

**C. Billing and Payment**

1. The party providing services under Section A of this Agreement shall submit invoices on a monthly or more frequent basis to the party receiving such services. Such invoices shall reference the service provided and the associated costs, which shall be determined in accordance with Section B of this Agreement.

2. Invoices shall be due and payable within sixty (60) days after receipt.

**D. General**

1. Subsidiary Participation

"Resources" as used in this Agreement includes all subsidiary and affiliated companies of PP&L Resources, Inc. other than PP&L and its subsidiaries.

2. Term

The term of this Agreement shall commence on the date first set forth above or the date on which the Pennsylvania Public Utility Commission approves this Agreement, whichever is later. Thereafter, this Agreement shall continue in full force and effect until terminated by either of the parties upon 15 days' written notice to the other party of its election to do so.

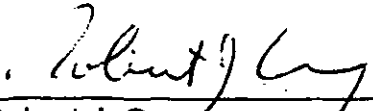
3. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

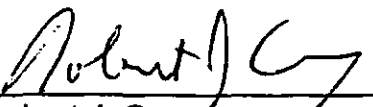
**IN WITNESS WHEREOF**, the parties have executed this Agreement as

set forth below.

**PP&L RESOURCES, INC.**

By:   
\_\_\_\_\_  
Robert J. Grey  
Vice President, General Counsel  
and Secretary

**PENNSYLVANIA POWER & LIGHT  
COMPANY**

By:   
\_\_\_\_\_  
Robert J. Grey  
Vice President, General Counsel  
and Secretary

January 30, 2002

## SERVICES AGREEMENT

THIS SERVICES AGREEMENT ("Agreement"), effective January 1, 2002 (the "Effective Date"), is by and between PPLSolutions, LLC, a Delaware limited liability company, ("PPLSolutions") and PPL Electric Utilities, ("PPL Electric Utilities") (hereinafter, PPLSolutions and PPL Electric Utilities may be referred to individually as a "Party" or collectively as the "Parties").

### RECITALS

WHEREAS, PPLSolutions offers certain communications services, scheduling and reconciliation services and other related services; and

WHEREAS, PPL Electric Utilities is an electric distribution company and desires to obtain certain communications services, scheduling and reconciliation services and other related services from PPLSolutions; and

WHEREAS, PPLSolutions is willing to provide such services, and PPL Electric Utilities is willing to compensate PPLSolutions, pursuant to the terms and conditions stated in this Agreement; and

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the Parties agree as follows:

#### 1. Description of Services.

- A. PPLSolutions will provide PPL Electric Utilities with the services described more particularly in Exhibit A and Exhibit C hereto (the "Services"). PPLSolutions shall not make, and shall not be deemed to be making, sales of electricity or natural gas to retail, end-use customers by virtue of providing the Services to PPL Electric Utilities hereunder.
- B. PPL Electric Utilities shall not obtain any rights or interest in any intellectual property, software or other products developed or licensed by PPLSolutions in the provision of the Services hereunder; provided, however, PPL Electric Utilities shall be authorized to use or access any data or reports generated by PPLSolutions as a part of the Services hereunder without restriction, except to the extent limited by Section 15.E hereof.

- C. At no time during the Term hereunder shall PPLSolutions take title to, or be deemed to be the owner of, any electricity or other energy product to be sold by PPL Electric Utilities at retail to end-user customers.
- D. PPL Electric Utilities shall use reasonable efforts to ensure that all data and information that PPLSolutions requires to provide the Services hereunder are accurate and made available to PPLSolutions on a timely basis. Without limiting the generality of the preceding sentence, PPL Electric Utilities shall provide to PPLSolutions information relating to PPL Electric Utilities' customers, as may be necessary for PPLSolutions to perform the Services. Upon receipt of this information, PPLSolutions will use reasonable efforts to verify its accuracy and will notify PPL Electric Utilities of any incomplete or inaccurate information as soon as reasonably practical.
- E. Pursuant to the confidentiality obligations set forth herein, PPLSolutions shall be entitled to copy the data submitted to it by, or on behalf of, PPL Electric Utilities for PPLSolutions' internal records. Upon the expiration or termination of this Agreement, PPLSolutions shall maintain such copies of data for retention periods required under any applicable federal or state guidelines, regulations, codes or otherwise and shall destroy such data thereafter.

2. Term.

- A. Except as otherwise expressly provided herein, the initial term of this Agreement ("Initial Term") shall take effect upon the Effective Date and shall continue for a period of one year.
- B. This Agreement shall automatically renew for additional terms of one year each (a "Renewal Term"), unless either Party provides written notice of its intention to have this Agreement expire at the end of the Initial Term or Renewal Term then in effect. PPLSolutions shall provide such notice in writing at least 90 days prior to the expiration of the then-current Initial Term or Renewal Term. PPL Electric Utilities shall provide such notice in writing by the latter of: a). at least 90 days prior to the expiration of the then-current Initial term or Renewal Term or b). within 30 days of receiving compensation information for the upcoming Renewal Term pursuant to Section 4 of this Agreement. In the event the Agreement expires in accordance with this Section 2.B., PPLSolutions will undertake commercially reasonable efforts to transition remaining information and systems to PPL Electric Utilities as part of the transition service described in Exhibit A. Additionally, termination charges specified in Section 7.B. will not apply.

C. When used herein, "Term" shall mean the Initial Term or the Renewal Term then in effect.

3. Compensation.

A. As compensation for the provision of the Services, PPL Electric Utilities shall pay PPLSolutions the fees as set forth in the Compensation Schedule, which is included in Exhibits B and C hereto. At least 120 days prior to the end of the then-current Term, PPLSolutions shall calculate and provide to PPL Electric Utilities the fees to be applicable for the provision of the Services for the upcoming Renewal Term.

4. Invoicing and Payment.

A. PPLSolutions shall maintain adequate supporting documentation each month during the Term hereof requesting payment of the compensation due PPLSolutions for the Services provided during the immediately preceding calendar month. Adequate Supporting Documentation shall include, but not be limited to, PPL Electric Utilities' total number of Electric Generation Suppliers (EGS), total number of customer accounts shopping, detailed information on transactions exchanged with third parties on behalf of PPL Electric, and a detailed list of any and all additional charges with supporting calculations.

B. PPLSolutions will initiate an interunit accounting transaction in the amount of the invoice prepared in accordance with paragraph A above. In the event of a disputed invoice amount, such dispute shall be resolved in accordance with Section 12 hereof, and any amounts that are determined to be owed by PPL Electric Utilities shall be paid through an interunit accounting transaction.

5. Representations and Warranties; Disclaimer of Warranties.

A. By PPLSolutions.

(i) PPLSolutions represents and warrants that all Services rendered hereunder (A) shall be performed by competent and qualified personnel, (B) shall conform to the requirements of the Agreement, and (C) shall be performed in accordance with generally accepted professional standards associated with the particular industry and/or discipline involved. PPLSolutions and PPL Electric Utilities acknowledge that, notwithstanding the warranties set forth above, the Services to be provided hereunder may, from time to time, (but not more frequently than contemplated by generally accepted industry standards), be interrupted or contain errors, in which case

PPLSolutions shall cure any such interruption or error within three (3) days of becoming aware of such interruption or error.

(ii) PPLSolutions further warrants that in conjunction with performing these Services PPLSolutions shall treat as confidential all data and information provided by PPL Electric Utilities including without limitation retail end-use customer information and that PPLSolutions shall abide by the following terms and conditions:

- (a) Except as may be required under applicable law or by a valid subpoena or other court or governmental order, decree, regulation or rule or as otherwise provided below, PPLSolutions will not directly or indirectly disclose any data or information to any other entity. In the event that it is necessary for PPLSolutions to disclose any information to PPL Services or to any of its subcontractors, PPLSolutions may do so only if such entity has executed a confidentiality agreement pertaining to such information.
- (b) PPL Electric Utilities shall have access to only that information supplied by PPL Electric Utilities and other information associated with the Services to be provided by PPLSolutions that are pertinent and relevant to this Agreement; provided, however, that PPL Electric Utilities shall not have access to information provided by or pertinent and relevant to any other PPLSolutions's customer accounts other than PPL Electric Utilities or its retail end-use customers. To the extent that PPLSolutions provides PPL Electric Utilities with access to information in conjunction with the provision of the Services, such access shall be provided through a password protected database or comparable system.
- (c) PPLSolutions will limit access to PPL Electric Utilities' information and such information shall be accessible only by PPLSolutions, any persons or entities providing Services hereunder, or others as authorized by PPL Electric Utilities ensuring that personnel from any other entity will not have access to information about PPL Electric Utilities' customers.
- (d) PPLSolutions will ensure that any persons or entities providing Services hereunder comply with the requirements set forth above by:
  - (i) training all such persons or entities on the above-mentioned confidentiality warranties and the potential

implications under applicable laws and regulations for failure to abide by the procedures for confidentiality of PPL Electric Utilities' information to ensure that they are understood and followed by all persons or entities providing the Services; and

- (ii) implementing a monitoring and audit program to ensure that all persons or entities providing the Services are following the outlined precautions.

B. Disclaimer of Additional Warranties. EXCEPT FOR THE EXPRESS WARRANTIES PROVIDED ABOVE, ALL OTHER WARRANTIES, WHETHER EXPRESS OR IMPLIED (INCLUDING ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND ALL WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE) ARE DISCLAIMED.

C. Each Party represents and warrants that;

- (i) It is duly organized, validly existing, in good standing and has the corporate power and authority to carry on its business as it is now being conducted and as it is contemplated to be conducted hereunder.
- (ii) It has the requisite power and authority to create, deliver and perform its obligations under this Agreement, and that the execution, delivery and performance of this Agreement has been duly authorized by all requisite action.
- (iii) The execution and delivery of this Agreement by it, and its performance hereunder, does not and will not violate any local, state or federal law or regulation or any order or regulation of any regulatory body or entity.

6. Limitation of Liability; Insurance.

- A. Notwithstanding any provisions of this Agreement to the contrary, neither Party shall be liable to the other Party hereunder whether in contract, warranty, tort (including negligence) or otherwise for any special, indirect, incidental or consequential damages whatsoever, including without limitation, the loss of profits or revenue, cost of capital, cost of purchased or replacement power, or claims of customers of the other Party.
- B. Notwithstanding any provisions of this Agreement to the contrary, the total cumulative liability of PPL Solutions to PPL Electric Utilities arising out of its performance of this Agreement. (whether such liability arises in contract, warranty, tort (including negligence) or otherwise) shall not

exceed the lesser of the actual damages incurred by PPL Electric Utilities or the total compensation paid to PPLSolutions in the preceding six month period hereunder as of the date of the claim giving rise to PPLSolutions's liability. For the purposes of this paragraph, the total compensation paid by PPL Electric Utilities to PPLSolutions shall be considered no less than \$ 77,900 per month.

7. Termination.

A. Either Party may elect to terminate this Agreement at any time without penalty if it is determined by any court or regulatory authority of competent jurisdiction that PPLSolutions' performance hereunder is prohibited by law, code, rule or regulation. In the event that either party so elects to terminate this Agreement, it shall provide at least ninety (90) days prior written notice of such termination.

B. By PPL Electric Utilities. PPL Electric Utilities may elect to terminate this Agreement at any time, and without cause, by providing at least ninety (90) days prior written notice of such termination to PPLSolutions, provided, that PPL Electric Utilities makes a payment to PPLSolutions in an amount equal to the number of months remaining in the then-current Term times the Standard Minimum Fee, as set forth in Exhibit B hereto.

C. Effect of Termination. Except (a) as may arise for Services rendered prior to the effective date of the termination; or (b) as related to PPLSolutions's provision of the Transition Services described in Exhibit A, upon termination of this Agreement by PPL Electric Utilities or PPLSolutions hereunder, (1) PPLSolutions shall have no further obligation to PPL Electric Utilities to provide the Services after the effective date of termination and (2) PPL Electric Utilities shall have no further obligation to PPLSolutions.

8. Force Majeure. Notwithstanding any other provision of this Agreement, if either Party is unable to carry out any obligation under this Agreement (other than an obligation to pay for services) due to Force Majeure, this Agreement shall remain in effect, but such obligation shall be suspended for the period necessary as a result of the Force Majeure, provided that: (i) the non-performing Party gives the other Party prompt written notice describing the particulars of the Force Majeure, including but not limited to the nature and date of the occurrence and the expected duration of the disability; (ii) the suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure; and (iii) the non-performing Party uses commercially reasonable efforts to remedy its inability to perform. "Force Majeure" means an event that is not within the reasonable control of the party claiming suspension ("Claiming Party") and that by the exercise of due

diligence, the Claiming party is unable to overcome in a commercially reasonable manner or obtain or cause to be obtained a commercially reasonable substitute performance therefore and shall not be deemed a breach or default under this Agreement. Force Majeure includes, but is not limited to, acts of god, fire, war, flood earthquake, civil disturbance, sabotage, facility failure, work stoppage, breakage of equipment or machinery, curtailment of supply by or as a result of the LDC, declaration of emergency by the ISO, regulatory, administrative, or legislative action or action or restraint by court order or governmental authority, and any other events similar to the above. In the event the Force Majeure continues for a period in excess of thirty (30) consecutive days, the performing Party may terminate this Agreement by providing the non-performing party written notice of not less than fifteen (15) days.

9. Permits and Licenses. If necessary, PPL Electric Utilities shall provide reasonable assistance to PPLSolutions in obtaining all permits which, under the laws, rules, regulations or ordinances of any federal, state or local government or any local electric or gas distribution company, may be required for the provision of Services hereunder. PPLSolutions represents that it has obtained all authorizations and received all permits necessary to provide the Services hereunder for such jurisdictions in which PPL Electric Utilities has, as of the Effective Date, retained PPLSolutions to provide the Services related to PPL Electric Utilities' sale of electricity to retail, end-use customers. PPLSolutions represents that it shall keep such authorizations and permits current and updated. Upon request by PPL Electric Utilities, PPLSolutions shall provide PPL Electric Utilities with copies or other evidence of all necessary authorizations and permits.
  
10. Notice. Notices to a Party concerning this Agreement will be effective only when: (i) they are in writing and are mailed to the other Party postage prepaid or are delivered in person; or (ii) they are sent by facsimile and are followed by the mailing (postage prepaid) or delivery of a written confirmation copy to the authorized representative of the other Party within seven days after being sent by facsimile. When speed of notices is essential, written notice may be preceded by other appropriate communication.

PPL Electric Utilities' authorized representative:

Gregory J. Smith  
Manager-Asset Financial Evaluation  
PPL Electric Utilities  
Two North Ninth St.  
Allentown, PA 10101-1179  
610-774-4264 (phone)  
610-774-5694 (fax)

PPLSolutions' authorized representative:

Michael R. Toner  
Vice President Operations  
PPLSolutions, LLC  
Two North Ninth Street  
Allentown, Pennsylvania 18101  
610-774-6166 (phone)  
610-774-7229 (fax)

11. Subcontracting. Subject to the following notice and review procedure, PPLSolutions reserves the right to subcontract all or any portion of the Services to be provided under this Agreement. At least 30 days prior to subcontracting all or any portion of the Services, PPLSolutions shall provide notice of the proposed subcontracting to PPL Electric Utilities pursuant to the Notice provision set forth in Section 10 of this Agreement. If PPL Electric Utilities objects to the proposed subcontracting, within 10 days of receiving notice of the proposed subcontracting, it shall provide notice of its objection to PPLSolutions pursuant to the Notice provision set forth in Section 10 of this Agreement. If PPL Electric Utilities objects to a proposed subcontracting, and that objection cannot be resolved pursuant to the Dispute Resolution provisions set forth in Section 12 of this Agreement, PPLSolutions shall not proceed with the proposed subcontracting.
12. Dispute Resolution. The Parties intend to make a good faith effort to resolve any dispute, controversy or claim arising out of or relating to this Agreement or any breach, termination or invalidity thereof (a "Dispute") according to the procedures set forth in this Section 12. To that end, the Parties' designated representatives shall attempt initially to resolve all Disputes by negotiation. In the event a Dispute cannot be resolved promptly by the Parties' representatives, either Party may demand in writing that the Dispute be submitted to senior executives of the Parties for resolution. Upon receipt of such demand, each Party shall immediately designate a senior executive with authority to resolve the Dispute. The designated senior executives shall promptly begin discussion in an effort to agree upon a resolution of the Dispute.
13. Audit Rights. PPL Electric Utilities shall have the right, upon reasonable written notice to PPLSolutions and during normal business hours, during the performance of the Services hereunder and for 3 months following December 31 of the calendar year in which termination takes place, to have an auditor selected by PPL Electric Utilities inspect PPLSolutions books and records pertaining to the scope of this Agreement. If the audit reveals a material error or irregularity, PPLSolutions shall remedy such error or irregularity within 60 days after identification. PPL Electric Utilities shall pay for any such audit and inspection.

14. Regulatory Changes. If a Party's activities hereunder become subject to regulation of any kind under any governmental law, rule, regulation, code or judicial determination thereof (a "Governmental Rule") to a greater or different extent than that existing on the Effective Date, and such Governmental Rule materially adversely affects the benefits or obligations of this Agreement to either Party, then the Party affected by such Governmental Rule shall have the right, upon provision of written notice, to require the other Party to enter into good faith negotiations to amend this Agreement to permit the affected Party to continue performance of this Agreement. In the event that the Parties have not agreed upon a mutually acceptable amendment to this Agreement within 30 days of the date that the affected Party delivered the notice contemplated above, either Party may terminate this Agreement by giving written notice pursuant to Section 10 of the Agreement. In no event shall the terminating Party incur any liability (whether for lost revenues or lost profits or otherwise) as a result of such termination.

15. Miscellaneous.

- A. Non-Waiver of Rights. The failure of either Party to demand strict performance of the terms of, or to exercise any right conferred in, this Agreement shall not be construed as a waiver or relinquishment of its right to assert or rely upon any such term or right in the future, or a consent to any continuing or subsequent failure or breach.
- B. Severability. In the event any provision, or any part or provision of this Agreement shall become or be declared unlawful, invalid, void or otherwise unenforceable, the rights and obligations of the Parties shall be reduced only to the extent required to remove the unenforceability.
- C. Headings. Article and paragraph headings contained herein are inserted for convenience and shall have no effect as to the interpretation or construction of this Agreement.
- D. Successors and Assigns. This Agreement shall be binding on the Parties hereto as well as their respective successors and assigns. Neither Party shall assign its rights and/or obligations hereunder without the prior written consent of the other Party, with the exception that either Party may assign its rights and obligations hereunder to an affiliate without obtaining the other Party's prior written consent.
- E. Confidentiality. Without the prior written approval of the other Party, neither Party will disclose to any other persons the terms of this Agreement, or any information received in the course of providing the Services, except as necessary to enforce this Agreement or may be required by order of any court, government agency or regulatory body.

Neither Party shall use the information received in the course of providing the Services for any other purpose other than as necessary for providing the Services contemplated hereunder. Upon termination or expiration of the Agreement, the Parties shall return all of the original confidential information that was provided in written or document form and except for retaining copies for its files shall destroy or cause the destruction of all copies and reproductions, both written and electronic, of such information in its possession and in the possession of all persons to whom it was disclosed by the Party. The confidentiality obligations contained in this Agreement shall survive the termination or expiration of the Agreement.

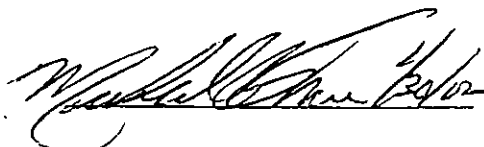
- F. Compliance with Laws. Both PPL Electric Utilities and PPL Solutions shall comply with all federal, state and local laws, rules and regulations applicable to the performance of their respective obligations under this Agreement.
- G. Entire Agreement. This Agreement and all Attachments to it shall constitute the entire Agreement between the Parties. This Agreement supercedes all previous communications, representations, or agreements, whether written or oral, with respect to the subject matter contained herein. No representations or statements of any kind, made by any representatives of the Parties, which are not stated in this Agreement, will be binding on the Parties. No addition to, or modification of, this Agreement will be binding upon either Party unless made in writing and signed by a duly authorized representative of both Parties.
- H. Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which is an original and all of which constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Agreement, as of the date first set forth above.

PPL Solutions, LLC

PPL Electric Utilities

By:



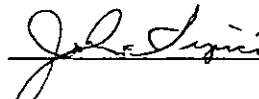
Name:

Michael R. Toner

Title

Vice President Operations

By:

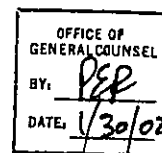
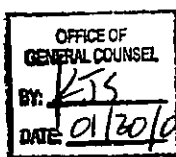


Name

John F. Sipics

Title

Vice President  
Asset Management



*Handwritten initials and date: PEP 1/30/02*

## Exhibit A

### Description of Services

The following is a description of services to be provided by PPLSolutions for PPL Electric Utilities. The services provided will be for PPL Electric Utilities' operation involving retail residential, industrial, and commercial customers, and wholesale energy customers. PPL Electric Utilities shall have the right to review and inspect the performance of any of these services upon reasonable notice to PPLSolutions. PPLSolutions will perform the following Services as the exclusive limited agent for PPL Electric Utilities:

#### CORE SERVICES

##### 1. Electric Generation Supplier (EGS) Communications and Administration

EGS Communications services shall include but are not limited to:

- a. Managing, executing, and monitoring the electronic communication with the EGS and/or the appropriate third parties. This shall include PPLSolutions use of electronic communication mechanisms to transfer and receive data from the EGS and/or appropriate third parties on behalf of PPL Electric Utilities.

This data will be exchanged in accordance with the rules and standards set forth by the Electronic Data Exchange Working Group (EDEWG).

The following are examples of the type of transactions that will be processed; enrollment (EDI 814), change (EDI 814), drop transactions (EDI 814), reinstatement (EDI 814), usage (EDI 810, EDI 867 or interval), payment (EDI 820), invoice (EDI 810), adjustments (EDI 810), functional acknowledgements (EDI 997), and application advice (EDI 824). Transactions will be archived for record-keeping purposes in accordance with state regulations and guidelines and pursuant to confidentiality obligations contained herein.

- b. Monitoring of EGS Payments – this service includes the monitoring of payments to EGSs for utility consolidated bills (EDI 820 payment transactions), addressing EGS payment discrepancies, and resolution of EGS payment issues. This shall also include establishing the payment requests to Accounts Payable to initiate the actual fund transfer to EGS's bank account.
- c. EGS Initial Setup – this service shall include:
  1. Electronic Communications (GISB/EDI) Certification and Testing - PPLSolutions will provide EGS testing and certification services on behalf of PPL Electric Utilities to allow EGSs to successfully communicate with

- PPL Electric Utilities. This shall also include the development of test plans to support testing.
2. Setting up the EGS identity in PPL Electric Utilities' Customer Service System (CSS), e.g. bill print information.
  3. Setting up the EGS in PPL Electric Utilities' financial systems, e.g. accounting information for payment transfers.
  4. Entering the EGS's trading partner information in PPL Electric Utilities' EDI/GISB systems (i.e. PaperFree, Group 8760 GISB engine).
- d. EGS Administration – this shall include those services associated with daily process interactions, including but not limited to:
1. Notification to EGSs on business hour changes due to holidays.
  2. Changes to EGS information, e.g. changes to the bill print information or financial information.
  3. Provide point of contact for EGS to address any issues regarding customer account problems, data exchange issues, etc.
- e. Working Group Representation - At PPL Electric Utilities direction, PPLSolutions will represent PPL Electric Utilities at various working groups including but not limited to; the Electronic Data Exchange Working Groups (EDEWG) and any related working groups (e.g. competitive metering working group), PPL Electric Utilities EDI steering committees, and the First Regional EDI (FREDI) working group.
- f. EDI/CSS Triggered Letters – this service shall include the managing and updating of EDI Process letters (defined as letters that are created automatically through the CSS nightly batch process, e.g. enrollment confirmation letters). PPLSolutions will only make changes to letters as directed by PPL Electric Utilities.
- g. Generation Rate Adjustment (GRA) – this service shall include the managing of the GRA application within PPL Electric Utilities' Customer Service System (CSS) and the RTL system. PPLSolutions shall also provide support to the phase 2 implementation of the GRA application.
- h. Customer Contact Center (CCC) Interface – PPLSolutions will provide support to CCC and Industrial and Commercial Services (ICS) representatives to help resolve any competitive billing issues. PPLSolution shall also interface with the CCC billing department to identify system issues (billing, payments)

and shall communicate these issues to CCC and ICS personnel to ensure they are informed of competitive issues affecting PPL Electric Utilities customers.

- i. Customer Service System (CSS)/EDI Interface - PPLSolutions will interface with Information Services (IS) to address any competitive related issues in CSS and/or to implement any required competitive enhancements into CSS or EDI transactions.
- j. Continuous Load Data Collection (CLDC) Bucket 11 Administration – administering of customer accounts and their associated interval metered data within CLDC’s Bucket 11. The service includes adding and deleting accounts within bucket 11, monitoring and tracking of customer interval usage within bucket 11, retrieval and rerouting of usage information to the appropriate subsystems, and the interface between bucket 11 and the 867IU EDI transaction.

## **2. Electrical Generation Supplier (EGS) Scheduling and Reconciliation Services**

Scheduling and Reconciliation Services shall include, but are not limited to:

- a. Administration of PPL Electric Utilities’ Supplier web site – service includes providing access to secured web site, posting of updated documents under the direction of PPL Electric Utilities, and communicating data exchange requirements with EGSs.
- b. Contract Administration Service – Administering PPL Electric Utilities’ Individual Coordination Agreement contract process. This administration shall include PPLSolution’s review of executed contracts for completeness and attempt to obtain any missing data that is required. PPLSolutions will maintain a database of contracts received and processed. PPLSolutions will maintain a copy of all EGS signed Individual Coordination Agreements along with any Scheduling Coordinator Designation Forms. PPLSolutions will make available to PPL Electric Utilities copies of all PPL Electric Utilities contracts upon request
- c. Administration of RTL System – PPLSolutions will manage the daily operation of the RTL system. PPLSolutions will assure all RTL daily processes are functioning properly, work with IS to resolve daily operational problems, and provide technical direction on improvements. PPLSolutions will administer the approval process for gaining access to the RTL system and its database. PPLSolutions will coordinate with Information Services (IS) and PPL Electric Utilities’ representatives when enhancements and/or upgrades in the RTL system are required.
- d. EGS Retail Load Scheduling – PPLSolutions will perform the daily scheduling of PPL Electric Utilities’ retail shopping load through PJM’s

eSchedule system in accordance with PPL Electric Utilities' EGS Supplier Coordination tariff and PJM's established rules, regulations, and timelines. PPLSolutions will establish and confirm PJM eSchedule contracts with EGSs on PPL Electric Utilities' behalf. PPLSolutions will review and verify EGS submitted load schedules, coordinate with EGSs for scheduling conflicts, and upload schedules to PJM. PPLSolutions will continue with PPL Electric Utilities' current practice of submitting at least 2 weeks of advanced Supplier load schedules through PJM's eSchedule system.

- e. EGS Retail Load Reconciliation and Resettlement Service - PPLSolutions will perform the monthly energy reconciliation service of PPL Electric Utilities' retail shopping load through PJM's eSchedule system in accordance with PPL Electric Utilities' EGS Supplier Coordination tariff and PJM's established rules, regulations, and timelines. PPLSolutions will also perform any additional resettlement imbalances with EGSs beyond the initial settlement at PJM. PPLSolutions will calculate the resettlement amounts based on PJM's Locational Marginal Prices (LMP) and PJM's posted billing determinants for ancillary services. PPLSolutions will notify EGSs regarding any outstanding balances and will coordinate with EGSs to resolve any outstanding monies as a *separate line item adjustment* on each party's PJM bill. PPLSolutions will provide all algorithms and data necessary for an EGS to independently determine the reconciliation and resettlement calculations.
- f. Capacity and Network Transmission Service Peak Load Contributions (PLC) – PPL Electric Utilities will be responsible for determining the Capacity and Network Transmission peak load contributions for each of their customers. PPLSolutions will perform the daily submittal of PPL Electric Utilities' calculated PLC values for its retail shopping load through PJM's eCapacity system in accordance with PPL Electric Utilities' EGS Supplier Coordination tariff and PJM's established rules, regulations, and timelines.
- g. Load Forecast Data – PPLSolutions will provide aggregated load forecast data for use by PPL Electric Utilities in the calculation of the alternate supplier hourly load forecast. This data will be updated nightly and will include the total annual kWh on a rate class basis for all shopping customers. PPLSolutions will also maintain all other forecast tables, which are populated by PPL Electric Utilities' hourly load forecast model program.

### 3. Wholesale Load Scheduling Service

The wholesale load scheduling service shall include:

- a. Ephrata Borough Load - This shall include the daily retrieval of Ephrata borough's actual metered usage from PPL Electric Utilities' Price Response System (PRS) web site, adjust for the appropriate line loss factor, and forward to Ephrata borough's energy supplier who, in turn, will upload to PJM

to Ephrata borough's energy supplier who, in turn, will upload to PJM eSchedules. PPLSolutions will perform the daily confirmation of Ephrata borough load through PJM's eSchedule in accordance with PJM's established rules, regulations, and timelines.

**4. Competitive Default Service (CDS)**

PPLSolutions will support development and evaluation of PPL Electric Utilities' request for proposal for Competitive Default Service.

**5. Reports/Information Requests**

Reports shall include but are not limited to PPLSolutions providing PPL Electric Utilities with the reports in the following Key Process Areas. The following standard reports for each Key Process Area will be provided in the time frequency indicated below:

<u>Key Process Area</u>	<u>Time Frequency</u>
Enrollment Status	Weekly
Pending Drops	Weekly
Processed Drops	Weekly
Monthly Reconciliation Summary	Monthly
Monthly Resettlement Summary	Monthly

PPLSolutions will provide to PPL Electric Utilities data in the Reports identified above. This data will include standard reports, scheduling and reconciliation data and a MSAccess data extract of PPL Electric Utilities' data.

In addition to the standard reports described above, PPLSolutions will provide miscellaneous reports and data extracts as requested by PPL Electric Utilities from time to time (anticipated level of effort is 80 to 120 hours).

**6. Transition Services**

PPLSolutions will provide PPL Electric Utilities with any and all data in an agreed upon format to transition the Services to PPL Electric Utilities. PPLSolutions will also make systems available to PPL Electric Utilities such that PPL Electric Utilities can perform the Services.

PPL Electric Utilities and PPLSolutions will mutually develop the requirements and the plan for transitioning necessary account and EDI information. At a minimum, the transition services shall include the transfer of PPL Electric Utilities' end-use customer data. From the termination or expiration of the Agreement and for one year thereafter, PPL Solutions shall forward any phone calls, e-mails and any other communications that

it receives relating to the Services under this Agreement to PPL Electric Utilities in a timely manner.

### **Additional Services**

The following is a listing of additional services that are available to PPL Electric Utilities and that shall be billed at fees listed in Exhibit C, or as may be separately negotiated. PPL Solutions shall not perform any of these services without receiving the prior written consent of PPL Electric Utilities.

#### **1. Additional Competitive Default Supplier (CDS) Services**

This service will include any additional services required beyond the CDS core services described above when competitive default service is awarded to a Supplier.

#### **2. Additional Wholesale Load Scheduling Service**

This service includes those services for establishing and scheduling load under PJM's eSchedule system for any additional PPL Electric Utilities wholesale load account beyond wholesale load core services described above.

#### **3. Telemarketing**

PPL Solutions is available to provide telemarketing services for outbound calling campaigns.

#### **4. Customer Surveys**

PPL Solutions is available to provide market research calls and customer surveys.

#### **5. Special Mailings**

PPL Solutions can provide special mailings to customers at the request of PPL Electric Utilities.

## **Exhibit B**

### **Fee Schedule for Core Services**

#### **A. Fee Schedule**

PPLSolutions will perform the core services defined in Exhibit A during the year 2002. PPLSolutions will maintain infrastructure capable of up to 40,000 shopping customer accounts and 25 Suppliers at the following fees:

EGS Communications and Administration	\$521,000
EGS Scheduling and Reconciliation	\$397,000
Wholesale Load Scheduling	\$ 12,000
Competitive Default Service	\$ 5,000

#### **B. Monthly Fee**

These fees will be paid through a monthly inter-unit accounting transaction in the amount of \$77,900.

## **Exhibit C**

### **Service Fees For Additional Services**

#### **A. Professional Services Rates**

PPLSolutions is available to provide professional services that are not identified in Exhibit A. Charges for these additional services will be estimated based on the scope of services and agreed to by both parties prior to start of work.

#### **B. Customer Care Representative rates for Additional Services**

Customer care representatives are available to perform Telemarketing, Customer Surveys, and clerical work services at a rate of \$35 per hour, excluding setup and development.

#### **C. Travel Expenses for Additional Services**

If the work scope for Additional Services provides that PPLSolutions be reimbursed for travel expenses incurred while discharging duties connected with providing services, the reimbursement for travel, lodging, meals and incidental expenses shall be limited to \$200 a month with supporting documentation. If such expenses are expected to exceed such amount, PPLSolutions must receive PPL Electric Utilities' prior written consent. Car mileage shall be calculated at a rate not to exceed the standard mileage rate permitted by the IRS guidelines. Travel between PPLSolutions' facilities will not be charged to PPL Electric Utilities.

#### **D. Special Mailings/Bill Inserts/Marketing Materials**

Charges for these services will be mutually agreed upon by the Parties.

#### **E. Wholesale Load Services**

A charge of \$750/month will be applied for each additional wholesale load scheduling service that is required beyond those wholesale load services described under the core services in Exhibit A.

**INDIRECT COST ALLOCATION**  
**METHODOLOGY AND PROCEDURES FOR 2003 AND 2004**

In May 2002, the PUC issued its Focused Management and Operations Audit Report on PPL Electric and PPL Gas Utilities Corporation's utility subsidiaries. As part of that report, the PUC recommended a change to the 2002 PPL Corporation method of allocating indirect costs from PPL Service Co. (Service Co.) and PPL Corp. (PPL). The allocation method used through December 31, 2002 was a single factor allocation method using Invested Capital to determine the portion of indirect costs to be allocated to subsidiaries of PPL. Additionally, this method also determined if any of the indirect costs should not be allocated to a particular subsidiary or subsidiaries if the subsidiary or subsidiaries did not receive a benefit from the processes incurring those costs. The PUC, however, indicated that a single factor indirect cost allocation method was not appropriate, although the PUC did agree that excluding certain subsidiaries from certain indirect cost allocations was appropriate.

In its audit, the PUC recommended that support costs be allocated using a three-factor methodology. The PUC recommended that the three-factor methodology should contain an employee or payroll factor, an asset or investment factor, and an operation and maintenance expense factor. Effective January 2003, PPL accepted the PUC's recommended three-factor method.

The three-factor allocation methodology results in a reasonable allocation of indirect costs to all subsidiaries of PPL. Because these subsidiaries are involved in several businesses, they may have disproportionate amounts of invested capital, operation and maintenance expenses and employees, when compared to other PPL subsidiaries. Through the three-factor allocation methodology, all subsidiaries that comprise a material proportion of PPL, as measured by either invested capital, operation and maintenance expenses, or employees, will receive an equitable proportion of the indirect cost allocation.

**CALCULATION OF THE MULTI – FACTOR INDIRECT COST ALLOCATION**

1. The first factor calculates each subsidiary's proportion of invested capital relative to its affiliates. For this calculation, invested capital includes all of the following components of invested capital for subsidiaries (Short Term Debt, Long Term Debt Due in One Year, Long Term Debt, Minority Interest, Company Obligated Preferred Stock, Preferred Stock, and Common Equity) that are added together and allocated by each subsidiary's relative Invested Capital as compared to its affiliates.
2. The second and third factors calculate each subsidiary's proportion of operation and maintenance expenses and number of employees relative to its affiliates. For these factors, the methodology generally is the same as for Invested Capital. Each

subsidiary's data is summed and allocated by each subsidiary's relative operation and maintenance and employee data as compared to its affiliates.

3. PPL determined that each of the three factors was equal in importance and, therefore, the sum of the three was divided by three to obtain the average multi-factor allocation % for each subsidiary. For simplicity, and to reduce immaterial allocations, subsidiaries with a multi-factor average allocation rate of less than 1% are identified and do not receive an allocation. To be equitable to PPL's regulated businesses, excess %'s due to not allocating to subsidiaries with an average multi-factor rate of less than 1% will be charged to the unregulated affiliates.

**EXCLUDING THE ALLOCATION OF CERTAIN INDIRECT COSTS TO AFFILIATES THAT DO NOT BENEFIT FROM THOSE COSTS**

1. Each Support Group analyzed its indirect costs to determine what PPL subsidiaries do not receive a significant portion of its services. If these services and related costs are significant, the Support Groups isolated them from other indirect costs to ensure that the PPL subsidiaries that do not receive a benefit from the costs were not allocated costs applicable to those services. Support Groups identified either specific costs to be excluded or identified an appropriate % of services that should be excluded based on the operation and the expenses incurred.
2. After the Service Groups determined which PPL subsidiaries benefit from their services (or a % of them if applicable), Financial Support Services calculated the allocation rate for each Support Group. If all of a particular Support Group's costs benefit the same set of PPL subsidiaries equally, the appropriate allocation method for that Support Group is obtained using the average multi-factor allocation % for each subsidiary as discussed on Page 1 of Attachment II-D-8c. If, however, a portion of the costs only benefit certain subsidiaries, while the balance of the costs benefit another set of subsidiaries, then, for accounting simplicity, a Service Group blended multi-factor allocation factor was calculated for that Support Group and used for allocating all the costs of that Support Group.

Q.9. Prepare a detailed schedule for the test year showing types of social and service organization memberships paid for, the cost thereof, the accounting treatment and whether included in claimed test year expenses.

A.9. PPL Electric does not include membership dues in the test year expenses. PPL Services Corporation incurs service organization membership costs. See the response to Filing Requirement II-D-8 for an explanation of support group costs to PPL Electric.

- Q.10. Provide the following payroll and employee benefit data—regular and overtime—separately for the test year and for the 12-month period immediately prior to the test year:
- The average and year-end number of employees and the unadjusted annual payroll expense and employee benefit expense associated with union personnel.
  - The average and year-end number of employees and the unadjusted annual payroll expense and employee benefit expense associated with nonunion personnel.
  - The average and year-end number of employees and the unadjusted annual payroll expense and employee benefit expense associated with management employees, if different than b.
  - A summary of the wage rate, salary and employee benefit changes granted or to be granted during the year.
  - The claimed test year payroll expense and employee benefit expense.
  - The percentage of payroll expense and employee benefit expense applicable to operation and maintenance expenses and the basis thereof.

A.10. The following is the requested data:

	Years Ended December	
	2004	2003
a. <u>Union Personnel</u>		
	(\$000)	(\$000)
Average Number of Employees	1,714	1,896
Year-end Number of Employees	1,662	1,856
Payroll Costs		
Normal	\$ 78,616	\$ 83,903
Overtime	\$ 11,330	\$ 17,187
Benefit Costs	\$ 33,165	\$ 45,391
b. <u>Non-Union Personnel</u>		
Average Number of Employees	505	504
Year-end Number of Employees	505	497
Payroll Costs		
Normal	\$ 40,435	\$ 40,691
Overtime	\$ 1,716	\$ 2,654
Benefit Costs	\$ 9,771	\$ 13,379

Note: Benefit costs allocated based on Average Number of Employees because costs are basically the same for both Union and Non-Union personnel.

c. Same as b.

	Years Ended December	
	2004	2003
	(\$000)	(\$000)
d. <u>Wage Rate</u>		
Union		
Rate	3.5%	3.4%
Annual Effect	\$ 3,042	\$ 3,324
Non-Union		
Rate	3.6%	3.6%
Annual Effect	\$ 1,465	\$ 1,506

Benefit Changes - Benefits basically remain unchanged, other than the cost of providing them to employees.

e. <u>Claimed for Test Year</u>		
Payroll Expense	\$ 86,345	\$ 86,407
Benefit Expense	\$ 28,723	\$ 43,085
f. <u>Percent Applicable to O&amp;M</u>		
Payroll Expense	65.4%	59.8%
Benefit Expense	66.9%	73.3%

The charge to expense is based on activities performed or expected to be performed during the applicable years.

Q.11. Describe costs relative to leasing equipment, including computer rentals, and office space, including terms and conditions of the leases. State method for calculating monthly or annual payments.

A.11. Attachment II-D-11 provides the costs, terms and conditions of PPL Electric's major leasing agreements as of December 31, 2003. No major changes to leased equipment are anticipated during the 12 months ending December 31, 2004.

PPL ELECTRIC UTILITIES CORPORATION

Annual Rental as of December 31, 2003  
*(Thousands of Dollars)*

<u>Line No.</u>	<u>Equipment/Lessor</u>	<u>Term</u>	<u>12 Month Rental as of December 31, 2003</u>	<u>Method of Calculating Payment</u>
<b>General equipment leases</b>				
1	Pru Lease Inc	open-end lease	\$ (507) (a)	(b)
2	BLC Corporation	open-end lease	13,471	(b)
3	NNW	open-end lease	745	(b)
4	Bank of America	open-end lease	19	(b)

- (a) Negative amount because the proceeds from the sale of the vehicles is more than offsetting the lease expense.
- (b) Monthly payment level reduction of principal with variable interest rate.

- Q.12. Submit a statement of past and anticipated changes, since the previous rate case, in major accounting procedures, explain any differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current rate case and that used in the prior rate cases, and list all internal and independent audit reports for the most recent 2 year period.
- A.12. Attachment II-D-12a provides a list of major accounting changes since PPL Electric's last base rate case. Attachment II-D-12b provides a list of internal audits performed for PPL Electric in 2002 and 2003. Attachment II-D-12c provides a list of third-party audits performed for PPL Electric in 2002 and 2003.

## PPL ELECTRIC UTILITIES CORPORATION

**Accounting Changes Since PPL Electric Utilities Corporation's (and its Predecessor, PP&L, Inc.) Last Base Rate Case. Reference is made to PP&L, Inc. (PP&L) for years 1995-1997, inclusive, and to PPL Electric Utilities Corporation (PPL Electric) for 1998 and forward:**

### 1995

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

### 1996

- In January 1996, PP&L filed a request with the FERC to incorporate a change in the method of calculating depreciation in several of its contractual agreements with other major utilities. PP&L also sought to increase the charges to those customers for nuclear decommissioning costs. This case was settled in principle with the four customers in January 1997 with no material effect on PP&L. Formal settlement documents were filed with the FERC in March 1997.
- Effective January 1, 1996, PP&L adopted SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS 121 requires a company to review certain assets for impairment whenever events or changes in circumstances indicate that

the carrying amount of an asset may not be recoverable. If an asset is determined to be impaired, an impairment loss is recognized.

- Effective January 1, 1996, PP&L adopted SFAS 123, "Accounting for Stock-Based Compensation." SFAS 123 addresses the recommended accounting and required disclosures for stock-based employee compensation plans, which include all arrangements by which employees receive shares of stock or other equity instruments of the employer or the employer incurs liabilities to employees in amounts based on the price of the employer's stock. PP&L's current accounting for restricted stock awards conforms to requirements as defined in SFAS 123. The adoption of SFAS 123 did not have a significant impact on net income.
- In December 1996, the PUC issued a tentative order permitting the roll-in of PP&L's Energy Cost Rate 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. These costs were ultimately granted recovery in the final PUC Order on restructuring.

#### 1997

- During 1997, the Financial Accounting Standards Board (FASB) issued and PP&L adopted SFAS 128, "Earnings per Share." The statement requires the disclosure of basic and diluted earnings per share (EPS) and was effective for financial statements issued for periods ending after December 15, 1997. The adoption of this statement caused no additional disclosures.
- During 1997, the FASB issued and PP&L adopted SFAS 129, "Disclosure of Information about Capital Structure." The statement was effective for financial statements issued for periods ending after December 15, 1997. The adoption of this statement caused no additional disclosures.
- In April 1997, capital leases for vehicles, personal computers and other property were reclassified as operating leases. This reclassification resulted from a revised agreement between PP&L and its leasing companies. The new leases did not meet any of the classification criteria to be deemed capital leases in accordance with SFAS 13, "Accounting for Leases."

#### 1998

- During 1998, PPL Electric adopted SFAS 130, "Reporting Comprehensive Income." SFAS 130 required disclosure of comprehensive income, defined as changes in equity other than from transactions with shareowners. Comprehensive income consists of net income, as well as gains and losses of certain assets (such as available for sale securities), foreign currency translation adjustments and pension liability adjustments. The comprehensive income of PPL Electric was not materially different from net income.
- Effective December 31, 1998, PPL Corporation (PPL) adopted SFAS 131, "Disclosures about Segments of an Enterprise and Related Information." PPL Electric does not separately disclose segments, but instead is a component of the delivery segment of PPL.
- In February 1998, the FASB issued SFAS 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," which is effective for fiscal years beginning after December 15, 1997. The adoption of the statement did not have a material impact on the financial statements.

- In August 1998, the PUC approved the settlement of PPL Electric's restructuring proceeding under the Electricity Generation Customer Choice and Competition Act (Customer Choice Act). Among other things, the settlement (PUC Final Order):
  - permitted PPL Electric to recover \$2.97 billion (on a net present value basis) in stranded costs over 11 years;
  - authorized PPL Electric to issue transition bonds to securitize up to \$2.85 billion of its stranded costs;
  - required PPL Electric to reduce rates to all retail customers by four percent effective January 1, 1999 through December 31, 1999; and
  - required PPL Electric to unbundle its retail electric rates beginning on January 1, 1999, to reflect separate prices for the transmission and distribution charges, the Competitive Transition Charge (CTC), the Intangible Transition Charge (ITC), and the generation charge.
- Prior to the aforementioned PUC order on restructuring, PPL Electric prepared its financial statements in accordance with SFAS 71, "Accounting for the Effects of Certain Types of Regulation," which requires rate-regulated companies to reflect the effects of regulatory decisions in their financial statements. Emerging Issues Task Force (EITF) Issue No. 97-4, "Deregulation of the Pricing of Electricity – Issues Related to the Application of FASB Statements 71 and 101," concluded that an entity should cease to apply SFAS 71 when a deregulation plan is in place and its terms are known. PPL Electric discontinued application of SFAS 71 for the generation portion of its business, effective June 30, 1998, based upon the outcome of the PUC restructuring proceeding. PPL Electric also adopted SFAS 101, which requires a determination of impairment of plant assets performed in accordance with SFAS 121 and the elimination of all effects of rate regulation that have been recognized as assets and liabilities under SFAS 71. Impairment tests were completed on the electric generation assets on a plant-by-plant basis. The results of the impairment tests, as well as other stranded costs, net of stranded cost recovery, resulted in a net under-recovery of \$1.558 billion, pre-tax. The under-recovery was recorded as an extraordinary charge in June 1998.
- Under FERC Order 888, 16 small utilities which had power supply agreements with PPL Electric signed before July 11, 1994 requested and were provided with PPL Electric's current estimate of its stranded costs applicable to these customers if they were to terminate their agreements in 1999. Subject to certain conditions, FERC-approved settlement agreements executed with 15 of these customers provide for continued power supply by PPL Electric until 2004. As a result of these settlements, in June 1998, PPL Electric recorded an extraordinary charge of \$56 million, pre-tax.

#### 1999

- Based on the PUC Final Order, PPL Electric was amortizing its competitive transition (or stranded) costs over an eleven-year transition period beginning January 1, 1999 and ending December 31, 2009. In August 1999, competitive transition costs of \$2.4 billion were converted to intangible transition costs when securitized by the issuance of transition bonds. The intangible transition costs are being amortized over the life of the transition bonds, August 1999 through December 2009, in accordance with an amortization schedule filed with the PUC. The assets of PPL Transition Bond Company, LLC (PPL Transition Bond Company), including the intangible transition property, are not available to creditors of PPL or PPL Electric. The transition bonds are obligations of PPL Transition Bond Company and are non-recourse to PPL and PPL Electric. The remaining competitive transition costs also are being amortized based on an amortization schedule previously filed with the PUC, adjusted for those competitive transition costs that were converted to intangible transition costs.

2000

- In July 2000, PPL and PPL Electric completed a corporate realignment in order to effectively separate PPL Electric's regulated transmission and distribution businesses from its deregulated generation businesses and to better position the companies and their affiliates in the new competitive marketplace. The corporate realignment included the following key features:
  - PPL Electric contributed its generating assets and associated liabilities to new unregulated generating subsidiaries of PPL Generation.
  - PPL Electric also contributed assets and liabilities associated with its wholesale energy marketing activities to its wholly-owned subsidiary, PPL EnergyPlus, LLC (PPL EnergyPlus), and contributed its interest in PPL EnergyPlus to PPL Energy Funding Corporation (PPL Energy Funding).
  - PPL Electric distributed all of the outstanding shares of stock of PPL Energy Funding to PPL.
  - PPL Electric entered into agreements with PPL EnergyPlus for the purchase of electricity to meet all of PPL Electric's requirements through 2001 as a provider of last resort (PLR) for customers who have not selected an alternative supplier under the Customer Choice Act.

In addition, as part of the realignment, corporate functions such as financial, legal, human resources and information services were transferred to PPL Services Corporation (PPL Services). PPL Services bills the respective PPL subsidiaries for the cost of such services when they can be specifically identified. The cost of these services that are not directly charged to PPL subsidiaries were allocated to certain of the subsidiaries based on the relative capital invested by PPL in these subsidiaries.

Following are specific changes made as a result of the July 1, 2000 realignment:

- Responsibility for payment of all medical and dental costs was transferred to PPL Services, the unregulated subsidiary established to provide certain corporate and administrative support to all subsidiaries of PPL. Medical and dental costs are allocated to business units using budget rates and COBRA rates for medical/prescription drug and dental. These rates are set by an external consulting firm and are based, in general, on actual utilization/claim cost and current medical trend. The budget rates are used in the allocation process to charge back benefit costs to each business line by using actual plan enrollment each month for each business line times the appropriate budget rate for that plan. Any differences between the amounts charged using the budget rates and total actual cost is allocated to business lines in the same proportion as estimated cost charged to business lines using the budget rates.
- Responsibility for payment of life and other insurance costs associated with PPL's employee benefit plan, was transferred to PPL Services. Basic life insurance (company-paid 2x coverage), Accidental Death & Dismemberment (AD&D), vision plan and Long Term Disability (LTD) rates are on an insured basis and are calculated by the insurance carrier for that coverage (i.e., MetLife for life and AD&D, Highmark for vision and Cigna for LTD). These rates are used in the allocation process to charge back benefit costs to each business line by using actual plan headcount for each month for each plan times the appropriate insured rate.
- The sponsorship of the primary pension plan for PPL was transferred to PPL Services. However, the total pension liability was allocated among all participating companies based on their percentage of active payroll for employees covered under the plan. Pension costs calculated under SFAS 87 are allocated to each business unit participating in the pension plan based on the active compensation for that business unit as a percentage of the total active compensation for all business units participating in the pension plan.

- The sponsorship of the primary postretirement medical and life insurance plans for PPL was transferred to PPL Services. However, the total postretirement liability was allocated among all participating companies based on their percentage of active employees covered under the plans. Postretirement costs calculated under SFAS 106 are allocated to each business unit participating in the postretirement plan based on the number of active participants for that business unit as a percentage of the total active participants for all business units covered under the postretirement plan.
- The sponsorship of the primary supplemental executive retirement plan (SERP) for PPL was transferred to PPL Services. However, the total SERP liability was allocated among all participating companies based on the active and retired employees of each company covered under the plan. Pension costs calculated under SFAS 87 are charged to each business unit participating in the SERP based on the actual service and interest costs for active and inactive employees covered under the plan. In addition, cost components not specifically attributable to individuals, such as actuarial gains, are allocated based on the interest cost allocation for actual employees.
- Beginning January 1, 2000, PPL Electric began to amortize Account 370 - Meters and Account 368 - Line Transformers. The approvals to implement amortization accounting for these accounts were granted by the FERC and this Commission at Docket No. M-110500-F2000ADR. This property is characterized by a relatively low average cost per item, is generally subject to movement throughout PPL Electric's system and requires an inordinate amount of administrative effort to maintain records by retirement units.

#### 2001

- PPL Electric adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS 137 (which deferred the effective date of SFAS 133) and SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," and interpreted by Derivatives Implementation Group (DIG) issues (together, SFAS 133) as of January 1, 2001. The impact of adopting this statement on the income and financial position of PPL Electric was not material.
- In June 2001, the FASB issued SFAS 141, "Business Combinations," which eliminates the *pooling-of-interest method of accounting for business combinations and requires the use of the purchase method*. In addition, SFAS 141 requires the reassessment of intangible assets to determine if they are appropriately classified either separately or within goodwill. SFAS 141 is effective for business combinations initiated after June 30, 2001. PPL Electric adopted SFAS 141 on July 1, 2001, with no material impact on the financial statements.
- During calendar year 2001, PPL Electric reclassified its 69-138KV electric substation facilities from distribution to transmission plant in-service. This reclassification reflects a functional separation between FERC-jurisdictional transmission facilities and PUC-jurisdictional facilities.

#### 2002

- In June 2001, the FASB issued SFAS 142, "Goodwill and Other Intangible Assets," which eliminates the amortization of goodwill and other acquired intangible assets with indefinite economic useful lives. SFAS 142 requires an annual impairment test of goodwill and other intangible assets that are not subject to amortization. PPL Electric adopted SFAS 142 on January 1, 2002, with no material impact on the financial statements.
- In 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which replaces SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." For long-lived assets to be held and used, SFAS 144

retains the requirements of SFAS 121 to recognize an impairment loss only if the carrying amount is not recoverable from undiscounted cash flows and to measure an impairment loss as the difference between the carrying amount and fair value of the asset. For long-lived assets to be disposed of by sale, SFAS 144 establishes a single accounting model based on the framework established in SFAS 121. The accounting model for long-lived assets to be disposed of by sale applies to all long-lived assets, including discontinued operations, and replaces the provisions of Accounting Principles Board (APB) Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of segments of a business. SFAS 144 also broadens the reporting of discontinued operations. PPL Electric adopted SFAS 144 on January 1, 2002, with no material impact on the financial statements.

- In April 2002, the FASB issued SFAS 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." The most relevant provision of SFAS 145 is the rescission of SFAS 4, "Reporting Gains and Losses from Extinguishment of Debt, an Amendment of APB Opinion No. 30," which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of any related income tax effect. As a result of the rescission, the criteria in APB Opinion No. 30 will now be used to classify those gains and losses. The provisions of SFAS 145 related to the rescission of SFAS 4 shall be applied in fiscal years beginning after May 15, 2002, with early application encouraged. PPL and its subsidiaries adopted these provisions during the fourth quarter of 2002. All prior periods were restated, as necessary. The provisions related to the amendment of SFAS 13, "Accounting for Leases," were adopted for transactions occurring after May 15, 2002. The adoption of SFAS 145 did not have a material impact on PPL Electric. However, SFAS 145 may impact the accounting treatment of future extinguishments of debt and lease transactions.
- During calendar year 2002, PPL Electric reclassified its 69-138KV electric poles and lines facilities from distribution to transmission plant in-service. This reclassification reflects a functional separation between FERC-jurisdictional transmission facilities and PUC-jurisdictional facilities.

## 2003

- PPL Services bills the respective PPL subsidiaries for the cost of services from corporate functions such as financial, legal, human resources and information services when they can be specifically identified. Through 2002, the cost of these services that are not directly charged to PPL subsidiaries were allocated to certain of the subsidiaries based on the relative capital invested by PPL in these subsidiaries. In 2002, the PUC performed a focused management and operations audit on PPL Electric and recommended that the costs not directly charged to PPL subsidiaries be allocated using a three-factor methodology. The PUC recommended that the three-factor methodology should contain an employee or payroll factor, an asset or investment factor and an operations and maintenance expense factor. Effective January 1, 2003, those costs that are not directly charged to PPL subsidiaries are allocated using the PUC's recommended three-factor method with number of employees, capitalization and operation and maintenance expenses as the three factors.
- In 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations," which addresses the accounting for obligations associated with the retirement of tangible long-lived assets. SFAS 143 requires legal obligations associated with the retirement of long-lived assets to be recognized as a liability in the financial statements. The initial obligation should be measured at the estimated fair value. An equivalent amount should be recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability should be increased, through the recognition of accretion expense in the income statement, for changes in the obligation due to the passage of time.

PPL Electric adopted SFAS 143 effective January 1, 2003. PPL Electric did not record any asset retirement obligations upon adoption.

- In 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires the recognition of a liability for costs associated with exit or disposal activities when the liability is incurred rather than at the date of a commitment to an exit or disposal plan. SFAS 146 also establishes that the initial liability should be measured at its estimated fair value. The provisions of SFAS 146 are effective for exit or disposal activities initiated after December 31, 2002, with earlier application encouraged. PPL Electric adopted SFAS 146 effective January 1, 2003. SFAS 146 did not have an impact on PPL during 2003.
- In 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an Amendment of FASB Statement No. 123." SFAS 148 provides three transition methods for adopting the fair value method of accounting for stock-based compensation prescribed under SFAS 123 and enhances the required disclosures regarding stock-based compensation effective for fiscal years ending after December 15, 2002. SFAS 148 also requires certain disclosures in financial reports issued for interim periods beginning after December 15, 2002.

PPL and its subsidiaries elected to adopt the fair value method of accounting for stock-based compensation as of January 1, 2003 using the prospective method of transition, as permitted by SFAS 148. The prospective method provides that PPL and its subsidiaries will recognize expense for all stock-based compensation awards granted, modified or settled on or after January 1, 2003.

- In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS 150 establishes standards for classifying and measuring certain financial instruments that have characteristics of both liabilities and equity. The standards established by it require certain financial instruments that, under previous guidance, could be classified as equity or "mezzanine" equity to now be classified as liabilities on the balance sheet. SFAS 150 requires the following freestanding financial instruments to be classified as liabilities (or assets in some circumstances):
  - mandatorily redeemable financial instruments,
  - financial instruments that embody obligations to repurchase equity shares in exchange for cash or other assets, including written put options and forward purchase contracts, and
  - certain financial instruments that embody obligations to issue a variable number of shares.

SFAS 150 also requires disclosure regarding the nature and terms of those instruments and settlement alternatives. Except as discussed below, SFAS 150 is effective for all financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. In November 2003, the FASB issued FSP FAS 150-3, "Effective Date, Disclosures, and Transition for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests under FASB Statement No. 150, 'Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity,' " which, as it relates to public entities, deferred indefinitely certain provisions of SFAS 150 related to certain mandatorily redeemable noncontrolling interests. SFAS 150 prohibits the restatement of financial statements for periods prior to its adoption.

In accordance with SFAS 150, effective July 1, 2003, PPL Electric changed the classification of its preferred stock with sinking fund requirements. These securities are mandatorily redeemable financial instruments, as they require the issuer to redeem the securities for cash on a specified date. Thus, they should be classified as liabilities, as a component of long-term debt, instead of

"mezzanine" equity, on the balance sheet. As of December 31, 2003, there was no preferred stock with sinking fund requirements outstanding due to preferred stock redemptions.

SFAS 150 also requires the distributions on these mandatorily redeemable securities to be included as a component of "Interest Expense" instead of "Distributions on Preferred Securities" in the Statement of Income effective July 1, 2003. "Interest Expense" for 2003 includes distributions on these securities totaling an insignificant amount. Periods ending prior to July 1, 2003 have not been restated to conform to these presentations because SFAS 150 specifically prohibits the restatement of financial statements for periods prior to its adoption.

- In 2002, the FASB issued Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34." FIN 45 clarifies that upon issuance of certain types of guarantees, the guarantor must recognize an initial liability for the fair value of the obligation it assumes under the guarantee. The offsetting entry will be dependent upon the circumstances under which the guarantee is issued, and the initial liability should typically be reduced as the guarantor is released from risk under the guarantee. FIN 45 also requires a guarantor to make significant new disclosures for guarantees even if the likelihood of the guarantor's having to make payments is remote. The provisions relating to the initial recognition and measurement of guarantee obligations must be applied on a prospective basis to guarantees issued or modified after December 31, 2002. PPL Electric adopted FIN 45 effective January 1, 2003, which did not have a significant impact on 2003 earnings.
- In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 clarifies that variable interest entities, as defined therein, that do not disperse risks among the parties involved should be consolidated by the entity that is determined to be the primary beneficiary. FIN 46 also requires certain disclosures to be made by the primary beneficiary and by an enterprise that holds a significant variable interest in a variable interest entity, but is not the primary beneficiary. FIN 46 applies immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after January 31, 2003. For variable interest entities in which an enterprise holds a variable interest that was acquired before February 1, 2003, FIN 46 was originally required to be adopted no later than the first fiscal year or interim period beginning after June 15, 2003. However, in October 2003, the FASB issued FASB Staff Position (FSP) FIN 46-6, "Effective Date of FASB Interpretation No. 46, Consolidation of Variable Interest Entities," which delayed the effective date for applying the provisions of FIN 46 to interests held by public entities in variable interest entities or potential variable interest entities created before February 1, 2003 until the end of the first interim period ending after December 15, 2003.

In December 2003, the FASB revised FIN 46 by issuing Interpretation No. 46 (revised December 2003), which is known as FIN 46(R) and replaces FIN 46. FIN 46(R) does not change the general consolidation concepts of FIN 46. Among other things, FIN 46(R) again changes the effective date for applying the provisions of FIN 46 to certain entities, clarifies certain provisions of FIN 46 and provides additional scope exceptions for certain types of businesses. For entities to which the provisions of FIN 46 have not been applied as of December 24, 2003, FIN 46(R) provides that a public entity that is not a small business issuer should apply the provisions of FIN 46 or FIN 46(R) as follows: (i) FIN 46(R) shall be applied to all entities no later than the end of the first reporting period that ends after March 15, 2004, and (ii) FIN 46 or FIN 46(R) should be applied to entities that are considered to be SPEs no later than the end of the first reporting period that ends after December 15, 2003.

As permitted by FIN 46(R), PPL Electric adopted FIN 46 effective December 31, 2003 for entities created before February 1, 2003 that are considered to be SPEs. This adoption did not have any impact on PPL Electric. Also, as permitted by FIN 46(R), PPL Electric deferred the application of FIN 46 for other entities and plans to adopt FIN 46(R) for all entities on March 31, 2004.

PPL Electric is in the process of evaluating entities in which it holds a variable interest in accordance with FIN 46(R). PPL Electric currently is not aware of any variable interest entities that are not consolidated as of December 31, 2003, but which it will be required to consolidate in accordance with FIN 46(R) effective March 31, 2004. As it continues to evaluate the impact of applying FIN 46(R), PPL Electric may identify additional entities that it would need to consolidate.

- On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduces a prescription drug benefit under Medicare and also provides for a federal subsidy to sponsors of retiree health care benefit plans that provide an actuarially equivalent level of prescription drug benefits. The subsidy would be 28% of eligible drug costs for retirees that are over age 65 and covered under PPL's other postretirement benefit plans.

The impact of the Act on the provisions of SFAS 106 has yet to be determined by the FASB. PPL has elected to defer recognition of the potential impact of the Act, as allowed under FSP FAS 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which was issued by the FASB in January 2004. Thus, the measures of PPL's accumulated postretirement benefit obligations and net postretirement benefit costs in the financial statements and accompanying notes do not reflect the effects of the Act. PPL could be required to change previously reported information upon issuance of final accounting guidance related to the Act, because PPL's other postretirement benefit plans provide prescription drug coverage to retirees that may be eligible for the federal subsidy.

- On January 16, 2004, the PUC issued a declaratory order regarding \$15 million of storm restoration costs associated with the September 2003 Hurricane Isabel. These costs have been deferred in 2003 in accordance with the declaratory order.

Listing of Internal Audits  
Performed for PPL Electric Utilities Corporation  
January 1, 2002 through December 31, 2003

**PPL**  
**Corporate Audit Services**  
**INTERNAL AUDITING REPORTS ISSUED**

<u>Audit Reference Number</u>	<u>Date Issued</u>	<u>Title</u>
<b>2002</b>		
739580-02	1-16-02	Audit of Power Purchase Agreement with Wheelabrator Frackville Energy for Year Ending 12/31/2000
739763-02	2-27-02	Report on Assessment of Compliance with Requirements for Separateness of PPL Electric Utilities
739796-02	3-01-02	Investigation of a Potential Conflict of Interest Situation Involving a PPL Electric Utilities Corporation Employee
739802-02	3-12-02	Investigation of Potential Misuse of the PPL Corporate Card by a PPL Electric Utilities Corporation Relay Test Employee
739971-026-02	3-20-02	Review of Condensate Return Data Supplied by Gilberton Power Company for 1998 and 1999
739762-02	3-21-02	Assessment of Selected Billing Related Processes
739846-02	5-7-02	Validate Information Related to Centralization of the Technical Training Function
739834-02	5-10-02	Assessment of the Automated Meter Reading Small-Scale System Test
739791-02	5-10-02	Assessment of the Process for Reviewing OSHA Recordable Accidents for Non-Accountability
739807-02	5-17-02	Investigation of Alleged Misuse of Company Assets and Inappropriate Conduct by a PPL Electric Utilities Economic Development Employee
739972-024-02	6-3-02	Assessment of Potential Improper Charges to the Automated Meter Reading Project
739864-001-02	7-25-02	Review of a Discrepancy Involving Corporate Card Use by a PPL Electric Utilities Corporation Employee
739793-02	8-15-02	Assessment of the Mandated Safety Training Process

**PPL  
Corporate Audit Services**

**INTERNAL AUDITING REPORTS ISSUED**

739797-02	8-19-02	Assessment of the Customer Service System Bill Calculation Accuracy
739971-027-02	6-27-02	Hammermill Rule 6A Litigation Assistance
739852-02	9-24-02	Assessment of the Work Management System Project
739866-02	10-1-02	Investigation of Employee Concerns Regarding Alleged Discriminatory Hiring and Promotional Practices in Field Services
739893-02	10-25-02	Review of Events Related to the Economic and Emergency Interruptions on July 29, 2002
739876-02	11-12-02	Application of Pennsylvania (PA) Sales Tax to Electric Customer Accounts
739879-02	12-16-02	Field Services Time Reporting
739790-02	12-19-02	Assessment of the Material Management Process for PPL Electric Utilities Corp. and PPL Susquehanna, LLC
739857-02	12-20-02	Compliance with FERC Affiliate and PaPUC Codes of Conduct
<b>2003</b>		
739889-03	4-1-03	Revenue Collection Process Improvement Initiatives
739939-03	5-27-03	Credit Adjustments Related to Customer Billing
739207-03	7-10-03	Tree Trimming Invoice Review
739113-03	9-10-03	Root Cause Analysis of an Incorrect Posting of Capacity Peak Load Obligation Data in PJM's eCapacity System on August 14, 2003
739206-03	9-16-03	Tariff Requirements for Service Work
739205-03	9-26-03	Assessment of the PPL Electric Utilities (PPLEU) and PPLTelcom, LLC (PPLTelcom) Affiliate Agreements
739886-03	10-9-03	Emergency Planning and Business Continuity Follow-Up – PPL Electric Utilities (PPL EU)
739107-03	12-18-03	Assessment of the Transmission Management System

Listing of Third-Party Audits  
Performed for PPL Electric Utilities Corporation  
January 1, 2002 through December 31, 2003

<b>FINANCIAL AUDITS</b>	
<b>Performed By</b>	<b>Description</b>

## PricewaterhouseCoopers LLP

- PPL Electric Utilities Corporation Report on Consolidated Financial Statements (10K, Proxy, FERC Form 1) – December 31, 2001
- PPL Transition Bond Company, LLC Report on Financial Statements (10K) – December 31, 2001
- PPL Electric Utilities Operation Help Program – December 31, 2001
- PPL Electric Utilities Corporation EPA Agreed-upon Procedures
- Audit of the Financial Statements of PPL Electric Utilities Corporation for the Year Ended December 31, 2002
- Audit of the Financial Statements of the PPL Operation Help Program for the year 2002
- Audit of the Financial Statements of PPL Transition Bond Company, LLC for the Year Ended December 31, 2002
- Review of PPL Electric Utilities' FERC Form 1 Reports for 2002
- Review of PPL Electric Utilities Corporation Proxy Statement

## Federal Energy Regulatory Commission (FERC)

- Review of PPL Electric Utilities' FERC Form 1 Reports for 1998, 2000, 2001

<b>REGULATORY COMPLIANCE AUDITS</b>	
<b>Performed By</b>	<b>Description</b>

## Pa. Dept. of Revenue

- Audit of PPL Electric Utilities Corporation's 1999 Corporate Income/Franchise Tax Return
- Audit of PPL Electric Utilities Corporation's June 1995 through December 1998 Sales and Use Tax Returns

## PaPUC

- Audit of Competitive Transition Charges for 2001
- Audit of the Consumer Education Fund Related to the "Settlement Agreement"
- Audit of the Cost Recovery of the Competitive Transition Charge (CTC) and Related Filing Requirements of the "Settlement Agreement"
- Management Audit of PPL Electric Utilities Corp. and PPL Gas Utilities Corp.

## RETEC Group, Inc.

- Audit of PPL Electric's Universal Service Programs (USP)

- Q. 13.           Regardless of whether a claim for negative or positive net salvage is made, attach an exhibit showing gross salvage, cost of removal, third party reimbursements, if any, and net salvage for the test year and 4 previous years.
- A. 13.           Attachment II-D-13 provides PPL Electric's claimed provision for negative net salvage. This claim follows principles previously proposed and accepted by the Commission at Docket R-842651 for the accounting of the Company's net salvage.

## PPL ELECTRIC UTILITIES CORPORATION

Negative Net Salvage  
(Thousands of Dollars)

<u>12 Months Ending</u>	<u>Cost of Removal</u>	<u>Gross Salvage</u>	<u>Negative Net Salvage</u>
December 31, 2000	\$ 7,850	\$ (2,773)	\$ 5,077
December 31, 2001	7,548	(4,098)	3,450
December 31, 2002	7,936	(1,641)	6,295
December 31, 2003	11,860	(1,802)	10,058
December 31, 2004	<u>8,798</u>	<u>(2,578)</u>	<u>6,220</u>
Total for 5-year period ending December 31, 2004	<u>\$ 43,992</u>	<u>\$(12,892)</u>	<u>\$ 31,100</u>
	Five-year average		\$ 6,220
	Less: Amount charged to clearing		<u>250</u>
	Negative Net Salvage Claim		<u>\$ 5,970</u>

- Q.14. State the amount of debt interest utilized for test year income tax calculations, including the amount so utilized which has been allocated from the debt interest of an affiliate, and provide details of debt interest and allocation computations.
- A.14. PPL Electric does not utilize any debt interest, which has been allocated from the debt interest of an affiliate, in the computation of taxable income. The debt interest utilized for test year income tax calculations is provided in Schedule D-13 of Exhibit Future 1.

- Q. 15. Provide a schedule for the test year of Federal and Pennsylvania taxes other than income taxes, per books, pro forma at present rates, and pro forma at proposed rates, including the following tax categories:
- a) Social security.
  - b) Unemployment.
  - c) Capital stock.
  - d) Public utility.
  - e) P.U.C. assessment.
  - f) Other property taxes.
  - g) Any other appropriate categories.
- A. 15. Attachment II-D-15 provides a schedule of taxes other than income.

Schedule of Taxes Other Than Income  
Year Ended December 31, 2004  
 (Thousands of Dollars)

<u>Description</u>	<u>Total Amount Per Budget</u>	<u>T&amp;D Operations Per Budget</u>	<u>T&amp;D Pro forma at Present Rates</u>	<u>D Only Pro forma at Present Rates</u>	<u>D Only Pro forma at Proposed Rates</u>
a. Social Security	\$ 6,262	\$ 6,262	\$ 5,956	\$ 5,633	\$ 5,633
b. Unemployment	311	311	296	280	280
c. Capital Stock	6,680	6,680	7,060	5,567	6,198
d. Public Utility	4,000	4,000	3,251	2,563	2,563
e. Other Property Taxes	918	918	918	724	724
f. Gross Receipts	158,803	38,122	38,269	29,821	39,522
	<u>\$ 176,974</u>	<u>\$ 56,293</u>	<u>\$ 55,750</u>	<u>\$ 44,588</u>	<u>\$ 54,920</u>

- Q. 16. Submit a schedule showing the adjustments from taxable net income per books to taxable net income pro forma under existing rates and pro forma under proposed rates, together with an explanation of all normalizing adjustments. Submit detailed calculations supporting taxable income before State and Federal income taxes where the income tax is subject to allocation due to operations in another state or due to operation of other taxable utility or non-utility business, or by operating divisions or areas.
- A. 16. Detailed calculations supporting taxable income of PPL Electric are shown in Schedule D-13 of Exhibit Future 1.

Q. 17. Submit a schedule showing for the last 5 years the income tax refunds, plus interest - net of taxes, received from the Federal government due to prior years' claims.

A. 17. PPL Electric did not receive any income tax refunds from the Federal government during the last 5 years.

- Q. 18.           Furnish a breakdown of major items comprising prepaid and deferred income tax charges and other deferred income tax credits, reserves and associated reversals on liberalized depreciation.
- A. 18.           Attachment II-D-18 provides a breakdown of the major items comprising prepaid and deferred income tax charges and other deferred income tax credits as reflected on the Company's future test year Balance Sheet shown in Exhibit Future 1, Schedule B-1.

**Prepaid and Deferred Taxes**  
**Year Ended December 31, 2004**  
*(Thousands of Dollars)*

	<u>Current</u>	<u>Non-Current</u>
<b>Accumulated Deferred Income Taxes (Account 190)</b>		
Contribution in Aid of Construction	\$ -	\$ 70,787
Gross Pension Cost	-	35,426
Mark to Market	18,619	-
SFAS 109	(26)	16,135
Taxes	14,774	-
Retired Miners' Health Care Costs	-	12,864
Bad Debt Provision	9,029	-
Administrative and General Costs Capitalized	-	8,784
Vacation Pay	6,135	-
Post Employment Benefits	-	2,155
Miscellaneous	719	946
	<hr/>	<hr/>
Total Account 190	\$ 49,250	\$ 147,097
	<hr/>	<hr/>
<b>Accumulated Deferred Income Taxes (Accounts 282 and 283)</b>		
Other Property (Account 282)		
Accelerated Cost Recovery System	\$ -	\$ 412,312
SFAS 109	-	170,846
Pension Costs Capitalized	-	12,955
Repair Allowance	-	7,741
Removal of Retired Depreciable Property	-	108
Class Life Depreciation System	-	52
Miscellaneous	-	2,185
	<hr/>	<hr/>
	-	606,199
	<hr/>	<hr/>
Other (Account 283)		
Competitive Transition Costs	-	140,250
SFAS 109	-	106,995
Loss on Reacquired Debt	-	11,145
Post Retirement Benefits	-	6,301
Hurricane Isabel Deferral	-	6,229
Severance Pay	3,461	-
Miscellaneous	1,279	3,964
	<hr/>	<hr/>
	4,740	274,884
	<hr/>	<hr/>
Total Account 282 and 283	\$ 4,740	\$ 881,083
	<hr/>	<hr/>

Q. 19. Explain how the Federal corporate graduated tax rates have been reflected for rate case purposes. If the Pennsylvania jurisdictional utility is part of a multi-corporate system, explain how the tax savings are allocated to each member of the system.

A. 19. The Federal corporate graduated tax rates do not apply to the consolidated group because taxable income exceeds the graduated income limitations.

Tax savings are computed and allocated between the parent corporation and affiliates. PPL Corporation, the parent of the affiliated group, allocates federal income tax based upon the taxable income of each member included in the consolidated return. PPL Corporation allocates Foreign tax credits to those members that generated the credits in proportion to the amount of credits they could have used on an unconsolidated basis. PPL Corporation allocates other credits to the members that generated the credits in proportion to the amount of credits such members generated on a separate return basis.

Q.20. Explain the treatment given to costs of removal in the income tax calculation and the basis for such treatment.

A.20. Section 1.167(a)-11(d)(3) of the IRS regulations related to ADR provides: "The cost of dismantling, demolishing, or removing an asset in the process of a retirement from the vintage account shall be treated as an expense deductible in the year paid or incurred, and such costs shall not be subtracted from the depreciation reserve for the account." This applies to ADR property acquired after December 31, 1970.

In 1972, PPL Electric requested, and was granted, permission from the IRS national office in Washington, D.C. to deduct as expense all removal costs applicable to property retired after December 31, 1971. This *accounting change applied to all property retired after December 31, 1971*, regardless of when it was acquired or the method of depreciation used to recover the expenditure. The Company consistently has followed this method of accounting on all income tax returns filed since 1972.

PPL Electric provided deferred income taxes on these expense deductions through December 31, 1980. In accordance with the Commission's order dated January 31, 1981, at Docket No. R-80031114, the Company terminated provisions for deferred income taxes. The Company continues to amortize any amounts deferred through December 31, 1980.

Q.21. Show income tax loss/gain carryovers from previous years. Show loss/gain carryovers by years of origin and amounts remaining by years at the beginning of the test year.

A.21. PPL Electric experienced net operating losses in 1982, 1983 and 1984. The Company carried back and utilized the 1982 loss to tax years 1979, 1980 and 1981. The Company carried forward and utilized the 1983 and 1984 losses to tax year 1985. No additional net operating losses have been experienced since 1985 and there were no net operating loss carryovers remaining at the beginning of the test year.

- Q.22. State whether the company eliminates tax savings by the payment of actual interest on construction work in progress not in rate base claim. If response is affirmative:
- a) Set forth amount of construction claimed in this tax savings reduction, and explain the basis for this amount.
  - b) Explain the manner in which the debt portion of this construction is determined for purposes of the deferral calculations.
  - c) State the interest rate used to calculate interest on this construction debt portion, and the manner in which it is derived.
  - d) Provide details of calculation to determine tax savings reduction, and state whether State taxes are increased to reflect the construction interest elimination.
- A.22. The adjustment necessary to reflect the pro forma interest charges on measures of value for the test year is provided in Schedule D-13 of Exhibit Future 1.

- Q.23. Under section 1552 of the Internal Revenue Code (26 U.S.C.A. § 1552) and 26 CFR 1.1552-1 (1983), if applicable, a parent company, in filing a consolidated income tax return for the group, must choose one of four options by which it must allocate total income tax liability of the group to *the participating members to determine each member's tax liability to the Federal government* (if this interrogatory is not applicable, so state):
- a) State what option has been chosen by the group.
  - b) Provide, in summary form, the amount of tax liability that has been allocated to each of the participating members in the consolidated income tax return for the test year and the most recent 3 years for which data is available.
  - c) Provide a schedule, in summary form, of contributions, which were determined on the basis of separate tax return calculations, made by each of the participating members to the tax liability indicated in the consolidated group tax return. Provide total amounts of actual payments to the tax depository for the tax year, as computed on the basis of separate returns of members.
  - d) Provide the most recent annual income tax return for the group.
  - e) Provide details of the amount of the net operating losses of any member allocated to the income tax returns of each of the members of the consolidated group for the test year and the 3 most recent years for which data is available, together with a summary of the actual tax payments for those years.
  - f) Provide details of the amount of net negative income taxes, after all tax credits are accounted for, of any member allocated to the income tax return of each of the members of the consolidated group for the test year and the 3 most recent years for which data is available, together with a summary of the actual tax payments for those years.
- A.23. a) Internal Revenue Code Section 1552 provides for an allocation of consolidated income tax for "earnings and profits" purposes only. PPL elected option (a) (1), i.e., ratio of taxable income of each company having income to total consolidated taxable income as modified by Commissioner of Internal Revenue for consolidated income tax return purposes only. A copy of the IRS authorization is included as Attachment II-D-23a. PPL has chosen, for book purposes and all other purposes, to allocate consolidated Federal income tax among all companies based on net taxable income or loss and credits on a separate return basis. PPL Corporation became the common parent of the affiliated group in 1995 and

- elected to continue this allocation methodology in its 1995 Federal income tax return.
- b) Attachment II-D-23b details the tax liability allocated to each of the participating members in the consolidated federal income tax return for the 2001, 2002 and 2003.
  - c) PPL Corporation is the parent company of the PPL consolidated group that includes PPL Electric and makes all necessary income tax payments to the Internal Revenue Service for the net tax liability that is due for the consolidated group. PPL Corporation bills member companies that have a positive federal income tax allocation and pays member companies that have a negative federal income tax allocation. The amounts PPL Corporation receives from or pays each member company are the same amounts as detailed in Attachment II-D-23b.
  - d) The most recent Federal income tax return filed by the consolidated group is tax year 2002. The complete tax return contains 2,965 pages. Attachment II-D-23c includes pages 1 through 4 of the Federal Form 1120 and a summary of taxable income by member company. Additional schedules will be furnished upon request.
  - e) Attachment II-D-23b details the actual payments made to members of the consolidated group with net operating losses.
  - f) Attachment II-D-23b details the actual payments made to members of the consolidated group with a net negative income tax allocation after credits.



U. S. TREASURY DEPARTMENT  
WASHINGTON 25

OCT 13 1955

OFFICE OF  
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO  
COMMISSIONER OF INTERNAL REVENUE  
WASHINGTON 25, D. C.

AND REFER TO  
T:R:C  
TFG

Pennsylvania Power & Light Co.  
Ninth and Hamilton Streets  
Allentown, Pennsylvania

Attention: F. H. Markley, Treasurer

Gentlemen:

This is in further reply to your letter dated September 6, 1955, in which you requested approval of a proposed method of allocating the tax liability of the group of which your company is the common parent.

You have proposed to allocate the consolidated tax of your affiliated group under the provisions of section 1552(a)(1) of the 1954 Code, but with the limitations provided under Securities and Exchange Commission Rule U-45(b)(6) as follows:

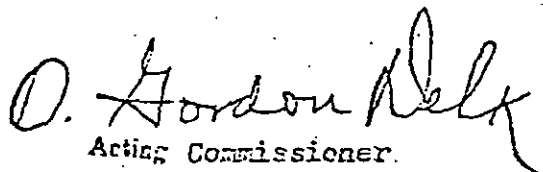
- (1) That the tax allocated to each subsidiary company shall not exceed the amount of tax of such company based upon a separate return computed as if such company had always filed its tax returns on a separate return basis; and
- (2) That any excess of liability over a separate return tax which would be allocated to a subsidiary company but for clause (1) above shall be apportioned among the other members of the group, including the holding company (or other parent company), in direct proportion to the reduction in tax liability to such members as measured by the difference between their tax liabilities computed on a separate return basis and their allocated portion of the consolidated tax liability.

Your proposed method was approved by telegram on September 13, 1955, subject to the condition that the limitation with respect to the tax allocated to your subsidiaries shall be based upon the tax of such members for the taxable year computed as if separate returns had been filed by each for such taxable year without regard to net operating losses sustained by such members in prior or subsequent taxable years.

2 - Pennsylvania Power & Light Co.

This letter and our telegram of September 13, 1955, are evidences of your authority for the adoption of such method.

Very truly yours,

  
O. Gordon Kelly  
Acting Commissioner.

Enclosure:  
Copy of this letter

**PPL CORPORATION AND SUBSIDIARY COMPANIES**  
**ALLOCATION OF 2003 ESTIMATED FEDERAL INCOME TAX**

	<u>Taxable</u> <u>Income</u>	<u>Tax</u> <u>35%</u>	<u>Less</u> <u>Credits</u>	<u>Tax</u> <u>35%</u>
PPL Electric Utilities Corporation	\$ (48,061,384)	\$ (16,821,484)	\$ 0	\$ (16,821,484)
BDW Corp.	0	0		0
Burns Mechanical, Inc.	32,328	11,315		11,315
CEP Delaware, Inc.	(50)	(18)		(18)
CEP Reserves, Inc.	304,792,460	106,677,361		106,677,361
G.O.P. Inc. of Delaware	(62,940)	(22,029)		(22,029)
H.T. Lyons, Inc.	960,490	336,172		336,172
Lady Jane Collieries, Inc.	204,000	71,400		71,400
McCarl's Inc.	2,347,708	821,698		821,698
McClure Company	874,378	306,032		306,032
Ninth Street and Hamilton Corporation	11,467	4,013		4,013
North Penn Gas Company	359,743	125,910		125,910
Penobscot Hydro Co., Inc.	1,193,768	417,819		417,819
PPG Gas, Inc.	3,456,406	1,209,742		1,209,742
PPL Capital Funding, Inc.	(1,296,470)	(453,765)		(453,765)
PPL Coal Holdings Corporation	2,123,802	743,331		743,331
PPL Corporation	(4,804,222)	(1,681,478)		(1,681,478)
PPL Energy Funding Corporation	(252,604,325)	(88,411,513)	72,872,280	(161,283,793)
PPL Energy Services Northeast, Inc.	4,011,111	1,403,889		1,403,889
PPL Gas Utilities Corporation	(408,479)	(142,968)		(142,968)
PPL Interstate Energy Company	(1,479,839)	(517,944)		(517,944)
PPL Investment Corporation	279,390,699	97,786,745		97,786,745
PPL Montana Holdings, LLC	47,397,892	16,589,262		16,589,262
PPL Power Insurance, Ltd.	8,384,630	2,934,621		2,934,621
PPL Properties, Inc.	38,720,424	13,552,148		13,552,148
PPL Rights, Inc.	76,066,503	26,623,276		26,623,276
PPL Services Corporation	(8,481,545)	(2,968,541)		(2,968,541)
PPL Spectrum, Inc.	588,315	205,910		205,910
Realty Company of Pennsylvania	183,234	64,132		64,132
	<u>\$ 453,900,104</u>	<u>\$ 158,865,036</u>	<u>\$ 72,872,280</u>	<u>\$ 85,992,756</u>
Total Consolidated	<u>\$ 453,900,104</u>	<u>\$ 158,865,036</u>	<u>\$ 72,872,280</u>	<u>\$ 85,992,756</u>

**PPL CORPORATION AND SUBSIDIARY COMPANIES**  
**ALLOCATION OF 2002 FEDERAL INCOME TAX**

	<u>Taxable</u> <u>Income</u>	<u>Tax</u> <u>35%</u>	<u>Less</u> <u>Credits</u>	<u>Tax</u> <u>35%</u>
PPL Electric Utilities Corporation	\$ 41,924,218	\$ 14,673,477	\$ 0	\$ 14,673,477
BDW Corp.	0	0		0
Burns Mechanical, Inc.	847,878	296,757		296,757
CEP Delaware, Inc.	(54)	(19)		(19)
CEP Reserves, Inc.	297,897,164	104,264,007		104,264,007
G.O.P. Inc. of Delaware	(77,953)	(27,284)		(27,284)
H.T. Lyons, Inc.	346,921	121,422		121,422
Lady Jane Collieries, Inc.	63,102	22,086		22,086
McCarl's Inc.	(4,710,698)	(1,648,744)		(1,648,744)
McClure Company	(551,044)	(192,865)		(192,865)
Ninth Street and Hamilton Corporation	60,221	21,077		21,077
North Penn Gas Company	6,711,312	2,348,959		2,348,959
Penobscot Hydro Co., Inc.	1,114,458	390,060		390,060
PFG Gas, Inc.	12,995,470	4,548,415		4,548,415
PPL Capital Funding, Inc.	(1,296,471)	(453,765)		(453,765)
PPL Coal Holdings Corporation	247,670	86,685		86,685
PPL Corporation	4,246,192	1,486,167		1,486,167
PPL Energy Funding Corporation	(448,854,082)	(157,098,929)	87,627,422	(244,726,351)
PPL Energy Services Northeast, Inc.	5,348,127	1,871,844		1,871,844
PPL Gas Utilities Corporation	(249,380)	(87,283)		(87,283)
PPL Interstate Energy Company	504,520	176,582		176,582
PPL Investment Corporation	283,384,193	99,184,468		99,184,468
PPL Montana Holdings, LLC	41,593,228	14,557,630		14,557,630
PPL Power Insurance, Ltd.	0	0		0
PPL Properties, Inc.	7,825,899	2,739,065		2,739,065
PPL Rights, Inc.	38,585,398	13,504,889		13,504,889
PPL Services Corporation	5,173,423	1,810,698		1,810,698
PPL Spectrum, Inc.	490,601	171,710		171,710
Realty Company of Pennsylvania	(971,324)	(339,963)		(339,963)
<b>Total Consolidated</b>	<b>\$ 292,648,989</b>	<b>\$ 102,427,146</b>	<b>\$ 87,627,422</b>	<b>\$ 14,799,724</b>

**PPL CORPORATION AND SUBSIDIARY COMPANIES**  
**ALLOCATION OF 2001 FEDERAL INCOME TAX**

	<u>Taxable</u> <u>Income</u>	<u>Tax</u> <u>35%</u>	<u>Less</u> <u>Credits</u>	<u>Tax</u> <u>35%</u>
PPL Electric Utilities Corporation	\$ 65,949,796	\$ 23,082,427	\$ 0	\$ 23,082,427
Burns Mechanical, Inc.	728,426	254,949		254,949
CEP Delaware, Inc.	(50)	(18)		(18)
CEP Reserves, Inc.	315,305,988	110,357,096		110,357,096
G.O.P. Inc. of Delaware	(767,438)	(268,603)		(268,603)
Greene Manor Coal Company	5,675,695	1,986,493		1,986,493
H.T. Lyons, Inc.	1,496,341	523,719		523,719
Lady Jane Collieries, Inc.	81,073	28,376		28,376
McCarl's Inc.	4,304,450	1,506,558		1,506,558
McClure Company	(710,636)	(248,723)		(248,723)
Ninth Street and Hamilton Corporation	42,370	14,830		14,830
North Penn Gas Company	4,376,370	1,531,730		1,531,730
PFG Gas, Inc.	8,633,739	3,021,809		3,021,809
PPL Capital Funding, Inc.	(730,271)	(255,595)		(255,595)
PPL Coal Holdings Corporation	493,808	172,833		172,833
PPL Corporation	(60,020,010)	(21,007,004)		(21,007,004)
PPL Energy Funding Corporation	225,633,469	78,971,715	64,286,783	14,684,932
PPL Energy Services Northeast, Inc.	14,037,832	4,913,241		4,913,241
PPL Gas Utilities Corporation	(2,625,144)	(918,800)		(918,800)
PPL Interstate Energy Company	(94,277)	(32,997)		(32,997)
PPL Investment Corporation	106,914,592	37,420,107		37,420,107
PPL Properties, Inc.	(186,717)	(65,351)		(65,351)
PPL Rights, Inc.	42,421,305	14,847,457		14,847,457
PPL Services Corporation	(14,653,982)	(5,128,894)		(5,128,894)
PPL Spectrum, Inc.	152,142	53,250		53,250
Realty Company of Pennsylvania	(566,217)	(198,176)		(198,176)
Total Consolidated	<u>\$ 715,892,654</u>	<u>\$ 250,562,429</u>	<u>\$ 64,286,783</u>	<u>\$ 186,275,646</u>

1120

U.S. Corporation Income Tax Return

OMB No. 1545-0123

Form Department of the Treasury Internal Revenue Service

For calendar year 2002 or tax year beginning 2002, ending 2002

2002

Instructions are separate. See page 20 for Paperwork Reduction Act Notice.

- A Check if a: Consolidated return (attach Form 851) Personal holding co. (attach Sch. PH) Personal service corp. (as defined in Regulations sec. 1.441-3(c) - see instructions)

Name, Number, street, and room or suite no. (If a P.O. box, see page 7 of instructions.) City or town, state, and ZIP code PPL Corporation and Subsidiaries Two North Ninth Street Allentown PA 18101

B Employer identification number 23-2758192 C Date incorporated 03/15/1994 D Total assets (see page 8 of instructions)

E Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change \$ 15,529,717,094

Table with 36 rows for income and deductions. Includes sections for Income (lines 1-11), Deductions (lines 12-27), Taxable Income (lines 28-30), and Tax and Payments (lines 31-36). Values include gross receipts of 4,037,095,591 and total income of 5,894,761,803.

Income Deductions Tax and Payments

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here section with signature of officer, date 9/15/2003, title V.P. & Controller, and preparer information.

**Schedule A Cost of Goods Sold** (See page 14 of instructions)

1	Inventory at beginning of year	1	2,187,218
2	Purchases	2	103,094,346
3	Cost of labor	3	117,922,822
4	Additional section 263A costs (attach schedule)	4	-1,096
5	Other costs (attach schedule)	5	151,575,527
6	<b>Total.</b> Add lines 1 through 5	6	374,778,817
7	Inventory at end of year	7	1,897,138
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on line 2, page 1	8	372,881,679

9a Check all methods used for valuing closing inventory:

- (i)  Cost as described in Regulations section 1.471-3
- (ii)  Lower of cost or market as described in Regulations section 1.471-4
- (iii)  Other (Specify method used and attach explanation.)

- b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c)
- c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)
- d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO
- e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation?  Yes  No
- f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation  Yes  No

**Schedule C Dividends and Special Deductions** (See instructions beginning on page 15)

	(a) Dividends received	(b) %	(c) Special deductions (a) x (b)
1 Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)	22,576	70	15,803
2 Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)	2,370,000	80	1,896,000
3 Dividends on debt-financed stock of domestic and foreign corporations (section 246A)	0	see instructions	0
4 Dividends on certain preferred stock of less-than-20%-owned public utilities	0	42	0
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities	0	48	0
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction	0	70	0
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction	0	80	0
8 Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))	0	100	0
9 <b>Total.</b> Add lines 1 through 8. See page 16 of instructions for limitation			1,911,803
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	0	100	0
11 Dividends from certain FSCs that are subject to the 100% deduction (section 245(c)(1))	0	100	0
12 Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3))	951,486,508	100	951,486,508
13 Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11	206,820,861		
14 Income from controlled foreign corporations under subpart F (attach Form(s) 5471)	23,603,641		
15 Foreign dividend gross-up (section 78)	58,906,711		
16 IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d))	0		
17 Other dividends	1,415		
18 Deduction for dividends paid on certain preferred stock of public utilities			409,774
19 <b>Total dividends.</b> Add lines 1 through 17. Enter here and on line 4, page 1	1,243,211,712		
20 <b>Total special deductions.</b> Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1			953,808,085

**Schedule E Compensation of Officers** (See instructions for line 12, page 1, on page 10 of instructions)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1, Form 1120) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1 Detail to be supplied upon audit		%	%	%	0
		%	%	%	0
		%	%	%	0
		%	%	%	0
		%	%	%	0
2 Total compensation of officers					0
3 Compensation of officers claimed on Schedule A and elsewhere on return					0
4 Subtract line 3 from line 2. Enter the result here and on line 12, page 1					20,601,285

000003

Schedule J Tax Computation (see page 17 of instructions)

1 Check if the corporation is a member of a controlled group (see sections 1561 and 1563)

**Important:** Members of a controlled group, see instructions on page 17.

2a If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order):

(1) \$ 50,000 (2) \$ 25,000 (3) \$ 9,925,000

b Enter the corporation's share of:

(1) Additional 5% tax (not more than \$11,750) \$ 11,750

(2) Additional 3% tax (not more than \$100,000) \$ 100,000

3 Income tax. Check if a qualified personal service corporation under section 448(d)(2) (see page 17)  3 102,427,146

4 Alternative minimum tax (attach Form 4626) 4 0

5 Add lines 3 and 4 5 102,427,146

6a Foreign tax credit (attach Form 1118) 6a 60,360,319

b Possessions tax credit (attach Form 5735) 6b 0

c Check:  Nonconventional source fuel credit  QEV credit (attach Form 8834) 6c 27,267,103

d General business credit. Check box(es) and indicate which forms are attached.

Form 3800  Form(s) (specify) 6d 0

e Credit for prior year minimum tax (attach Form 8827) 6e 0

f Qualified zone academy bond credit (attach Form 8860) 6f 0

7 Total credits. Add lines 6a through 6f 7 87,627,422

8 Subtract line 7 from line 5 8 14,799,724

9 Personal holding company tax (attach Schedule PH (Form 1120)) 9 0

10 Other taxes. Check if from:  Form 4255  Form 8611  Form 8697

Form 8866  Other (attach schedule) 10 0

11 Total tax. Add lines 8 through 10. Enter here and on line 31, page 1 0 11 14,799,724

Schedule K Other Information (see page 19 of instructions)

		Yes	No			Yes	No
1	Check method of accounting: a <input type="checkbox"/> Cash			7	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation? .....		
	b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) _____				If "Yes," enter: (a) Percentage owned _____ and (b) Owner's country _____		X
2	See page 21 of the instructions and enter the:			c	The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached _____		
a	Business activity code no. ▶ 551112			8	Check this box if the corporation issued publicly offered debt instruments with original issue discount ... <input type="checkbox"/>		
b	Business activity ▶ Holding Company				If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
c	Product or service ▶ _____			9	Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ 1,114,812		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) .....	X		10	Enter the number of shareholders at the end of the tax year (if 75 or fewer) ▶ _____		
	If "Yes," attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.			11	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input type="checkbox"/>		
4	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? .....	X			If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3)(i) or (ii) must be attached or the election will not be valid.		
	If "Yes," enter name and EIN of the parent corporation ▶ 23-2758192			12	Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) ▶ \$ 0		
	PPL Corporation			13	Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? .....		X
5	At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) .....		X		If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ▶ \$ 0		
	If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter percentage owned _____						
6	During this tax year, did the corp pay dividends (other than stock dividends and distr in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) .....		X				
	If "Yes," file Form 5452, Corporate Report of Nondividend Distributions.						
	If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.						

Note: If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

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Note: The corporation is not required to complete Schedules L, M-1, and M-2 if Question 13 on Schedule K is answered "Yes."

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
<b>Assets</b>					
1	Cash		244,090,094		87,203,017
2a	Trade notes and accounts receivable	674,560,278		795,878,012	
b	Less allowance for bad debts	(134,317,685)	540,242,593	(107,688,803)	688,189,209
3	Inventories		182,032,885		187,110,567
4	U.S. government obligations		0		0
5	Tax-exempt securities (see instructions)		0		0
6	Other current assets (attach schedule)		1,354,804,272		755,564,913
7	Loans to stockholders		0		0
8	Mortgage and real estate loans		0		0
9	Other investments (attach schedule)		1,921,250,737		1,093,055,027
10a	Buildings and other depreciable assets	12,329,378,144		16,029,097,495	
b	Less accumulated depreciation	(6,391,440,312)	5,937,937,832	(6,524,863,239)	9,504,234,256
11a	Depletable assets	0		0	
b	Less accumulated depletion	(0)	0	(0)	0
12	Land (net of any amortization)		1,827,479		308,260
13a	Intangible assets (amortizable only)	369,700,048		533,758,236	
b	Less accumulated amortization	(67,129,646)	302,570,402	(116,585,825)	417,172,411
14	Other assets (attach schedule)		2,905,536,940		2,796,879,434
15	<b>Total assets</b>		<b>13,390,293,234</b>		<b>15,529,717,094</b>
<b>Liabilities and Stockholders' Equity</b>					
16	Accounts payable		356,046,144		440,548,197
17	Mortgages, notes, bonds payable in less than 1 year		1,569,102,118		963,876,691
18	Other current liabilities (attach schedule)		89,984,947		796,195,778
19	Loans from shareholders		0		0
20	Mortgages, notes, bonds payable in 1 year or more		5,467,496,432		6,260,442,591
21	Other liabilities (attach schedule)		2,917,369,888		4,107,804,899
	Capital stock:				
	a Preferred stock	906,618,900		742,453,500	
	b Common stock	2,126,641	908,745,541	2,315,303	744,768,803
23	Additional paid-in capital		2,054,739,010		2,456,170,521
24	Retained earnings—Appropriated (attach schedule)		0		0
25	Retained earnings—Unappropriated		1,130,820,435		741,551,927
26	Adjustments to shareholders' equity (attach schedule)		-268,247,276		-145,878,308
27	Less cost of treasury stock		(835,764,005)		(835,764,005)
28	<b>Total liabilities and stockholders' equity</b>		<b>13,390,293,234</b>		<b>15,529,717,094</b>

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return** (See page 20 of instructions)

1	Net income (loss) per books	274,952,846	7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books	93,337,326		Tax-exempt interest \$	1,114,812
3	Excess of capital losses over capital gains	107,235,093			
4	Income subject to tax not recorded on books this year (itemize):				
		1,300,643,365			1,452,010,775
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation \$	231,855,854		a Depreciation \$	361,717,779
b	Charitable contributions \$	0		b Charitable contributions \$	0
c	Travel and entertainment \$	2,087,815			
		0			686,456,759
		1,737,644,900		9	Add lines 7 and 8
6	Add lines 1 through 5	3,747,757,199	10	Income (line 28, page 1) - line 8 less line 9	2,501,300,125
					1,246,457,074

**Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)**

1	Balance at beginning of year	837,195,170	5	Distributions:	
2	Net income (loss) per books	274,952,846		a Cash	284,833,276
	Other increases (itemize):			b Stock	0
				c Property	0
		421,147,059	6	Other decreases (itemize):	506,909,872
4	Add lines 1, 2, and 3	1,533,295,075	7	Add lines 5 and 6	791,743,148
			8	Balance at end of year (line 4 less line 7)	741,551,927

000005

2002 CONS. FEDERAL 1120 TAX RETURN  
verified

	Total	Elim PPL Corp	Subtotal	PPL Corp 23-2758192	PPL Elec Util 23-0959590	Aira Tech Mech 06-0900235
***** * 1120 - U.S. CORPORATION INCOME TAX RETURN * *****						
TOTAL ASSETS	15529717094	(22005999537)	37535716631	2,803,294,863	3,920,711,060	0
1A GROSS RECEIPTS OR SALES. . . . . 1A	4,037,095,591	(3,160,701,480)	7,197,797,071	0	2,329,485,745	0
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	4,037,095,591	(3,160,701,480)	7,197,797,071	0	2,329,485,745	0
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	372,881,679	0	372,881,679	0	0	0
3 GROSS PROFIT (LINE 1(C) LESS LINE 2). . . . . 3	3,664,213,912	(3,160,701,480)	6,824,915,392	0	2,329,485,745	0
4 DIVIDENDS (SCHEDULE C). . . . . 4	1,243,211,712	0	1,243,211,712	0	2,329,485,745	0
5 INTEREST. . . . . 5	21,511,804	(528,365,154)	549,876,958	218,435,068	516,485	0
6 GROSS RENTS . . . . . 6	21,088,010	(4,681,534)	25,769,544	3,235,174	16,477,588	0
7 GROSS ROYALTIES . . . . . 7	8,337,118	0	8,337,118	0	19,052,224	0
8 CAPITAL GAIN NET INCOME (SCHEDULE D). . . . . 8	0	71,670,932	(71,670,932)	4,287,118	0	0
9 NET GAIN (LOSS) FROM FORM 4797. . . . . 9	(14,845,068)	0	(14,845,068)	0	0	0
0 OTHER INCOME (ATTACH SCHEDULE). . . . . 10	951,244,315	(247,563,814)	1,198,808,129	0	(895,991)	0
1 TOTAL INCOME (LINES 3 THROUGH 10). . . . >11	5,894,761,803	(3,869,641,050)	9,764,402,853	4,575,062	73,591,298	0
DEDUCTIONS				230,532,422	2,438,227,349	0
2 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . 12	20,601,285	0	20,601,285	0	2,110,552	0
3 SALARIES AND WAGES. . . . . 13	217,737,910	0	217,737,910	0	33,421,090	0
4 REPAIRS . . . . . 14	226,193,834	0	226,193,834	0	61,107,718	0
5 BAD DEBTS . . . . . 15	117,260,633	0	117,260,633	0	17,473,659	0
6 RENTS . . . . . 16	63,391,406	(4,667,302)	68,058,708	0	5,938,675	0
7 TAXES . . . . . 17	202,657,889	0	202,657,889	213,884	153,590,826	0
8 INTEREST. . . . . 18	469,161,853	(528,365,154)	997,527,007	3,540,210	94,060,901	0
9 CONTRIBUTIONS (SEE INSTRUCTIONS). . . . . 19	2,547,099	0	2,547,099	0	264,534	0
0 DEPRECIATION (FORM 4562). . . . . 20	361,717,779	0	361,717,779	0	140,648,056	0
1A LESS DEPRECIATION IN SCH A & ELSEWHERE . . . 21A	1,446,012	0	1,446,012	0	0	0
21B	360,271,767	0	360,271,767	0	140,648,056	0
2 DEPLETION . . . . . 22	8,834	0	8,834	0	0	0
3 ADVERTISING . . . . . 23	989,205	0	989,205	0	4,234	0
4 PENSION, PROFIT SHARING, ETC. PLANS . . . . 24	637,427	0	637,427	0	0	0
5 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	85,985,470	0	85,985,470	0	38,510,601	0
6 OTHER DEDUCTIONS. . . . . 26	2,880,860,117	(3,443,843,687)	6,324,703,804	4,097,068	1,848,538,176	0
7 TOTAL DEDUCTIONS (LINES 12 THROUGH 26). . . >27	4,648,304,729	(3,976,876,143)	8,625,180,872	7,851,162	2,395,669,022	0
8 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	1,246,457,074	107,235,093	1,139,221,981	222,681,260	42,558,327	0
9 LESS: A NET OPERATING LOSS DEDUCTION . . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C). . . . . 29B	953,808,085	0	953,808,085	218,435,068	926,259	0
C TOTAL. . . . . 29C	953,808,085	0	953,808,085	218,435,068	926,259	0
10 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	292,648,989	107,235,093	185,413,896	4,246,192	41,632,068	0

000264

2002 CONS. FEDERAL 1120 TAX RETURN  
verified

Avon Lake Synf 41-2069132	BDW Corp 51-0116798	B-G Mech Contr 04-2535814	B-G Mech Ser 04-2982190	Burnner Isl Sr 23-3098400	Burns Mech 23-2968098
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\* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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	(500,000)	8,530	0	0	(7,155)	14,178,263
TOTAL ASSETS						
1A GROSS RECEIPTS OR SALES . . . . . 1A	0	0	0	0	0	33,131,036
B LESS RETURNS AND ALLOWANCES . . . . . 1B	0	0	0	0	0	0
BALANCE >1C	0	0	0	0	0	33,131,036
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	29,162,760
3 GROSS PROFIT (LINE 1(C) LESS LINE 2) . . . . . 3	0	0	0	0	0	3,968,276
4 DIVIDENDS (SCHEDULE C) . . . . . 4	0	0	0	0	0	0
5 INTEREST . . . . . 5	0	28,801	0	0	0	0
6 GROSS RENTS . . . . . 6	0	0	0	0	0	0
7 GROSS ROYALTIES . . . . . 7	0	0	0	0	0	0
8 CAPITAL GAIN NET INCOME (SCHEDULE D) . . . . . 8	0	0	0	0	0	0
9 NET GAIN (LOSS) FROM FORM 4797 . . . . . 9	0	0	0	0	0	0
10 OTHER INCOME (ATTACH SCHEDULE) . . . . . 10	0	225,000	0	0	0	0
11 TOTAL INCOME (LINES 3 THROUGH 10) . . . . . >11	0	253,801	0	0	0	3,968,276
DEDUCTIONS						
12 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . . 12	0	0	0	0	0	701,479
13 SALARIES AND WAGES . . . . . 13	0	0	0	0	0	1,407,873
14 REPAIRS . . . . . 14	0	0	0	0	0	55,262
15 BAD DEBTS . . . . . 15	0	0	0	0	0	0
16 RENTS . . . . . 16	0	0	0	0	0	192,919
17 TAXES . . . . . 17	(72,827)	50	0	0	(9,366)	225,655
18 INTEREST . . . . . 18	0	0	0	0	3,301	209,018
19 CONTRIBUTIONS (SEE INSTRUCTIONS) . . . . . 19	0	0	0	0	0	4,494
20 DEPRECIATION (FORM 4562) . . . . . 20	0	0	0	0	0	343,619
21A LESS DEPRECIATION IN SCH A & ELSEWHERE . . . . . 21A	0	0	0	0	0	343,619
21B	0	0	0	0	0	0
22 DEPLETION . . . . . 22	0	0	0	0	0	0
23 ADVERTISING . . . . . 23	0	0	0	0	0	6,595
24 PENSION, PROFIT SHARING, ETC. PLANS . . . . . 24	0	0	0	0	0	0
25 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	0	0	0	0	0	287,368
26 OTHER DEDUCTIONS . . . . . 26	500,000	253,751	0	0	147,520	29,735
27 TOTAL DEDUCTIONS (LINES 12 THROUGH 26) . . . . . >27	427,173	253,801	0	0	141,455	3,120,398
28 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . . . . 28	(427,173)	0	0	0	(141,455)	847,878
29 LESS: A NET OPERATING LOSS DEDUCTION . . . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C) . . . . . 29B	0	0	0	0	0	0
C TOTAL . . . . . 29C	0	0	0	0	0	0
30 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	(427,173)	0	0	0	(141,455)	847,878

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2002 CONS. FEDERAL 1120 TAX RETURN  
verified

CEP Commerce	CEP Delaware	CEP Reserve	CEP Securities	Clark Heat Srv	Colstrip Comm
51-0391375	23-2891189	88-0415158	52-2166680	04-2874111	81-0529047

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\* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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	16,587	5,532	251,563,807	(21,268,268)	0	0
TOTAL ASSETS						
1A GROSS RECEIPTS OR SALES. . . . . 1A	0	0	0	0	0	0
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	0	0	0	0	0	0
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	0
3 GROSS PROFIT (LINE 1(C) LESS LINE 2) . . . . . 3	0	0	0	0	0	0
4 DIVIDENDS (SCHEDULE C) . . . . . 4	0	0	0	0	0	0
5 INTEREST. . . . . 5	0	0	67,787,838	0	0	0
6 GROSS RENTS . . . . . 6	0	0	0	0	0	0
7 GROSS ROYALTIES . . . . . 7	0	0	0	0	0	0
8 CAPITAL GAIN NET INCOME (SCHEDULE D) . . . . . 8	0	0	0	0	0	0
9 NET GAIN (LOSS) FROM FORM 4797. . . . . 9	0	0	0	0	0	0
10 OTHER INCOME (ATTACH SCHEDULE) . . . . . 10	0	0	0	230,277,801	0	0
11 TOTAL INCOME (LINES 3 THROUGH 10) . . . >11	0	0	67,787,838	230,277,801	0	0
DEDUCTIONS						
12 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . . 12	0	0	0	0	0	0
13 SALARIES AND WAGES. . . . . 13	0	0	1,200	1,200	0	0
14 REPAIRS . . . . . 14	0	0	0	0	0	0
15 BAD DEBTS . . . . . 15	0	0	0	0	0	0
16 RENTS . . . . . 16	0	0	4,296	4,757	0	0
17 TAXES . . . . . 17	(154)	50	284	468	0	0
18 INTEREST. . . . . 18	0	0	75,216	0	0	0
19 CONTRIBUTIONS (SEE INSTRUCTIONS) . . . . . 19	0	0	0	0	0	0
20 DEPRECIATION (FORM 4562) . . . . . 20	0	0	257	278	0	0
21A LESS DEPRECIATION IN SCH A & ELSEWHERE . . . 21A	0	0	0	0	0	0
21B	0	0	257	278	0	0
22 DEPLETION . . . . . 22	0	0	0	0	0	0
23 ADVERTISING . . . . . 23	0	0	0	0	0	0
24 PENSION, PROFIT SHARING, ETC. PLANS . . . . . 24	0	0	0	0	0	0
25 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	0	0	0	0	0	0
26 OTHER DEDUCTIONS. . . . . 26	4,346	4	65,830	14,689	0	0
27 TOTAL DEDUCTIONS (LINES 12 THROUGH 26) . . >27	4,192	54	147,083	21,392	0	0
28 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	(4,192)	(54)	67,640,755	230,256,409	0	0
29 LESS: A NET OPERATING LOSS DEDUCTION . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C) . . . 29B	0	0	0	0	0	0
C TOTAL. . . . . 29C	0	0	0	0	0	0
30 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	(4,192)	(54)	67,640,755	230,256,409	0	0

000266

2002 CONS. FEDERAL 1120 TAX RETURN  
verified

Const Safe Srv	Elmsford Sh M	Fred Williams	Gen Cntrl Sys	Gen Elec Sys	Gen Mech Group
04-3310368	13-1705778	04-1974770	14-1795181	14-1809541	14-1809540

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\* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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	0	0	0	0	0	0
TOTAL ASSETS						
1A GROSS RECEIPTS OR SALES. . . . . 1A	0	0	0	0	0	0
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	0	0	0	0	0	0
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	0
3 GROSS PROFIT (LINE 1(C) LESS LINE 2). . . . . 3	0	0	0	0	0	0
4 DIVIDENDS (SCHEDULE C). . . . . 4	0	0	0	0	0	0
5 INTEREST. . . . . 5	0	0	0	0	0	0
6 GROSS RENTS . . . . . 6	0	0	0	0	0	0
7 GROSS ROYALTIES . . . . . 7	0	0	0	0	0	0
8 CAPITAL GAIN NET INCOME (SCHEDULE D). . . . . 8	0	0	0	0	0	0
9 NET GAIN (LOSS) FROM FORM 4797. . . . . 9	0	0	0	0	0	0
10 OTHER INCOME (ATTACH SCHEDULE). . . . . 10	0	0	0	0	0	0
1 TOTAL INCOME (LINES 3 THROUGH 10). . . . >11	0	0	0	0	0	0
DEDUCTIONS						
2 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . 12	0	0	0	0	0	0
3 SALARIES AND WAGES. . . . . 13	0	0	0	0	0	0
4 REPAIRS . . . . . 14	0	0	0	0	0	0
5 BAD DEBTS . . . . . 15	0	0	0	0	0	0
6 RENTS . . . . . 16	0	0	0	0	0	0
7 TAXES . . . . . 17	0	0	0	0	0	0
8 INTEREST. . . . . 18	0	0	0	0	0	0
9 CONTRIBUTIONS (SEE INSTRUCTIONS). . . . . 19	0	0	0	0	0	0
10 DEPRECIATION (FORM 4562). . . . . 20	0	0	0	0	0	0
11A LESS DEPRECIATION IN SCH A & ELSEWHERE . . . 21A	0	0	0	0	0	0
21B	0	0	0	0	0	0
12 DEPLETION . . . . . 22	0	0	0	0	0	0
13 ADVERTISING . . . . . 23	0	0	0	0	0	0
14 PENSION, PROFIT SHARING, ETC. PLANS . . . . 24	0	0	0	0	0	0
15 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	0	0	0	0	0	0
16 OTHER DEDUCTIONS. . . . . 26	0	0	0	0	0	0
17 TOTAL DEDUCTIONS (LINES 12 THROUGH 26). . >27	0	0	0	0	0	0
18 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	0	0	0	0	0	0
19 LESS: A NET OPERATING LOSS DEDUCTION . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C). . . 29B	0	0	0	0	0	0
C TOTAL. . . . . 29C	0	0	0	0	0	0
20 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	0	0	0	0	0	0

000267

2002 Consolidated 1120 \*\*\*  
Year: 2002

2002 CONS. FEDERAL 1120 TAX RETURN  
verified

Gen Mech Srv 14-1827856	Gen Mech Sys 14-1642654	GOP of DE 51-0056772	Greene Manor 23-1943647	H.T. Lyons Co 23-2677983	H.T. Lyons Inc 23-1900734
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\* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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	0	0	2,557,276	0	0	31,476,671
TOTAL ASSETS	0	0	2,557,276	0	0	31,476,671
1A GROSS RECEIPTS OR SALES. . . . . 1A	0	0	0	0	0	69,417,289
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	0	0	0	0	0	69,417,289
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	61,927,510
3 GROSS PROFIT (LINE 1(C) LESS LINE 2) . . . . . 3	0	0	0	0	0	7,489,779
4 DIVIDENDS (SCHEDULE C) . . . . . 4	0	0	0	0	0	0
5 INTEREST. . . . . 5	0	0	12,148	0	0	0
6 GROSS RENTS . . . . . 6	0	0	0	76,225	0	0
7 GROSS ROYALTIES . . . . . 7	0	0	0	0	0	0
8 CAPITAL GAIN NET INCOME (SCHEDULE D) . . . . . 8	0	0	0	0	0	0
9 NET GAIN (LOSS) FROM FORM 4797. . . . . 9	0	0	0	0	0	15,428
10 OTHER INCOME (ATTACH SCHEDULE) . . . . . 10	0	0	0	0	0	25,462
11 TOTAL INCOME (LINES 3 THROUGH 10) . . . >11	0	0	12,148	76,225	0	7,530,669
DEDUCTIONS						
12 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . . 12	0	0	0	0	0	475,289
13 SALARIES AND WAGES. . . . . 13	0	0	0	0	0	2,707,049
14 REPAIRS . . . . . 14	0	0	0	0	0	0
15 BAD DEBTS . . . . . 15	0	0	0	0	0	0
16 RENTS . . . . . 16	0	0	0	0	0	401,599
17 TAXES . . . . . 17	0	0	50	146,069	0	441,576
18 INTEREST. . . . . 18	0	0	0	330	0	229,944
19 CONTRIBUTIONS (SEE INSTRUCTIONS) . . . . . 19	0	0	0	0	0	56,931
20 DEPRECIATION (FORM 4562) . . . . . 20	0	0	0	32,086	0	1,110,161
21A LESS DEPRECIATION IN SCH A & ELSEWHERE . . . 21A	0	0	0	0	0	959,379
21B	0	0	0	32,086	0	150,782
22 DEPLETION . . . . . 22	0	0	0	0	0	0
23 ADVERTISING . . . . . 23	0	0	0	0	0	23,886
24 PENSION, PROFIT SHARING, ETC. PLANS . . . . . 24	0	0	0	0	0	297,126
25 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	0	0	0	0	0	402,210
26 OTHER DEDUCTIONS. . . . . 26	0	0	90,051	0	0	1,997,356
27 TOTAL DEDUCTIONS (LINES 12 THROUGH 26) . >27	0	0	90,101	178,485	0	7,183,748
28 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	0	0	(77,953)	(102,260)	0	346,921
29 LESS: A NET OPERATING LOSS DEDUCTION . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C) . . . 29B	0	0	0	0	0	0
C TOTAL . . . . . 29C	0	0	0	0	0	0
30 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	0	0	(77,953)	(102,260)	0	346,921

000265

002 Consolidated 1120 \*\*\*  
ear: 2002

2002 CONS. FEDERAL 1120 TAX RETURN  
verified

Kings Park 54-2009100	Lady Jane, LLC	Lady Jane 24-0856538	L Mt Beth Engy 54-1929268	McCarl's, Inc. 25-0955049	McClure Co 23-1420865
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\* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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TOTAL ASSETS	0	0	2,627,519	5,398,341	44,967,136	41,215,598
1A GROSS RECEIPTS OR SALES. . . . . 1A	0	0	0	0	63,941,456	84,943,917
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	0	0	0	0	63,941,456	84,943,917
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	64,613,198	77,037,902
3 GROSS PROFIT (LINE 1(C) LESS LINE 2). . . . . 3	0	0	0	0	(671,742)	7,906,015
4 DIVIDENDS (SCHEDULE C). . . . . 4	0	0	0	0	0	0
5 INTEREST. . . . . 5	0	0	119,576	0	0	0
6 GROSS RENTS . . . . . 6	0	0	0	0	6	515
7 GROSS ROYALTIES . . . . . 7	0	0	0	0	75,358	0
8 CAPITAL GAIN NET INCOME (SCHEDULE D). . . . . 8	0	0	0	0	0	0
9 NET GAIN (LOSS) FROM FORM 4797. . . . . 9	0	0	0	0	0	0
0 OTHER INCOME (ATTACH SCHEDULE). . . . . 10	0	0	0	0	(1,389)	14,604
1 TOTAL INCOME (LINES 3 THROUGH 10). . . >11	0	0	119,576	0	136,592	166,178
DEDUCTIONS					(461,175)	8,087,312
2 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . 12	0	0	0	0	1,523,426	589,924
3 SALARIES AND WAGES. . . . . 13	0	0	0	0	645,706	3,076,303
4 REPAIRS . . . . . 14	0	0	0	0	67,394	258,539
5 BAD DEBTS . . . . . 15	0	0	0	0	0	(3,742)
6 RENTS . . . . . 16	0	0	0	0	64,614	98,304
7 TAXES . . . . . 17	200	0	20,237	35,839	(105,007)	509,762
8 INTEREST. . . . . 18	0	0	0	0	405,630	75,960
9 CONTRIBUTIONS (SEE INSTRUCTIONS). . . . . 19	0	0	0	0	35,544	3,907
10 DEPRECIATION (FORM 4562). . . . . 20	0	0	0	0	320,548	454,443
11A LESS DEPRECIATION IN SCH A & ELSEWHERE . . 21A	0	0	0	0	143,014	0
21B	0	0	0	0	177,534	454,443
12 DEPLETION . . . . . 22	0	0	0	0	0	0
13 ADVERTISING . . . . . 23	0	0	0	0	8,359	60,930
14 PENSION, PROFIT SHARING, ETC. PLANS . . . . 24	0	0	0	23,288	0	0
15 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	0	0	0	0	128,929	465,766
16 OTHER DEDUCTIONS. . . . . 26	0	0	36,237	0	1,297,394	3,048,260
17 TOTAL DEDUCTIONS (LINES 12 THROUGH 26). >27	200	0	56,474	59,127	4,249,523	8,638,356
18 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	(200)	0	63,102	(59,127)	(4,710,698)	(551,044)
19 LESS: A NET OPERATING LOSS DEDUCTION . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C). . . . . 29B	0	0	0	0	0	0
C TOTAL. . . . . 29C	0	0	0	0	0	0
10 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	(200)	0	63,102	(59,127)	(4,710,698)	(551,044)

000269

2002 CONS. FEDERAL 1120 TAX RETURN  
 verified

Millen Builder 04-3458589	Montour Srv 23-3098401	9th St & Hamil 23-3091207	Nrn Mech Srvs 06-1281008	North Penn Gas 25-0696075	PA Mines, LLC 23-3056813
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 \* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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TOTAL ASSETS	0	(7,088)	4,991,146	0	94,199,930	45,157,005
1A GROSS RECEIPTS OR SALES. . . . . 1A	0	0	0	0	46,776,482	0
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	0	0	0	0	46,776,482	0
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	0
3 GROSS PROFIT (LINE 1(C) LESS LINE 2) . . . . . 3	0	0	0	0	46,776,482	0
4 DIVIDENDS (SCHEDULE C) . . . . . 4	0	0	0	0	0	0
5 INTEREST. . . . . 5	0	0	80,685	0	620,156	2,040,726
6 GROSS RENTS . . . . . 6	0	0	0	0	0	0
7 GROSS ROYALTIES . . . . . 7	0	0	0	0	16,617	16,022
8 CAPITAL GAIN NET INCOME (SCHEDULE D) . . . . . 8	0	0	0	0	0	158,194
9 NET GAIN (LOSS) FROM FORM 4797. . . . . 9	0	0	0	0	(152,857)	0
0 OTHER INCOME (ATTACH SCHEDULE) . . . . . 10	0	0	0	0	6,703,451	0
1 TOTAL INCOME (LINES 3 THROUGH 10) . . . . >11	0	0	80,685	0	53,963,849	2,214,942
DEDUCTIONS						
2 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . 12	0	0	0	0	0	91,284
3 SALARIES AND WAGES. . . . . 13	0	0	0	0	1,180,333	95,570
4 REPAIRS . . . . . 14	0	0	0	0	0	2,818
5 BAD DEBTS . . . . . 15	0	0	0	0	709,074	0
6 RENTS . . . . . 16	0	0	0	0	10,787	13,809
7 TAXES . . . . . 17	0	(9,359)	20,464	0	1,124,878	14,614
8 INTEREST. . . . . 18	0	3,234	0	0	2,995,499	119,576
9 CONTRIBUTIONS (SEE INSTRUCTIONS) . . . . . 19	0	0	0	0	0	50
0 DEPRECIATION (FORM 4562) . . . . . 20	0	0	0	0	3,337,607	241,157
1A LESS DEPRECIATION IN SCH A & ELSEWHERE . . . 21A	0	0	0	0	0	0
21B	0	0	0	0	3,337,607	241,157
2 DEPLETION . . . . . 22	0	0	0	0	2,493	2,403
3 ADVERTISING . . . . . 23	0	0	0	0	0	0
4 PENSION, PROFIT SHARING, ETC. PLANS . . . . 24	0	0	0	0	0	15,940
5 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	0	0	0	0	676,603	38,583
6 OTHER DEDUCTIONS. . . . . 26	0	147,520	0	0	37,218,808	5,958,038
7 TOTAL DEDUCTIONS (LINES 12 THROUGH 26) . . >27	0	141,395	20,464	0	47,256,082	6,593,842
8 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	0	(141,395)	60,221	0	6,707,767	(4,378,900)
9 LESS: A NET OPERATING LOSS DEDUCTION . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C) . . . 29B	0	0	0	0	0	0
C TOTAL. . . . . 29C	0	0	0	0	0	0
10 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	0	(141,395)	60,221	0	6,707,767	(4,378,900)

000270

2002 CONS. FEDERAL 1120 TAX RETURN  
verified

Pennobscott Hy 01-0418137	PFG Gas, Inc. 23-1282585	PMDC Chile 54-1834340	PMDC Edersa	PMDC Intl H 51-0368426	PPL Bk M Engy 54-2056321
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\* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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	11,618,363	94,947,075	1,082,565,103	0	916,122,385	100
TOTAL ASSETS						
1A GROSS RECEIPTS OR SALES. . . . . 1A	0	69,171,925	0	0	0	0
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	0	69,171,925	0	0	0	0
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	0
3 GROSS PROFIT (LINE 1(C) LESS LINE 2). . . . . 3	0	69,171,925	0	0	0	0
4 DIVIDENDS (SCHEDULE C). . . . . 4	0	0	0	0	0	0
5 INTEREST. . . . . 5	15,689	849,408	4,815,326	0	222,906,547	0
6 GROSS RENTS . . . . . 6	0	1,920	103,821	0	4,105,734	0
7 GROSS ROYALTIES . . . . . 7	0	792	0	0	488,376	0
8 CAPITAL GAIN NET INCOME (SCHEDULE D). . . . . 8	0	0	(53,109,775)	0	0	0
9 NET GAIN (LOSS) FROM FORM 4797. . . . . 9	0	(234,978)	0	0	(31,785,986)	0
0 OTHER INCOME (ATTACH SCHEDULE). . . . . 10	1,503,109	16,707,729	0	0	0	0
1 TOTAL INCOME (LINES 3 THROUGH 10). . . >11	1,518,798	86,496,796	(48,190,628)	0	6,808,831	0
DEDUCTIONS					202,523,502	0
2 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . . 12	0	0	0	0	0	0
3 SALARIES AND WAGES. . . . . 13	0	258,726	0	0	0	0
4 REPAIRS . . . . . 14	0	0	0	0	0	0
5 BAD DEBTS . . . . . 15	0	1,060,491	0	0	71,089,111	0
6 RENTS . . . . . 16	0	38,651	0	0	0	0
7 TAXES . . . . . 17	92,831	1,902,644	0	0	516,012	100
8 INTEREST. . . . . 18	0	1,663,078	3,816,606	0	49,244,139	0
9 CONTRIBUTIONS (SEE INSTRUCTIONS). . . . . 19	0	0	0	0	0	0
0 DEPRECIATION (FORM 4562). . . . . 20	0	5,523,441	0	0	0	0
1A LESS DEPRECIATION IN SCH A & ELSEWHERE . . . 21A	0	0	0	0	0	0
21B	0	5,523,441	0	0	0	0
22 DEPLETION . . . . . 22	0	0	0	0	0	0
23 ADVERTISING . . . . . 23	0	0	0	0	0	0
24 PENSION, PROFIT SHARING, ETC. PLANS . . . . . 24	0	0	0	0	0	0
25 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	0	654,052	0	0	0	0
26 OTHER DEDUCTIONS. . . . . 26	311,509	62,400,243	326,131	0	0	0
27 TOTAL DEDUCTIONS (LINES 12 THROUGH 26). >27	404,340	73,501,326	4,142,737	0	1,515,901	100
28 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	1,114,458	12,995,470	(52,333,365)	0	80,158,339	(100)
29 LESS: A NET OPERATING LOSS DEDUCTION . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C). . . . . 29B	0	0	0	0	0	0
C TOTAL. . . . . 29C	0	0	0	0	0	0
30 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	1,114,458	12,995,470	(52,333,365)	0	80,158,339	(100)

000271

2002 CONS. FEDERAL 1120 TAX RETURN  
verified

PPL Brasil LLC 71-0874988	PPL Brunner Is 23-3022596	PPL Cap Fund 23-2926644	PPL Coal Hold 23-3079421	PPL Colstrip I 54-1941626	PPL Colstrip 2 54-1941648
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\* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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TOTAL ASSETS	0	439,747,117	1,407,291,010	5,054,010	0	0
1A GROSS RECEIPTS OR SALES . . . . . 1A	0	349,960,135	0	0	0	0
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	0	349,960,135	0	0	0	0
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	0
3 GROSS PROFIT (LINE 1(C) LESS LINE 2). . . . . 3	0	349,960,135	0	0	0	0
4 DIVIDENDS (SCHEDULE C). . . . . 4	0	24,750,000	0	0	0	0
5 INTEREST. . . . . 5	0	0	130,019,609	320,659	0	0
6 GROSS RENTS . . . . . 6	0	16,078	0	0	0	0
7 GROSS ROYALTIES . . . . . 7	0	0	0	0	0	0
8 CAPITAL GAIN NET INCOME (SCHEDULE D). . . . . 8	0	0	0	0	0	0
9 NET GAIN (LOSS) FROM FORM 4797. . . . . 9	0	(907,715)	0	0	0	0
10 OTHER INCOME (ATTACH SCHEDULE). . . . . 10	0	921	1,051,316	665,896	0	0
1 TOTAL INCOME (LINES 3 THROUGH 10). . . . >11	0	373,819,419	131,070,925	986,555	0	0
DEDUCTIONS						
2 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . 12	0	0	0	0	0	0
3 SALARIES AND WAGES. . . . . 13	0	680,081	0	0	0	0
4 REPAIRS . . . . . 14	0	29,408,923	0	0	0	0
5 BAD DEBTS . . . . . 15	0	0	0	0	0	0
6 RENTS . . . . . 16	0	0	0	0	0	0
7 TAXES . . . . . 17	100	7,786,304	50	27,874	0	0
8 INTEREST. . . . . 18	0	16,305,435	131,316,029	0	0	0
9 CONTRIBUTIONS (SEE INSTRUCTIONS). . . . . 19	0	0	0	0	0	0
10 DEPRECIATION (FORM 4562). . . . . 20	0	18,281,041	0	0	0	0
11A LESS DEPRECIATION IN SCH A & ELSEWHERE . . 21A	0	0	0	0	0	0
21B	0	18,281,041	0	0	0	0
22 DEPLETION . . . . . 22	0	0	0	0	0	0
23 ADVERTISING . . . . . 23	0	0	0	0	0	0
24 PENSION, PROFIT SHARING, ETC. PLANS . . . . 24	0	0	0	0	0	0
25 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	0	2,293,233	0	0	0	0
26 OTHER DEDUCTIONS. . . . . 26	0	219,961,421	1,051,317	711,011	0	0
27 TOTAL DEDUCTIONS (LINES 12 THROUGH 26). . >27	100	294,716,438	132,367,396	738,885	0	0
28 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	(100)	79,102,981	(1,296,471)	247,670	0	0
29 LESS: A NET OPERATING LOSS DEDUCTION . . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C). . . . . 29B	0	24,750,000	0	0	0	0
C TOTAL. . . . . 29C	0	24,750,000	0	0	0	0
30 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	(100)	54,352,981	(1,296,471)	247,670	0	0

000272

2002 CONS. FEDERAL 1120 TAX RETURN  
verified

PPL Eden, LLC 54-2008080	PPL Edgewood 54-2061100	PPL Energy Fd 23-1677278	PPL En Sv Hold 23-3070204	PPL En Sv Mid- 23-3086492	PPL En Sv N/E 04-3125706
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\* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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	(123,686)	102,272,249	5,132,497,084	111,659,830	0	86,891,256
TOTAL ASSETS						
1A GROSS RECEIPTS OR SALES. . . . . 1A	0	2,605,439	0	0	0	167,974,312
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	0	2,605,439	0	0	0	0
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	167,974,312
3 GROSS PROFIT (LINE 1(C) LESS LINE 2) . . . . . 3	0	2,605,439	0	0	0	140,140,309
4 DIVIDENDS (SCHEDULE C) . . . . . 4	0	0	0	0	0	27,834,003
5 INTEREST . . . . . 5	0	0	202,500,321	0	0	0
6 GROSS RENTS . . . . . 6	0	0	129,325	883,366	0	78,529
7 GROSS ROYALTIES . . . . . 7	0	0	0	0	0	0
8 CAPITAL GAIN NET INCOME (SCHEDULE D) . . . . . 8	0	0	0	0	0	0
9 NET GAIN (LOSS) FROM FORM 4797 . . . . . 9	0	0	(38,674)	0	0	0
0 OTHER INCOME (ATTACH SCHEDULE) . . . . . 10	0	0	0	0	0	7,578
1 TOTAL INCOME (LINES 3 THROUGH 10) . . . . >11	0	2,605,439	202,590,972	886,717	0	2,542,660
DEDUCTIONS						
2 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . 12	0	0	0	0	0	311,451
3 SALARIES AND WAGES. . . . . 13	0	379,386	0	68,560	0	11,064,455
4 REPAIRS . . . . . 14	0	38,283	0	0	0	237,635
5 BAD DEBTS . . . . . 15	0	0	0	0	0	35,852
6 RENTS . . . . . 16	0	0	0	0	0	1,100,878
7 TAXES . . . . . 17	100	(108,056)	(8,664,414)	(593,999)	100	1,724,861
8 INTEREST . . . . . 18	0	2,052,755	241,249,459	1,311,439	0	1,165,583
9 CONTRIBUTIONS (SEE INSTRUCTIONS) . . . . . 19	0	0	0	0	0	27,742
0 DEPRECIATION (FORM 4562) . . . . . 20	0	1,822,413	(758,227)	0	0	997,011
1A LESS DEPRECIATION IN SCH A & ELSEWHERE . . 21A	0	0	0	0	0	0
21B	0	1,822,413	(758,227)	0	0	997,011
2 DEPLETION . . . . . 22	0	0	0	0	0	0
3 ADVERTISING . . . . . 23	0	0	0	0	0	109,379
4 PENSION, PROFIT SHARING, ETC. PLANS . . . . 24	0	6,212	0	0	0	257,819
5 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	0	0	0	0	0	267,394
6 OTHER DEDUCTIONS . . . . . 26	183,735	112,578	9,300,138	5,760,527	0	7,814,583
7 TOTAL DEDUCTIONS (LINES 12 THROUGH 26) . . >27	183,835	4,303,571	241,126,956	6,546,527	100	25,114,643
8 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	(183,835)	(1,698,132)	(38,535,984)	(5,659,810)	(100)	5,348,127
9 LESS: A NET OPERATING LOSS DEDUCTION . . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C) . . . . . 29B	0	0	202,500,321	0	0	0
C TOTAL . . . . . 29C	0	0	202,500,321	0	0	0
0 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	(183,835)	(1,698,132)	(241,036,305)	(5,659,810)	(100)	5,348,127

000273

2002 CONS. FEDERAL 1120 TAX RETURN  
verified

PPL Engy Sup 23-3074920	PPL EnergyPlus 23-2974252	PPL Freeport 71-0874982	PPL Gas Propèr 25-1891542	PPL Gas Util 23-1278755	PPL Gen Hold 54-1928757
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\* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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	PPL Engy Sup	PPL EnergyPlus	PPL Freeport	PPL Gas Propèr	PPL Gas Util	PPL Gen Hold
TOTAL ASSETS	6,329,592,949	586,105,297	(2,258,133)	0	239,365,747	(100)
A GROSS RECEIPTS OR SALES. . . . . 1A	0	2,149,099,081	0	0	22,704,447	0
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	0	2,149,099,081	0	0	22,704,447	0
COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	0
GROSS PROFIT (LINE 1(C) LESS LINE 2) . . . . . 3	0	2,149,099,081	0	0	22,704,447	0
DIVIDENDS (SCHEDULE C) . . . . . 4	267,439,008	0	0	0	22,704,447	0
INTEREST . . . . . 5	485,648	18,118,748	0	0	0	0
GROSS RENTS . . . . . 6	0	0	0	0	3,769,641	0
GROSS ROYALTIES . . . . . 7	0	0	0	0	0	0
CAPITAL GAIN NET INCOME (SCHEDULE D) . . . . . 8	0	0	0	0	0	0
NET GAIN (LOSS) FROM FORM 4797 . . . . . 9	0	0	0	0	0	0
OTHER INCOME (ATTACH SCHEDULE) . . . . . 10	0	783,267,102	0	0	246,357	0
TOTAL INCOME (LINES 3 THROUGH 10) . . . >11	267,924,656	2,950,484,931	0	3,938	1,221	0
DEDUCTIONS				3,938	26,721,666	0
COMPENSATION OF OFFICERS (SCHEDULE E) . . . . . 12	0	1,453,414	0	0	256,114	0
SALARIES AND WAGES. . . . . 13	59,964	11,294,525	0	0	5,129,055	0
REPAIRS . . . . . 14	0	14,195	0	0	0	0
BAD DEBTS . . . . . 15	0	702,506	0	0	91,498	0
RENTS . . . . . 16	0	88,704	0	0	109,428	0
TAXES . . . . . 17	(11,944,671)	12,333,892	100	393	217,501	100
INTEREST . . . . . 18	115,093,607	3,162,011	0	0	3,993,959	0
CONTRIBUTIONS (SEE INSTRUCTIONS) . . . . . 19	0	0	0	0	1,370	0
DEPRECIATION (FORM 4562) . . . . . 20	0	94,601	0	0	593,740	0
A LESS DEPRECIATION IN SCH A & ELSEWHERE . . . 21A	0	0	0	0	0	0
21B	0	94,601	0	0	593,740	0
DEPLETION . . . . . 22	0	0	0	0	0	0
ADVERTISING . . . . . 23	0	0	0	0	27,364	0
PENSION, PROFIT SHARING, ETC. PLANS . . . . . 24	0	0	0	0	0	0
EMPLOYEE BENEFIT PROGRAMS . . . . . 25	246,313	3,606,664	0	0	(23,107)	0
OTHER DEDUCTIONS . . . . . 26	5,687,060	2,847,493,121	2,323,233	0	16,574,124	0
TOTAL DEDUCTIONS (LINES 12 THROUGH 26) . . >27	109,142,273	2,880,243,633	2,323,333	393	26,971,046	100
TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	158,782,383	70,241,298	(2,323,333)	3,545	(249,380)	(100)
LESS: A NET OPERATING LOSS DEDUCTION . . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C) . . . . 29B	267,439,008	0	0	0	0	0
C TOTAL . . . . . 29C	267,439,008	0	0	0	0	0
TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	(108,656,625)	70,241,298	(2,323,333)	3,545	(249,380)	(100)

000274

002 Consolidated 1120 \*\*\*  
ear: 2002

2002 CONS. FEDERAL 1120 TAX RETURN  
verified

PPL Generation 23-3022597	PPL Global Op 51-0368427	PPL Global 54-1994796	PPL Great Wks 54-1981111	PPL Hatfield 54-2008081	PPL Holtwood 23-3022598
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\* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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	1,102,659,892	1,698,727	926,063,045	1,255,931	100	130,957,061
TOTAL ASSETS						
1A GROSS RECEIPTS OR SALES. . . . . 1A	0	1,082,225	0	0	0	22,248,135
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	0	1,082,225	0	0	0	22,248,135
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	0
3 GROSS PROFIT (LINE 1(C) LESS LINE 2) . . . . . 3	0	1,082,225	0	0	0	0
4 DIVIDENDS (SCHEDULE C) . . . . . 4	187,595,626	0	24,142,672	0	0	22,248,135
5 INTEREST . . . . . 5	0	0	5,318,773	0	0	2,370,000
6 GROSS RENTS . . . . . 6	0	0	0	0	0	0
7 GROSS ROYALTIES . . . . . 7	0	0	0	0	0	41,836
8 CAPITAL GAIN NET INCOME (SCHEDULE D) . . . . . 8	2,597,837	0	0	0	0	0
9 NET GAIN (LOSS) FROM FORM 4797 . . . . . 9	0	(4,045)	0	0	0	0
0 OTHER INCOME (ATTACH SCHEDULE) . . . . . 10	195,379	0	289,676	0	0	(1,414,417)
1 TOTAL INCOME (LINES 3 THROUGH 10) . . . . >11	190,388,842	1,078,180	29,751,121	0	0	622,111
DEDUCTIONS						23,867,665
2 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . . 12	798,666	0	1,626,231	0	0	0
3 SALARIES AND WAGES. . . . . 13	4,830,257	1,026,136	3,052,006	4,366	0	191,125
4 REPAIRS . . . . . 14	1,867,500	0	0	317,938	0	2,268,644
5 BAD DEBTS . . . . . 15	0	0	24,120,127	0	0	0
6 RENTS . . . . . 16	(40,927)	0	538,105	0	0	0
7 TAXES . . . . . 17	(2,200,947)	(2,780)	(6,388,892)	68,639	100	4,289
8 INTEREST . . . . . 18	20,821,274	0	73,480,741	(15,816)	0	1,529,717
9 CONTRIBUTIONS (SEE INSTRUCTIONS) . . . . . 19	0	0	0	0	0	4,828,087
10 DEPRECIATION (FORM 4562) . . . . . 20	110,615	8,564	528,987	171,206	0	0
11A LESS DEPRECIATION IN SCH A & ELSEWHERE . . . . 21A	0	0	0	0	0	5,150,538
21B	110,615	8,564	528,987	171,206	0	0
12 DEPLETION . . . . . 22	0	0	0	0	0	5,150,538
13 ADVERTISING . . . . . 23	0	0	0	0	0	0
14 PENSION, PROFIT SHARING, ETC. PLANS . . . . . 24	0	0	0	0	0	121,902
15 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	187,702	0	3,105,676	0	0	0
16 OTHER DEDUCTIONS . . . . . 26	(2,292,019)	41,637	315,914,374	25,670	0	451,583
17 TOTAL DEDUCTIONS (LINES 12 THROUGH 26) . . . . >27	24,082,121	1,073,557	415,977,355	572,003	100	4,865,396
18 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . . 28	166,306,721	4,623	(386,226,234)	(572,003)	(100)	19,411,281
19 LESS: A NET OPERATING LOSS DEDUCTION . . . . . 29A	0	0	0	0	0	4,456,384
B SPECIAL DEDUCTIONS (SCHEDULE C) . . . . . 29B	187,595,626	0	0	0	0	0
C TOTAL . . . . . 29C	187,595,626	0	0	0	0	1,896,000
20 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	(21,288,905)	4,623	(386,226,234)	(572,003)	(100)	1,896,000
						2,560,384

000275

2002 CONS. FEDERAL 1120 TAX RETURN  
verified

PPL Imperial 26-0006838	PPL Interstate 74-1720208	PPL Investment 88-0491205	PPL Land Hold 23-3086488	PPL Lg Scale 54-2014047	PPL Lg Scale 2 54-2045061
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\* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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	100	5,355,344	5,092,984,023	306,728	(25,153,806)	(19,717,401)
TOTAL ASSETS						
1A GROSS RECEIPTS OR SALES . . . . . 1A	0	4,251,544	0	0	0	0
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	0	4,251,544	0	0	0	0
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	0
3 GROSS PROFIT (LINE 1(C) LESS LINE 2). . . . . 3	0	4,251,544	0	0	0	0
4 DIVIDENDS (SCHEDULE C). . . . . 4	0	0	0	0	0	0
5 INTEREST. . . . . 5	0	0	283,463,189	0	0	0
6 GROSS RENTS . . . . . 6	0	38,835	0	0	0	0
7 GROSS ROYALTIES . . . . . 7	0	0	0	26,253	0	0
8 CAPITAL GAIN NET INCOME (SCHEDULE D). . . . . 8	0	0	0	0	0	0
9 NET GAIN (LOSS) FROM FORM 4797. . . . . 9	0	0	0	0	0	0
10 OTHER INCOME (ATTACH SCHEDULE). . . . . 10	0	544,384	0	576,115	0	0
11 TOTAL INCOME (LINES 3 THROUGH 10). . . . >11	0	4,834,763	283,463,189	602,368	0	0
DEDUCTIONS						
12 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . 12	0	0	0	0	0	0
13 SALARIES AND WAGES. . . . . 13	0	1,650,744	1,200	0	0	0
14 REPAIRS . . . . . 14	0	75,076	0	0	0	0
15 BAD DEBTS . . . . . 15	0	0	0	0	0	0
16 RENTS . . . . . 16	0	9,964	5,181	0	0	0
17 TAXES . . . . . 17	100	260,853	328	43,929	100	100
18 INTEREST. . . . . 18	0	(143,660)	0	0	587,770	276,279
19 CONTRIBUTIONS (SEE INSTRUCTIONS). . . . . 19	0	0	0	0	0	0
20 DEPRECIATION (FORM 4562). . . . . 20	0	765,523	359	0	0	0
21A LESS DEPRECIATION IN SCH A & ELSEWHERE . . . 21A	0	0	0	0	0	0
21B	0	765,523	359	0	0	0
22 DEPLETION . . . . . 22	0	0	0	3,938	0	0
23 ADVERTISING . . . . . 23	0	0	0	0	0	0
24 PENSION, PROFIT SHARING, ETC. PLANS . . . . 24	0	0	0	0	0	0
25 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	0	0	0	0	0	0
26 OTHER DEDUCTIONS. . . . . 26	215,657	1,711,743	71,928	267,365	0	0
27 TOTAL DEDUCTIONS (LINES 12 THROUGH 26). . >27	215,757	4,330,243	78,996	315,232	587,870	276,379
28 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	(215,757)	504,520	283,384,193	287,136	(587,870)	(276,379)
29 LESS: A NET OPERATING LOSS DEDUCTION . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C). . . 29B	0	0	0	0	0	0
C TOTAL. . . . . 29C	0	0	0	0	0	0
30 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	(215,757)	504,520	283,384,193	287,136	(587,870)	(276,379)

000278

2002 CONS. FEDERAL 1120 TAX RETURN  
verified

PPL Leasing Co 23-3086435	PPL Maine, LLC 54-1928753	PPL Martin Crk 23-3022600	PPL M/W Financ 54-2047187	PPL M/W Hold 54-2047188	PPL MT Holding 54-1929267
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\* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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	64,787,005	100,931,730	165,241,745	428,871	(3,417,609)	430,287,673
TOTAL ASSETS						
1A GROSS RECEIPTS OR SALES. . . . . 1A	0	7,798,774	84,932,765	0	0	0
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	0	7,798,774	84,932,765	0	0	0
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	0
3 GROSS PROFIT (LINE 1(C) LESS LINE 2). . . . . 3	0	7,798,774	84,932,765	0	0	0
4 DIVIDENDS (SCHEDULE C). . . . . 4	0	0	0	0	0	0
5 INTEREST. . . . . 5	5,901,145	0	24,750,000	0	0	0
6 GROSS RENTS . . . . . 6	0	0	0	0	0	0
7 GROSS ROYALTIES . . . . . 7	0	0	33,475	4,667,302	0	0
8 CAPITAL GAIN NET INCOME (SCHEDULE D). . . . . 8	0	0	0	0	0	0
9 NET GAIN (LOSS) FROM FORM 4797. . . . . 9	0	0	0	0	0	0
0 OTHER INCOME (ATTACH SCHEDULE). . . . . 10	0	6,213	(228,305)	0	0	0
1 TOTAL INCOME (LINES 3 THROUGH 10). . . >11	5,901,145	7,804,987	109,487,959	4,667,302	0	0
DEDUCTIONS						
2 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . 12	0	0	0	0	0	0
3 SALARIES AND WAGES. . . . . 13	0	526,560	6,701,429	0	0	0
4 REPAIRS . . . . . 14	0	447,387	22,688,065	0	0	0
5 BAD DEBTS . . . . . 15	0	0	0	0	0	0
6 RENTS . . . . . 16	0	5,591	0	4,667,303	0	0
7 TAXES . . . . . 17	916,770	1,218,069	(6,427,316)	100	100	100
8 INTEREST. . . . . 18	0	(13,703)	(121,311)	0	0	0
9 CONTRIBUTIONS (SEE INSTRUCTIONS). . . . . 19	0	0	0	0	0	0
10 DEPRECIATION (FORM 4562). . . . . 20	0	2,561,421	14,639,163	0	0	0
11A LESS DEPRECIATION IN SCH A & ELSEWHERE . . 21A	0	0	0	0	0	0
21B	0	2,561,421	14,639,163	0	0	0
12 DEPLETION . . . . . 22	0	0	0	0	0	0
13 ADVERTISING . . . . . 23	0	0	0	0	0	0
14 PENSION, PROFIT SHARING, ETC. PLANS . . . . 24	0	0	0	0	0	0
15 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	0	450,955	1,797,829	0	0	0
16 OTHER DEDUCTIONS. . . . . 26	0	5,817,774	116,022,856	0	0	0
17 TOTAL DEDUCTIONS (LINES 12 THROUGH 26). . >27	916,770	11,014,054	155,300,715	4,667,403	100	100
18 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	4,984,375	(3,209,067)	(45,812,756)	(101)	(100)	(100)
19 LESS: A NET OPERATING LOSS DEDUCTION . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C). . . 29B	0	0	24,750,000	0	0	0
C TOTAL. . . . . 29C	0	0	24,750,000	0	0	0
20 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	4,984,375	(3,209,067)	(70,562,756)	(101)	(100)	(100)

000277

2002 CONS. FEDERAL 1120 TAX RETURN  
verified

PPL MT, LLC 54-1928759	PPL Montour 23-3022599	PPL N Car Engy 26-0006842	PPL Power Ins 98-0389197	PPL Prism, LLC 72-1551868	PPL Properties 88-0498454
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\* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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	632,844,347	751,941,078	100	1,825,000	0	13,707,148
TOTAL ASSETS						
1A GROSS RECEIPTS OR SALES. . . . . 1A	274,111,742	464,802,747	0	0	0	0
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	274,111,742	464,802,747	0	0	0	0
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	0
3 GROSS PROFIT (LINE 1(C) LESS LINE 2) . . . . . 3	274,111,742	464,802,747	0	0	0	0
4 DIVIDENDS (SCHEDULE C) . . . . . 4	0	25,500,000	0	0	0	0
5 INTEREST . . . . . 5	257,628	31,557	0	0	0	0
6 GROSS RENTS . . . . . 6	53,986	49,892	0	0	0	0
7 GROSS ROYALTIES . . . . . 7	0	0	0	0	0	0
8 CAPITAL GAIN NET INCOME (SCHEDULE D) . . . . . 8	47,840	253,123	0	0	0	8,277,434
9 NET GAIN (LOSS) FROM FORM 4797. . . . . 9	(2,291,955)	(8,764,476)	0	0	0	0
0 OTHER INCOME (ATTACH SCHEDULE). . . . . 10	32,574,169	153,233	0	0	0	0
1 TOTAL INCOME (LINES 3 THROUGH 10). . . . >11	304,753,410	482,026,076	0	0	0	8,277,434
DEDUCTIONS						
2 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . 12	371,978	0	0	0	0	0
3 SALARIES AND WAGES. . . . . 13	5,677,844	2,186,823	0	0	0	0
4 REPAIRS . . . . . 14	14,229,039	34,811,727	0	0	0	1,800
5 BAD DEBTS . . . . . 15	(913,044)	0	0	0	0	0
6 RENTS . . . . . 16	44,660,285	0	0	0	0	0
7 TAXES . . . . . 17	20,090,329	14,496,050	100	0	0	4,296
8 INTEREST . . . . . 18	5,842,581	30,045,320	0	0	0	235
9 CONTRIBUTIONS (SEE INSTRUCTIONS). . . . . 19	1,204	0	0	0	0	0
0 DEPRECIATION (FORM 4562). . . . . 20	28,098,511	29,871,114	0	0	0	0
1A LESS DEPRECIATION IN SCH A & ELSEWHERE . . . 21A	0	0	0	0	0	0
21B	28,098,511	29,871,114	0	0	0	0
2 DEPLETION . . . . . 22	0	0	0	0	0	0
3 ADVERTISING . . . . . 23	0	80,844	0	0	0	0
4 PENSION, PROFIT SHARING, ETC. PLANS . . . . 24	0	0	0	0	0	0
5 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	303,099	3,195,891	0	0	0	0
6 OTHER DEDUCTIONS. . . . . 26	144,798,256	252,927,854	348,326	0	0	445,204
7 TOTAL DEDUCTIONS (LINES 12 THROUGH 26). . >27	263,160,082	367,615,623	348,426	0	0	451,535
8 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	41,593,328	114,410,453	(348,426)	0	0	7,825,899
9 LESS: A NET OPERATING LOSS DEDUCTION . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C). . . 29B	0	25,500,000	0	0	0	0
C TOTAL. . . . . 29C	0	25,500,000	0	0	0	0
10 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	41,593,328	88,910,453	(348,426)	0	0	7,825,899

000278

02 Consolidated 1120 \*\*\*  
 ar: 2002

2002 CONS. FEDERAL 1120 TAX RETURN  
 verified

PPL Rights 51-0391377	PPL SalvageAle 04-3546904	PPL Services 23-3041441	PPL Shoreham 54-2061099	PPL Solutions 23-3079427	PPL Somerset 23-3023531
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 \* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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	41,516,058	0	58,674,754	248,271,547	30,521,135	35,825,737
TOTAL ASSETS						
1A GROSS RECEIPTS OR SALES. . . . . 1A	0	0	0	170,331	0	0
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	0	0	0	170,331	0	0
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	0
3 GROSS PROFIT (LINE 1(C) LESS LINE 2) . . . . . 3	0	0	0	170,331	0	0
4 DIVIDENDS (SCHEDULE C) . . . . . 4	0	0	0	0	0	0
5 INTEREST. . . . . 5	1,926,433	0	1,382,123	0	323,152	495
6 GROSS RENTS . . . . . 6	0	0	11,337	0	0	0
7 GROSS ROYALTIES . . . . . 7	0	0	0	0	0	0
8 CAPITAL GAIN NET INCOME (SCHEDULE D) . . . . . 8	36,674,535	0	0	0	0	0
9 NET GAIN (LOSS) FROM FORM 4797. . . . . 9	0	0	0	0	0	0
0 OTHER INCOME (ATTACH SCHEDULE) . . . . . 10	0	0	(8,531)	396,694	4,241,292	0
1 TOTAL INCOME (LINES 3 THROUGH 10) . . . . >11	38,600,968	0	1,384,929	567,025	4,564,444	495
DEDUCTIONS						
2 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . 12	0	0	5,488,323	0	0	0
3 SALARIES AND WAGES. . . . . 13	0	0	80,022,198	380,016	1,826,726	0
4 REPAIRS . . . . . 14	0	0	13,903,074	15,881	0	0
5 BAD DEBTS . . . . . 15	0	0	0	0	0	0
6 RENTS . . . . . 16	0	0	751,170	0	0	0
7 TAXES . . . . . 17	0	0	344,391	(210,238)	(50,634)	(3,729,263)
8 INTEREST. . . . . 18	0	0	(74,609)	1,944,642	0	158,758
9 CONTRIBUTIONS (SEE INSTRUCTIONS) . . . . . 19	0	0	2,142,563	0	0	0
0 DEPRECIATION (FORM 4562) . . . . . 20	0	0	2,404,166	1,988,563	0	0
1A LESS DEPRECIATION IN SCH A & ELSEWHERE . . . 21A	0	0	0	0	0	0
21B	0	0	2,404,166	1,988,563	0	0
2 DEPLETION . . . . . 22	0	0	0	0	0	0
3 ADVERTISING . . . . . 23	0	0	535,562	0	0	0
4 PENSION, PROFIT SHARING, ETC. PLANS . . . . 24	0	0	0	7,989	0	0
5 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	0	0	4,163,584	0	0	0
6 OTHER DEDUCTIONS. . . . . 26	15,570	0	(113,468,916)	196,615	3,471,124	39,754,403
7 TOTAL DEDUCTIONS (LINES 12 THROUGH 26) . . >27	15,570	0	(3,788,494)	4,323,468	5,247,216	36,183,898
8 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	38,585,398	0	5,173,423	(3,756,443)	(682,772)	(36,183,403)
9 LESS: A NET OPERATING LOSS DEDUCTION . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C) . . . 29B	0	0	0	0	0	0
C TOTAL. . . . . 29C	0	0	0	0	0	0
0 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	38,585,398	0	5,173,423	(3,756,443)	(682,772)	(36,183,403)

000279

2002 CONS. FEDERAL 1120 TAX RETURN  
 verified

PPL SWGenHold 54-2008942	PPL Spectrum 23-2816389	Spectrum, LLC	PPL Sundance 54-2009098	PPL Susquehann 23-3022601	PPL Synfuel In 23-3023530
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 \* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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	PPL SWGenHold	PPL Spectrum	Spectrum, LLC	PPL Sundance	PPL Susquehann	PPL Synfuel In
TOTAL ASSETS	161,898,494	644,626	0	(2,347,519)	1,464,759,939	41,484,129
1A GROSS RECEIPTS OR SALES. . . . . 1A	26,950,595	1,072,072	0	2,181,445	548,038,120	0
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	26,950,595	1,072,072	0	2,181,445	548,038,120	0
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	0
3 GROSS PROFIT (LINE 1(C) LESS LINE 2) . . . . . 3	26,950,595	1,072,072	0	2,181,445	548,038,120	0
4 DIVIDENDS (SCHEDULE C) . . . . . 4	22,576	0	0	0	0	0
5 INTEREST . . . . . 5	1,102,563	0	0	0	0	0
6 GROSS RENTS . . . . . 6	0	0	0	0	4,665	312
7 GROSS ROYALTIES . . . . . 7	0	0	0	3,253	8,338	0
8 CAPITAL GAIN NET INCOME (SCHEDULE D) . . . . . 8	0	0	0	0	0	0
9 NET GAIN (LOSS) FROM FORM 4797 . . . . . 9	0	0	0	0	0	0
0 OTHER INCOME (ATTACH SCHEDULE) . . . . . 10	0	558,573	0	0	(232,907)	0
1 TOTAL INCOME (LINES 3 THROUGH 10) . . . >11	28,075,734	1,630,645	0	2,184,698	573,511,145	312
DEDUCTIONS						
2 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . . 12	0	128	0	0	4,478,131	0
3 SALARIES AND WAGES. . . . . 13	0	718,971	0	306,149	35,579,451	0
4 REPAIRS . . . . . 14	0	0	0	30,461	43,035,258	0
5 BAD DEBTS . . . . . 15	0	0	0	0	0	0
6 RENTS . . . . . 16	0	0	0	0	0	0
7 TAXES . . . . . 17	(559,711)	1,692	0	3,836,289	378,276	0
8 INTEREST . . . . . 18	0	16	0	(547,260)	26,030,385	(53,722)
9 CONTRIBUTIONS (SEE INSTRUCTIONS) . . . . . 19	2,153	0	0	652,390	30,760,870	1,441,417
0 DEPRECIATION (FORM 4562) . . . . . 20	677,575	0	0	4,074	0	0
1A LESS DEPRECIATION IN SCH A & ELSEWHERE . . . 21A	0	0	0	5,033,509	75,580,968	0
21B	677,575	0	0	5,033,509	75,580,968	0
2 DEPLETION . . . . . 22	0	0	0	0	0	0
3 ADVERTISING . . . . . 23	0	0	0	0	10,150	0
4 PENSION, PROFIT SHARING, ETC. PLANS . . . . . 24	0	0	0	14,547	0	0
5 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	480,781	18,375	0	0	23,867,686	0
6 OTHER DEDUCTIONS . . . . . 26	39,903,864	400,862	0	5,770,407	163,876,320	114,838
7 TOTAL DEDUCTIONS (LINES 12 THROUGH 26) . . >27	40,504,662	1,140,044	0	15,100,566	403,597,495	1,502,533
8 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	(12,428,928)	490,601	0	(12,915,868)	169,913,650	(1,502,221)
9 LESS: A NET OPERATING LOSS DEDUCTION . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C) . . . 29B	15,803	0	0	0	0	0
C TOTAL . . . . . 29C	15,803	0	0	0	0	0
0 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	(12,444,731)	490,601	0	(12,915,868)	169,913,650	(1,502,221)

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2002 Consolidated 1120 \*\*\*  
Year: 2002

2002 CONS. FEDERAL 1120 TAX RETURN  
verified

PPL Synfuel Mg 23-3049292	PPL Telcom 23-3065193	PPL Trans Bond 23-3004428	PPL U Park 54-2014134	PPL U Hanover 54-2007960	PPL UK Hold 71-0874986
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\* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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	PPL Synfuel Mg	PPL Telcom	PPL Trans Bond	PPL U Park	PPL U Hanover	PPL UK Hold
TOTAL ASSETS	0	(221,160)	1,700,395,932	(3,747,489)	(2,345)	249,575,256
1A GROSS RECEIPTS OR SALES . . . . . 1A	0	1,055,489	361,171,258	2,328,766	0	0
B LESS RETURNS AND ALLOWANCES . . . . . 1B	0	0	0	0	0	0
BALANCE >1C	0	1,055,489	361,171,258	2,328,766	0	0
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	0
3 GROSS PROFIT (LINE 1(C) LESS LINE 2) . . . . . 3	0	1,055,489	361,171,258	2,328,766	0	0
4 DIVIDENDS (SCHEDULE C) . . . . . 4	0	0	1,415	0	0	0
5 INTEREST . . . . . 5	0	0	219,612	0	0	37,466,668
6 GROSS RENTS . . . . . 6	0	796,155	0	0	0	661,450
7 GROSS ROYALTIES . . . . . 7	0	0	0	0	0	234,932
8 CAPITAL GAIN NET INCOME (SCHEDULE D) . . . . . 8	0	0	0	0	0	0
9 NET GAIN (LOSS) FROM FORM 4797 . . . . . 9	0	0	0	0	0	(30,755,144)
10 OTHER INCOME (ATTACH SCHEDULE) . . . . . 10	0	54	0	0	0	0
11 TOTAL INCOME (LINES 3 THROUGH 10) . . . >11	0	1,851,698	361,392,285	2,328,766	0	4,708,896
DEDUCTIONS						12,316,802
12 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . . 12	0	324,895	0	0	0	0
13 SALARIES AND WAGES . . . . . 13	0	5,850	0	427,047	0	0
14 REPAIRS . . . . . 14	0	0	0	13,225	0	0
15 BAD DEBTS . . . . . 15	0	0	0	0	0	0
16 RENTS . . . . . 16	0	0	0	4,667,302	0	2,895,101
17 TAXES . . . . . 17	50	(780,731)	76,182	(266,768)	100	100
18 INTEREST . . . . . 18	0	(188,529)	126,610,714	833,692	0	19,958,929
19 CONTRIBUTIONS (SEE INSTRUCTIONS) . . . . . 19	0	0	0	2,533	0	0
20 DEPRECIATION (FORM 4562) . . . . . 20	0	1,523,726	0	6,460,040	0	0
21A LESS DEPRECIATION IN SCH A & ELSEWHERE . . . 21A	0	0	0	0	0	0
21B	0	1,523,726	0	6,460,040	0	0
22 DEPLETION . . . . . 22	0	0	0	0	0	0
23 ADVERTISING . . . . . 23	0	0	0	0	0	0
24 PENSION, PROFIT SHARING, ETC. PLANS . . . . . 24	0	0	0	0	0	0
25 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	0	0	0	14,506	0	0
26 OTHER DEDUCTIONS . . . . . 26	1	7,601,750	234,409,047	3,151,671	2,445	2,031,072
27 TOTAL DEDUCTIONS (LINES 12 THROUGH 26) . . >27	51	8,486,961	361,095,943	15,303,248	2,545	24,885,202
28 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	(51)	(6,635,263)	296,342	(12,974,482)	(2,545)	(12,568,400)
29 LESS: A NET OPERATING LOSS DEDUCTION . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C) . . . 29B	0	0	0	0	0	0
C TOTAL . . . . . 29C	0	0	0	0	0	0
30 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	(51)	(6,635,263)	296,342	(12,974,482)	(2,545)	(12,568,400)

000281

2002 CONS. FEDERAL 1120 TAX RETURN  
 verified

PPL Ventures 23-3065194	PPL Vermilion 54-2014132	PPL Wallingfor 54-2012408	PPL West Earl 54-2008079	PPL W. Hemp 54-2008083	PPLG US L Amer 54-1817694
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 \* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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TOTAL ASSETS	(1,850,168)	100	232,815,930	(441,728)	100	64,185,041
1A GROSS RECEIPTS OR SALES. . . . . 1A	0	0	5,577,644	0	0	0
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0	0
BALANCE >1C	0	0	5,577,644	0	0	0
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0	0
3 GROSS PROFIT (LINE 1(C) LESS LINE 2) . . . . . 3	0	0	5,577,644	0	0	0
4 DIVIDENDS (SCHEDULE C) . . . . . 4	0	0	0	0	0	0
5 INTEREST. . . . . 5	0	0	0	0	0	0
6 GROSS RENTS . . . . . 6	0	0	0	0	0	0
7 GROSS ROYALTIES . . . . . 7	0	0	0	0	0	0
8 CAPITAL GAIN NET INCOME (SCHEDULE D) . . . . . 8	0	0	0	0	0	0
9 NET GAIN (LOSS) FROM FORM 4797 . . . . . 9	0	0	0	0	0	0
0 OTHER INCOME (ATTACH SCHEDULE) . . . . . 10	0	0	0	0	0	0
1 TOTAL INCOME (LINES 3 THROUGH 10) . . . >11	0	0	5,577,644	0	0	0
DEDUCTIONS						
2 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . . 12	0	0	0	0	0	0
3 SALARIES AND WAGES. . . . . 13	0	0	1,018,351	0	0	0
4 REPAIRS . . . . . 14	0	0	1,299,692	0	0	0
5 BAD DEBTS . . . . . 15	0	0	0	0	0	0
6 RENTS . . . . . 16	0	0	504,163	0	0	0
7 TAXES . . . . . 17	(10,847)	100	(1,077,263)	100	100	0
8 INTEREST. . . . . 18	109,379	0	7,638,857	0	0	0
9 CONTRIBUTIONS (SEE INSTRUCTIONS) . . . . . 19	0	0	0	0	0	0
0 DEPRECIATION (FORM 4562) . . . . . 20	0	0	11,926,957	0	0	0
1A LESS DEPRECIATION IN SCH A & ELSEWHERE . . . 21A	0	0	0	0	0	0
21B	0	0	11,926,957	0	0	0
2 DEPLETION . . . . . 22	0	0	0	0	0	0
3 ADVERTISING . . . . . 23	0	0	0	0	0	0
4 PENSION, PROFIT SHARING, ETC. PLANS . . . . . 24	0	0	0	0	0	0
5 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	0	0	407,700	0	0	0
6 OTHER DEDUCTIONS. . . . . 26	0	187,754	9,905,313	1,205,037	0	0
7 TOTAL DEDUCTIONS (LINES 12 THROUGH 26) . . >27	98,532	187,854	31,623,770	1,205,137	100	0
8 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	(98,532)	(187,854)	(26,046,126)	(1,205,137)	(100)	0
9 LESS: A NET OPERATING LOSS DEDUCTION . . . 29A	0	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C) . . . 29B	0	0	0	0	0	0
C TOTAL. . . . . 29C	0	0	0	0	0	0
10 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	(98,532)	(187,854)	(26,046,126)	(1,205,137)	(100)	0

000282

2002 Consolidated 1120 \*\*\*  
Year: 2002

2002 CONS. FEDERAL 1120 TAX RETURN  
verified

Realty Co of P 23-1612742	Starbuck Power 91-1944519	Titan Mech 06-1409341	Trystate Mech 13-2853805	Westech Intl 13-3714912
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\* 1120 - U.S. CORPORATION INCOME TAX RETURN \*  
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	Realty Co of P	Starbuck Power	Titan Mech	Trystate Mech	Westech Intl
TOTAL ASSETS	54,837,021	0	0	0	0
1A GROSS RECEIPTS OR SALES. . . . . 1A	812,155	0	0	0	0
B LESS RETURNS AND ALLOWANCES. . . . . 1B	0	0	0	0	0
BALANCE >1C	812,155	0	0	0	0
2 COST OF GOODS SOLD (SCHEDULE A) . . . . . 2	0	0	0	0	0
3 GROSS PROFIT (LINE 1(C) LESS LINE 2) . . . . . 3	812,155	0	0	0	0
4 DIVIDENDS (SCHEDULE C) . . . . . 4	0	0	0	0	0
5 INTEREST . . . . . 5	471	0	0	0	0
6 GROSS RENTS . . . . . 6	120,022	0	0	0	0
7 GROSS ROYALTIES . . . . . 7	0	0	0	0	0
8 CAPITAL GAIN NET INCOME (SCHEDULE D) . . . . . 8	0	0	0	0	0
9 NET GAIN (LOSS) FROM FORM 4797 . . . . . 9	0	0	0	0	0
10 OTHER INCOME (ATTACH SCHEDULE) . . . . . 10	0	0	0	0	0
11 TOTAL INCOME (LINES 3 THROUGH 10) . . . . >11	932,648	0	0	0	0
DEDUCTIONS					
12 COMPENSATION OF OFFICERS (SCHEDULE E) . . . . 12	0	0	0	0	0
13 SALARIES AND WAGES . . . . . 13	131,785	0	0	0	0
14 REPAIRS . . . . . 14	100	0	0	0	0
15 BAD DEBTS . . . . . 15	0	0	0	0	0
16 RENTS . . . . . 16	0	0	0	0	0
17 TAXES . . . . . 17	474,594	(29,267)	0	0	0
18 INTEREST . . . . . 18	0	0	0	0	0
19 CONTRIBUTIONS (SEE INSTRUCTIONS) . . . . . 19	0	0	0	0	0
20 DEPRECIATION (FORM 4562) . . . . . 20	1,174,042	0	0	0	0
21A LESS DEPRECIATION IN SCH A & ELSEWHERE . . . 21A	0	0	0	0	0
21B	1,174,042	0	0	0	0
22 DEPLETION . . . . . 22	0	0	0	0	0
23 ADVERTISING . . . . . 23	0	0	0	0	0
24 PENSION, PROFIT SHARING, ETC. PLANS . . . . 24	0	0	0	0	0
25 EMPLOYEE BENEFIT PROGRAMS . . . . . 25	0	0	0	0	0
26 OTHER DEDUCTIONS . . . . . 26	21,191	0	0	0	0
27 TOTAL DEDUCTIONS (LINES 12 THROUGH 26) . . >27	1,801,712	(29,267)	0	0	0
28 TAXABLE INCOME BEFORE NOL & SPECIAL DEDUCT. . 28	(869,064)	29,267	0	0	0
29 LESS: A NET OPERATING LOSS DEDUCTION . . . 29A	0	0	0	0	0
B SPECIAL DEDUCTIONS (SCHEDULE C) . . . 29B	0	0	0	0	0
C TOTAL . . . . . 29C	0	0	0	0	0
30 TAXABLE INCOME (LINE 28 LESS 29C) . . . . . 30	(869,064)	29,267	0	0	0

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- Q.24. Provide detailed computations by vintage year showing State and Federal deferred income taxes resulting from the use of accelerated tax depreciation associated with post-1969 public utility property, ADR rates, and accelerated tax depreciation associated with post-1980 public utility property under the Accelerated Cost Recovery System (ACRS).
- a) Reconcile and explain any differences in the base used to calculate State and Federal deferred income taxes.
  - b) State whether tax depreciation is based on all rate base items claimed as of the end of the test year, and whether it is the annual tax depreciation at the end of the test year.
  - c) Reconcile differences between the deferred tax balance, as shown as a reduction to rate base, and the deferred tax balance as shown on the balance sheet.
- A.24. PPL Electric does not provide for deferred income taxes related to accelerated depreciation of assets acquired prior to January 1, 1981. However, through December 31, 1980, the Company did provide for deferred taxes related to the difference in tax depreciation resulting from using class lives under the ADR system of depreciation versus tax depreciation from the use of guideline lives in effect prior to the ADR system of depreciation. In accordance with the Commission's order adopted January 31, 1981, at Docket No. R-80031114, the Company terminated provisions for deferred taxes. The Company began reversing amounts deferred through December 31, 1980 on January 1, 1981. The Company is deferring federal income taxes associated with the use of accelerated tax depreciation under the Accelerated Cost Recovery System (ACRS) of the Economic Recovery Tax Act of 1981 in compliance with the Commission's order adopted December 18, 1981, at Docket No. R-811636. See Attachment II-D-24 for detailed computations by vintage year.
- a) PPL Electric does not provide for any state deferred income taxes associated with the use of accelerated tax depreciation.
  - b) Tax depreciation is not based on all rate base items claimed as of the end of the test year. Certain assets that are included in rate base are fully depreciated for tax purposes. Additionally, there are basis differences between book cost and tax cost for which tax depreciation is not calculated. Tax depreciation claimed is the annual tax depreciation at the end of the future test year.

- c) The total deferred tax balances shown on Schedule C-6 of Exhibit Future 1 agree with the rate base reduction shown on Schedule C-1 of Exhibit Future 1. Schedule C-6 of Exhibit Future 1 is cross-referenced to the deferred tax balances shown on the balance sheet provided in Schedule B-1 of Exhibit Future 1.

**PPL Electric Utilities Corporation**  
**Deferred Income Tax Calculation Due to Excess of Tax**  
**Depreciation Over Depreciation Using Tax Basis and Book Rates**  
**for Year Ended December 31, 2004**

(\$000's)

<u>Description</u>	<u>ACRS &amp; MACRS Tax Depreciation</u>	<u>Depreciation Using Tax Basis &amp; Book Rates</u>	<u>Excess Depreciation</u>	<u>(a) Rate</u>	<u>Deferred Federal Income Taxes</u>
<u>Vintage 1981:</u>					
General	\$ 0	\$ 24	\$ (24)	40.33%	\$ (10)
General Buildings	0	30	(30)	41.46%	(13)
Transmission	0	880	(880)	40.69%	(358)
Distribution	0	909	(909)	40.43%	(367)
Subtotal-1981 Vintage	<u>0</u>	<u>1,843</u>	<u>(1,843)</u>		<u>(748)</u>
<u>Vintage 1982:</u>					
General	0	41	(41)	39.77%	(16)
General Buildings	0	167	(167)	38.64%	(65)
Transmission	0	454	(454)	39.78%	(181)
Distribution	0	1,140	(1,140)	39.94%	(455)
Subtotal-1982 Vintage	<u>0</u>	<u>1,802</u>	<u>(1,802)</u>		<u>(717)</u>
<u>Vintage 1983:</u>					
General	0	110	(110)	39.26%	(43)
General Buildings	0	184	(184)	39.96%	(73)
Transmission	0	28	(28)	39.25%	(11)
Distribution	0	1,027	(1,027)	39.30%	(404)
Subtotal-1983 Vintage	<u>0</u>	<u>1,349</u>	<u>(1,349)</u>		<u>(531)</u>
<u>Vintage 1984:</u>					
Furniture & Fixtures	0	16	(16)	42.24%	(7)
General	0	34	(34)	38.35%	(13)
General Buildings	0	17	(17)	38.35%	(7)
Transmission	0	372	(372)	38.35%	(143)
Distribution	0	1,165	(1,165)	38.45%	(448)
Subtotal-1984 Vintage	<u>0</u>	<u>1,604</u>	<u>(1,604)</u>		<u>(618)</u>
<u>Vintage 1985:</u>					
Furniture & Fixtures	0	25	(25)	39.71%	(10)
General	0	102	(102)	37.12%	(38)
General Buildings	2	158	(156)	35.00%	(54)
Transmission	0	208	(208)	37.17%	(77)
Distribution	0	1,451	(1,451)	37.19%	(540)
Subtotal-1985 Vintage	<u>2</u>	<u>1,944</u>	<u>(1,942)</u>		<u>(719)</u>
<u>Vintage 1986:</u>					
General	0	120	(120)	35.82%	(43)
General Buildings	42	41	1	35.00%	0
Transmission	0	174	(174)	35.82%	(62)
Distribution	0	1,617	(1,617)	35.85%	(580)
Subtotal-1986 Vintage	<u>42</u>	<u>1,952</u>	<u>(1,910)</u>		<u>(685)</u>
<u>Vintage 1987:</u>					
Furniture & Fixtures	0	30	(30)	35.03%	(10)
General	0	151	(151)	34.86%	(53)
General Buildings	119	156	(37)	35.00%	(13)
Transmission	96	101	(5)	34.86%	(2)
Distribution	3,994	2,125	1,869	34.86%	652
Subtotal-1987 Vintage	<u>4,209</u>	<u>2,563</u>	<u>1,646</u>		<u>574</u>
<u>Vintage 1988:</u>					
Furniture & Fixtures	0	19	(19)	34.36%	(7)
Computer Equipment	0	472	(472)	34.00%	(161)
General	0	139	(139)	34.58%	(48)
General Buildings	77	79	(2)	35.00%	(1)
Leasehold Improvements	20	6	14	35.00%	5
Transmission	28	13	15	35.00%	5
Distribution	4,752	2,567	2,185	35.00%	765
Subtotal-1988 Vintage	<u>4,877</u>	<u>3,295</u>	<u>1,582</u>		<u>558</u>

**PPL Electric Utilities Corporation**  
**Deferred Income Tax Calculation Due to Excess of Tax**  
**Depreciation Over Depreciation Using Tax Basis and Book Rates**  
**for Year Ended December 31, 2004**  
**(\$000's)**

<u>Description</u>	<u>ACRS &amp; MACRS Tax Depreciation</u>	<u>Depreciation Using Tax Basis &amp; Book Rates</u>	<u>Excess Depreciation</u>	<u>(a) Rate</u>	<u>Deferred Federal Income Taxes</u>
<u>Vintage 1989:</u>					
Furniture & Fixtures	0	48	(48)	34.24%	(16)
Computer Equipment	0	827	(827)	34.00%	(281)
General	0	81	(81)	34.69%	(28)
General Buildings	92	91	1	35.00%	0
Leasehold Improvements	6	1	5	35.00%	2
Transmission	20	9	11	35.00%	4
Distribution	4,586	2,324	2,262	35.00%	792
Subtotal-1989 Vintage	<u>4,704</u>	<u>3,381</u>	<u>1,323</u>		<u>473</u>
<u>Vintage 1990:</u>					
Furniture & Fixtures	0	75	(75)	34.37%	(26)
General	0	92	(92)	34.76%	(32)
General Buildings	121	144	(23)	35.00%	(8)
Leasehold Improvements	(2)	(2)	0	35.00%	0
Transmission	22	11	11	35.00%	4
Distribution	5,604	2,733	2,871	35.00%	1,005
Subtotal-1990 Vintage	<u>5,745</u>	<u>3,053</u>	<u>2,692</u>		<u>943</u>
<u>Vintage 1991:</u>					
Furniture & Fixtures	0	45	(45)	34.64%	(16)
General	0	121	(121)	34.85%	(42)
General Buildings	42	48	(6)	35.00%	(2)
Vehicles and Equipment	6	66	(60)	34.43%	(21)
Leasehold Improvements	7	2	5	34.75%	2
Transmission	132	68	64	35.00%	22
Distribution	5,613	2,786	2,827	35.00%	989
Subtotal-1991 Vintage	<u>5,800</u>	<u>3,136</u>	<u>2,664</u>		<u>932</u>
<u>Vintage 1992:</u>					
Furniture & Fixtures	0	53	(53)	34.82%	(19)
Computer Equipment	0	1	(1)	34.81%	0
General	0	128	(128)	34.98%	(45)
General Buildings	760	794	(34)	35.00%	(12)
Vehicles and Equipment	52	483	(431)	34.68%	(150)
Leasehold Improvements	1	0	1	34.90%	0
Transmission	194	76	118	35.00%	41
Distribution	7,350	3,504	3,846	35.00%	1,346
Subtotal-1992 Vintage	<u>8,357</u>	<u>5,039</u>	<u>3,318</u>		<u>1,161</u>
<u>Vintage 1993:</u>					
Furniture & Fixtures	0	32	(32)	35.00%	(11)
General	0	259	(259)	35.00%	(91)
General Buildings	523	551	(28)	35.00%	(10)
Vehicles and Equipment	40	237	(197)	35.00%	(69)
Leasehold Improvements	(1)	0	(1)	35.00%	0
Transmission	538	269	269	35.00%	94
Distribution	6,566	3,166	3,400	35.00%	1,190
Subtotal-1993 Vintage	<u>7,666</u>	<u>4,514</u>	<u>3,152</u>		<u>1,103</u>
<u>Vintage 1994:</u>					
Furniture & Fixtures	0	18	(18)	35.00%	(6)
Office Equipment	0	5	(5)	35.00%	(2)
General	0	294	(294)	35.00%	(103)
General Buildings	104	147	(43)	35.00%	(15)
Vehicles and Equipment	54	90	(36)	35.00%	(13)
Leasehold Improvements	1	1	0	35.00%	0
Transmission	143	76	67	35.00%	23
Distribution	7,009	3,307	3,702	35.00%	1,296

**PPL Electric Utilities Corporation**  
**Deferred Income Tax Calculation Due to Excess of Tax**  
**Depreciation Over Depreciation Using Tax Basis and Book Rates**  
**for Year Ended December 31, 2004**  
(\$000's)

Description	ACRS & MACRS Tax Depreciation	Depreciation Using Tax Basis & Book Rates	Excess Depreciation	(a) Rate	Deferred Federal Income Taxes
Subtotal-1994 Vintage	7,311	3,938	3,373		1,180
<b>Vintage 1995:</b>					
Furniture & Fixtures	0	19	(19)	35.00%	(7)
Computer Equipment	0	5	(5)	35.00%	(2)
General	0	78	(78)	35.00%	(27)
General Buildings	595	764	(169)	35.00%	(59)
Other	10	11	(1)	35.00%	0
Vehicles and Equipment	31	41	(10)	35.00%	(4)
Leasehold Improvements	3	1	2	35.00%	1
Transmission	708	345	363	35.00%	127
Distribution	5,956	2,855	3,101	35.00%	1,085
Subtotal-1995 Vintage	7,303	4,119	3,184		1,114
<b>Vintage 1996:</b>					
Furniture & Fixtures	0	7	(7)	35.00%	(3)
Computer Equipment	0	99	(99)	35.00%	(35)
Office Equipment	0	1	(1)	35.00%	0
General	0	72	(72)	35.00%	(25)
General Buildings	77	101	(24)	35.00%	(8)
Vehicles and Equipment	97	591	(494)	35.00%	(173)
Leasehold Improvements	1	1	0	35.00%	0
Transmission	588	242	346	35.00%	121
Distribution	5,747	2,681	3,066	35.00%	1,073
Subtotal-1996 Vintage	6,510	3,795	2,715		950
<b>Vintage 1997:</b>					
Furniture & Fixtures	35	56	(21)	35.00%	(7)
Computer Equipment	0	5	(5)	35.00%	(2)
Office Equipment	0	4	(4)	35.00%	(1)
Trailers	0	5	(5)	35.00%	(2)
General	41	85	(44)	35.00%	(15)
General Buildings	181	230	(49)	35.00%	(17)
Vehicles and Equipment	379	1,641	(1,262)	35.00%	(442)
Leasehold Improvements	0	0	0	35.00%	0
Transmission	211	100	111	35.00%	39
Distribution	5,647	2,492	3,155	35.00%	1,104
Subtotal-1997 Vintage	6,494	4,618	1,876		657
<b>Vintage 1998:</b>					
Furniture & Fixtures	97	71	26	35.00%	9
Computer Equipment	0	181	(181)	35.00%	(63)
Office Equipment	0	3	(3)	35.00%	(1)
Trailers	0	6	(6)	35.00%	(2)
General	206	172	34	35.00%	12
General Buildings	126	164	(38)	35.00%	(13)
Other	51	56	(5)	35.00%	(1)
Vehicles and Equipment	297	1,185	(888)	35.00%	(311)
Transmission	92	44	48	35.00%	17
Distribution	5,365	2,077	3,288	35.00%	1,151
Subtotal-1998 Vintage	6,234	3,959	2,275		798
<b>Vintage 1999:</b>					
Furniture & Fixtures	82	62	20	35.00%	7
Computer Equipment	0	1	(1)	35.00%	0
Office Equipment	0	1	(1)	35.00%	0
Trailers	37	7	30	35.00%	11
General	73	54	19	35.00%	7
General Buildings	47	61	(14)	35.00%	(5)

**PPL Electric Utilities Corporation**  
**Deferred Income Tax Calculation Due to Excess of Tax**  
**Depreciation Over Depreciation Using Tax Basis and Book Rates**  
**for Year Ended December 31, 2004**  
**(\$000's)**

<u>Description</u>	<u>ACRS &amp; MACRS Tax Depreciation</u>	<u>Depreciation Using Tax Basis &amp; Book Rates</u>	<u>Excess Depreciation</u>	<u>(a) Rate</u>	<u>Deferred Federal Income Taxes</u>
Vehicles and Equipment	2,104	2,268	(164)	35.00%	(57)
Transmission	113	50	63	35.00%	22
Distribution	5,437	1,943	3,494	35.00%	1,223
Subtotal-1999 Vintage	<u>7,893</u>	<u>4,447</u>	<u>3,446</u>		<u>1,208</u>
<u>Vintage 2000:</u>					
Furniture & Fixtures	107	78	29	35.00%	10
Computer Equipment	(10)	(11)	1	35.00%	0
Office Equipment	(10)	(6)	(4)	35.00%	(2)
Trailers	81	9	72	35.00%	25
General	42	33	9	35.00%	3
General Buildings	377	448	(71)	35.00%	(25)
Vehicles and Equipment	2,130	1,311	819	35.00%	287
Transmission	205	84	121	35.00%	42
Distribution	6,403	2,165	4,238	35.00%	1,484
Subtotal-2000 Vintage	<u>9,325</u>	<u>4,111</u>	<u>5,214</u>		<u>1,824</u>
<u>Vintage 2001:</u>					
Furniture & Fixtures	119	62	57	35.00%	20
Office Equipment	3	2	1	35.00%	0
Trailers	52	6	46	35.00%	16
General	207	121	86	35.00%	30
General Buildings	172	209	(37)	35.00%	(13)
Vehicles and Equipment	2,397	1,931	466	35.00%	163
Transmission	660	226	434	35.00%	152
Distribution	7,102	1,910	5,192	35.00%	1,817
Subtotal-2001 Vintage	<u>10,712</u>	<u>4,467</u>	<u>6,245</u>		<u>2,185</u>
<u>Vintage 2002:</u>					
Furniture & Fixtures	120	79	41	35.00%	15
Office Equipment	16	5	11	35.00%	4
Trailers	139	9	130	35.00%	46
General	125	67	58	35.00%	20
General Buildings	253	312	(59)	35.00%	(21)
Vehicles and Equipment	5,545	2,427	3,118	35.00%	1,091
Transmission	12,830	5,034	7,796	35.00%	2,728
Distribution	(4,952)	809	(5,761)	35.00%	(2,016)
Subtotal-2002 Vintage	<u>14,076</u>	<u>8,742</u>	<u>5,334</u>		<u>1,867</u>
<u>Vintage 2003:</u>					
Furniture & Fixtures	96	26	70	35.00%	25
Computer Equipment	196	14	182	35.00%	63
Office Equipment	4	1	3	35.00%	1
Trailers	70	3	67	35.00%	24
General	143	50	93	35.00%	33
General Buildings	592	818	(226)	35.00%	(79)
Vehicles and Equipment	6,737	938	5,799	35.00%	2,029
Transmission	3,363	770	2,593	35.00%	908
Distribution	6,499	5,725	774	35.00%	271
Subtotal-2003 Vintage	<u>17,700</u>	<u>8,345</u>	<u>9,355</u>		<u>3,275</u>
<u>Vintage 2004:</u>					
Furniture & Fixtures	231	106	125	35.00%	44
Trailers	44	3	41	35.00%	14
General	6	3	3	35.00%	1
General Buildings	82	234	(152)	35.00%	(53)
Vehicles and Equipment	2,702	938	1,764	35.00%	617
Transmission	6,007	290	5,717	35.00%	2,002
Distribution	71,140	3,589	67,551	35.00%	23,642

**PPL Electric Utilities Corporation**  
**Deferred Income Tax Calculation Due to Excess of Tax**  
**Depreciation Over Depreciation Using Tax Basis and Book Rates**  
**for Year Ended December 31, 2004**  
**(\$000's)**

<u>Description</u>	<u>ACRS &amp; MACRS Tax Depreciation</u>	<u>Depreciation Using Tax Basis &amp; Book Rates</u>	<u>Excess Depreciation</u>	<u>(a) Rate</u>	<u>Deferred Federal Income Taxes</u>
Subtotal-2004 Vintage	80,212	5,163	75,049		26,267
<u>Summary:</u>					
Total Transmission	\$ 25,950	\$ 9,924	\$ 16,026		\$ 5,517
Total Distribution	159,818	56,067	103,751		36,075
Total General	29,404	25,188	4,216		1,459
Grand Total	<u>\$ 215,172</u>	<u>\$ 91,179</u>	<u>\$ 123,993</u>		<u>\$ 43,051</u>

- Q.25. Submit a schedule showing a breakdown of accumulated and unamortized investment tax credits, by vintage year and percentage rate, together with calculations supporting the amortized amount claimed as a reduction to pro forma income taxes. Provide details of methods used to write-off the unamortized balances.
- A.25. Attachment II-D-25 provides the requested detail. PPL Electric is amortizing investment tax credits over the historic weighted average book service life of 33 years.

**Electric Operations**  
**Schedule of Deferred Investment Tax Credit (ITC)**  
**Year Ended December 31, 2004**  
*(Thousands of Dollars)*

<u>Vintage Year</u>	<u>Rate</u>	<u>Accumulated ITC @ 12/31/2003</u>	<u>Amortization for Year Ended 12/31/2004</u>	<u>Accumulated ITC @ 12/31/2004</u>
<b>Transmission Property:</b>				
1972	4%	\$ 43	\$ 43	\$ 0
1973	4%	111	55	56
1974	4%	42	14	28
1975	10%	97	24	73
1975	4%	149	37	112
1976	10%	449	90	359
1976	4%	97	19	78
1977	10%	196	33	163
1978	10%	182	26	156
1979	10%	262	33	229
1980	10%	1,058	118	940
1981	10%	2,113	211	1,902
1982	10%	674	61	613
1983	10%	22	2	20
1984	10%	307	24	283
1985	10%	240	17	223
1986	10%	188	13	175
1987	10%	150	9	141
1988	10%	28	2	26
sub total		<u>6,408</u>	<u>831</u>	<u>5,577</u>
<b>Distribution Property:</b>				
1972	4%	99	99	0
1973	4%	204	102	102
1974	4%	120	40	80
1975	10%	227	57	170
1975	4%	349	87	262
1976	10%	899	180	719
1976	4%	194	39	155
1977	10%	705	117	588
1978	10%	797	114	683
1979	10%	1,308	163	1,145
1980	10%	1,436	160	1,276
1981	10%	1,607	161	1,446
1982	10%	1,621	147	1,474
1983	10%	950	79	871
1984	10%	1,094	84	1,010
1985	10%	1,637	117	1,520
1986	10%	1,795	120	1,675
1987	10%	446	28	418
1988	10%	212	12	200
1989	10%	53	3	50
1990	10%	94	5	89
sub total		<u>15,847</u>	<u>1,914</u>	<u>13,933</u>
Total		<u>\$ 22,255</u>	<u>\$ 2,745</u>	<u>\$ 19,510</u>

Q.26. Explain in detail by statement or exhibit the appropriateness of claiming any additional items, not otherwise specifically explained and supported in the statement of operating income.

A.26. An explanation of PPL Electric's claim for any additional operating income items is set forth in Section D of Exhibit Future 1.

- Q.27. If the utility's operations include non-jurisdictional activities, provide a schedule which demonstrates the manner in which rate base and operating income date have been adjusted to develop the jurisdictional test year claim.
- A.27. The Commission's Order, at Docket No. R-8003114, provided that future retail rate filings by PPL Electric should be on a PUC jurisdictional basis only. This filing has been prepared in compliance with that order. Total system measures of value and components of operating income have been allocated between the FERC and PUC jurisdictions and the proposed revenue increase has been determined on a PUC jurisdictional basis only. See Exhibit JMK2.

Q. 1.           Supply a copy of any budget utilized as a basis for any test year claim, and explain the utility's budgeting process.

A. 1.           Attachment II-E-1 is a summary of the operating budget utilized as the basis for the PPL Electric's future test year claim. An explanation of the Company's budgeting process is contained in Statement No. 2, the Direct Testimony of J.R. Schadt.

PPL ELECTRIC UTILITIES CORPORATION

**Budget-2004**  
**(Thousands of Dollars)**

Thousands of Dollars	Projected												Total
	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	
<b>Operating Revenues</b>													
Electric Operations	\$ 227,279	\$ 223,611	\$ 203,128	\$ 187,713	\$ 199,268	\$ 179,429	\$ 204,126	\$ 195,032	\$ 182,108	\$ 174,031	\$ 204,796	\$ 218,720	\$ 2,389,241
Gas Operations													
Wholesale & Energy Trading	14,223	13,000	11,976	11,590	11,432	13,253	11,976	11,356	10,569	11,443	12,065	13,570	148,494
Energy Related Businesses	48	48	48	48	48	48	48	48	48	48	48	48	572
Intercompany Sales													0
Scenario adjustments													0
<b>Total Operating Revenues</b>	<b>241,550</b>	<b>236,667</b>	<b>215,152</b>	<b>199,351</b>	<b>199,747</b>	<b>192,729</b>	<b>216,150</b>	<b>206,438</b>	<b>192,725</b>	<b>185,521</b>	<b>216,859</b>	<b>232,338</b>	<b>2,516,307</b>
<b>Operating Expenses</b>													
Electric Fuel													0
Cost of Natural Gas & Propane													0
Energy Purchases - External	18,871	18,781	17,139	18,838	18,254	18,172	17,385	16,612	15,558	16,324	17,350	19,215	208,298
Energy Purchases - Internal	147,273	142,596	129,602	120,153	108,738	118,010	132,178	125,813	117,286	111,431	131,506	140,780	1,523,366
Lease/Rent payments													0
Other Operating Expenses - Direct	18,442	17,784	22,953	21,797	20,911	24,342	21,387	22,713	24,323	22,215	20,779	22,873	290,499
Other Operating Expenses - Intercompany	7,213	7,288	7,111	7,212	7,024	7,260	7,131	7,354	6,791	6,873	6,679	6,866	84,905
<b>Total O&amp;M Expense</b>	<b>25,955</b>	<b>25,052</b>	<b>30,064</b>	<b>29,009</b>	<b>27,934</b>	<b>31,602</b>	<b>28,516</b>	<b>30,067</b>	<b>31,114</b>	<b>29,088</b>	<b>27,457</b>	<b>29,742</b>	<b>345,303</b>
Amort. of Deferred Debts/Credits	468	438	417	381	329	339	377	407	377	355	390	451	4,760
Depreciation	9,023	9,080	9,052	9,052	9,052	9,052	9,052	9,052	9,052	9,052	9,052	9,052	108,820
Taxes other than income	16,331	15,961	14,573	13,530	12,280	12,968	14,840	14,025	13,150	12,803	14,667	15,655	170,402
Energy Related Businesses	32	32	32	32	32	32	32	32	32	32	32	32	386
<b>Total Operating Expenses</b>	<b>215,654</b>	<b>211,942</b>	<b>200,878</b>	<b>188,793</b>	<b>174,820</b>	<b>188,176</b>	<b>202,203</b>	<b>198,068</b>	<b>196,568</b>	<b>178,665</b>	<b>200,473</b>	<b>214,827</b>	<b>2,359,123</b>
<b>Income from Operations</b>	<b>25,897</b>	<b>24,725</b>	<b>14,274</b>	<b>10,558</b>	<b>6,127</b>	<b>4,553</b>	<b>13,947</b>	<b>10,428</b>	<b>6,167</b>	<b>6,637</b>	<b>16,486</b>	<b>17,411</b>	<b>157,183</b>
<b>Other Income and (Deductions)</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>3,477</b>
<b>Interest expense</b>													
Long Term Debt	7,488	7,488	7,384	7,191	6,834	6,834	6,749	6,749	6,749	6,583	6,583	6,549	83,339
Preferred Security Dividends													0
Short Term Debt & Other	537	456	531	590	526	576	610	524	548	575	492	1,234	7,199
Intercompany Interest													0
AFUDC & Capitalized Interest	(121)	(121)	(121)	(121)	(121)	(121)	(121)	(121)	(121)	(121)	(121)	(121)	(1,454)
<b>Total Interest Expense</b>	<b>7,884</b>	<b>7,803</b>	<b>7,794</b>	<b>7,660</b>	<b>7,339</b>	<b>7,389</b>	<b>7,238</b>	<b>7,151</b>	<b>7,175</b>	<b>7,038</b>	<b>6,954</b>	<b>7,661</b>	<b>89,084</b>
<b>Income before Income Taxes</b>	<b>18,303</b>	<b>17,212</b>	<b>6,780</b>	<b>3,187</b>	<b>(922)</b>	<b>(2,546)</b>	<b>6,999</b>	<b>3,568</b>	<b>(728)</b>	<b>(110)</b>	<b>9,802</b>	<b>10,039</b>	<b>71,575</b>
<b>Income Taxes</b>													
Provision-Federal	3,528	2,413	(532)	(1,592)	(2,070)	(2,854)	45	(1,444)	(2,747)	(2,531)	1,064	788	(6,513)
-State	1,600	1,681	537	204	(138)	(194)	719	250	(190)	(92)	1,048	858	6,412
Deferred Income Taxes	2,190	2,172	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	2,181	28,188
<b>Total Income Taxes</b>	<b>7,317</b>	<b>6,266</b>	<b>2,186</b>	<b>762</b>	<b>(625)</b>	<b>(867)</b>	<b>2,945</b>	<b>986</b>	<b>(726)</b>	<b>(443)</b>	<b>4,311</b>	<b>3,925</b>	<b>28,087</b>
<b>Minority Interest</b>													<b>0</b>
<b>Income Before Extraordinary Item</b>	<b>10,985</b>	<b>10,948</b>	<b>4,593</b>	<b>2,398</b>	<b>(297)</b>	<b>(1,678)</b>	<b>4,053</b>	<b>2,581</b>	<b>(2)</b>	<b>333</b>	<b>5,491</b>	<b>6,115</b>	<b>45,568</b>
<b>Extraordinary Item, net of Income Taxes</b>													<b>0</b>
<b>Net Income</b>	<b>10,985</b>	<b>10,948</b>	<b>4,593</b>	<b>2,398</b>	<b>(297)</b>	<b>(1,678)</b>	<b>4,053</b>	<b>2,581</b>	<b>(2)</b>	<b>333</b>	<b>5,491</b>	<b>6,115</b>	<b>45,568</b>
<b>Preferred Stock Dividend Requirements</b>	<b>204</b>	<b>204</b>	<b>204</b>	<b>204</b>	<b>204</b>	<b>204</b>	<b>204</b>	<b>204</b>	<b>204</b>	<b>204</b>	<b>204</b>	<b>204</b>	<b>2,446</b>
<b>Earnings Available for Common Stock</b>	<b>\$ 10,782</b>	<b>\$ 10,744</b>	<b>\$ 4,379</b>	<b>\$ 2,192</b>	<b>\$ (501)</b>	<b>\$ (1,882)</b>	<b>\$ 3,850</b>	<b>\$ 2,378</b>	<b>\$ (206)</b>	<b>\$ 129</b>	<b>\$ 5,287</b>	<b>\$ 5,911</b>	<b>\$ 43,062</b>

- Q.2. Supply summaries of the utility's projected operating and capital budgets for the 2 calendar years following the end of the test year.
- A.2. Attachment II-E-2a provides the Company's projected operating budget for 2005 and 2006. Attachment II-E-2b provides the Company's capital budget for 2005 and 2006.

**PPL ELECTRIC UTILITIES CORPORATION**

**Projected Operating Budget <sup>1)</sup>  
For the Years Ended December 31,  
(Thousands of Dollars)**

	<u>2005</u>	<u>2006</u>
<b>Operating Revenues</b>		
Electric Operations	\$ 2,420,744	\$ 2,554,533
Sales for Resale	143,946	145,734
	<hr/>	<hr/>
<b>Total Electric Operating Revenue</b>	<u>2,564,690</u>	<u>2,700,267</u>
<b>Operating Expenses</b>		
Energy Purchases - External	206,232	204,200
Energy Purchases - Internal	1,568,979	1,682,381
Other Operating Expenses - Direct	262,732	269,809
Other Operating Expenses - Intercompany	82,364	82,148
	<hr/>	<hr/>
<b>Total O&amp;M Expense</b>	<u>2,120,307</u>	<u>2,238,538</u>
Regulatory Debits/Credits	0	989
Depreciation	118,003	122,693
Taxes Other Than Income	170,114	178,052
Income Taxes-Federal	31,030	30,369
Income Taxes-State	14,826	14,402
Deferred Income Taxes	(18,129)	(18,340)
	<hr/>	<hr/>
<b>Total Operating Expenses</b>	<u>2,436,151</u>	<u>2,566,703</u>
<b>Operating Income</b>	<u><u>\$ 128,539</u></u>	<u><u>\$ 133,564</u></u>

<sup>1)</sup> Does not include any effect of this rate filing

PPL ELECTRIC UTILITIES CORPORATION

**Projected Capital Budget**  
**For the Years Ended December 31,**  
**(Thousands of Dollars)**

<u>Budget Category</u>	<u>2005</u>	<u>2006</u>
Provide Electric Service	\$ 79,787	\$ 83,011
Upgrade System Facilities	51,035	68,400
Assure System Reliability	30,594	31,683
Revenue Cycle Service	5,946	6,056
Other <sup>1)</sup>	5,256	3,232
Respond To Customer	1,703	1,784
Buildings and Improvements	10,400	10,400
<b>Total</b>	<b>\$ 184,721</b>	<b>\$ 204,566</b>

<sup>1)</sup> Includes office furniture, technology projects, and site acquisitions

# DOCUMENT

**PPL ELECTRIC UTILITIES CORPORATION**

**Exhibit Regs. § 53.53**

**Part III – Rate of Return**

**Docket No. R-00049255**

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**This book contains responses to each of the pertinent items contained in § 53.53, Part III (Rate of Return Statement) of the Commission's Regulations.**

Q.1. Provide a schedule 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.1. See Exhibit Future 1, Schedules B-6, B-7, B-8 and B-9 for major components of claimed capitalization and derivation of the weighted cost of capital.

Major changes from historic capitalization and cost rates are as follows:

- The expected retirement of \$24.8 million mortgage bonds, series 6 7/8% (March 2004).
- The expected retirement of \$5.8 million mortgage bonds, series 7.3% (March 2004).
- The expected retirement of \$50.0 million mortgage bonds, series 6 1/2% (May 2004).
- The expected retirement of \$50.0 million mortgage bonds, series 6.55% (May 2004).

- Q.2. Provide a schedule in the same format as Schedule 1, except for the omission of the descriptive statement, for the most immediate comparable annual historical period prior to the test year and the two calendar years most immediately preceding the rate of return claim period. Irrespective of whether the capitalization claimed on Schedule 1 includes short-term debt, Schedule 2 should reflect capital ratios with and without short-term debt.
- A.2. Attachment III-A-2 provides the capitalization data for the years 2002 and 2003.

PPL ELECTRIC UTILITIES CORPORATION

**Capitalization & Capitalization Ratios - Year End**  
(Thousands of Dollars)

Line No.		2002			2003		
		Amount	Excluding Short-Term Debt	Including Short-Term Debt	Amount	Excluding Short-Term Debt	Including Short-Term Debt
1	Long-Term Debt (a)	\$ 1,479,241	54.5%	54.2%	\$ 1,493,441	53.9%	53.9%
2	Preferred & Preference Stock	78,954	2.9%	2.9%	48,289	1.7%	1.7%
3	Common Equity (b)	1,156,213	42.6%	42.4%	1,230,012	44.4%	44.4%
4	Total Permanent Capital	<u>2,714,408</u>	<u>100.0%</u>	<u>99.5%</u>	<u>2,771,742</u>	<u>100.0%</u>	<u>100.0%</u>
5	Short-Term Debt	14,707		0.5%	22		0.0%
6	Total Capitalization	<u>\$ 2,729,115</u>		<u>100.0%</u>	<u>\$ 2,771,764</u>		<u>100.0%</u>

(a) Long-term debt includes amount due within one year and the unamortized loss on reacquired debt.

(b) Common equity includes an adjustment for the unamortized premiums and unrecovered original issue costs on reacquired preferred and preference stock.

- Q.1. Provide a schedule showing the calculation of 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 expense.
  - 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 comparable historic data should be clearly noted.

- A.1. Exhibit Future 1, Schedule B-6 provides the requested information.

- Q.2. 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.2. No claim is being made for a true economic cost of debt that exceeds that shown in the preceding nominal cost schedule.

Q.3. Provide the following information concerning bank notes payable for test year and for latest comparable annual historical period prior to the test 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.3. a) & b) The requested information is provided in Attachments III-B-3a and III-B-3b.

- c) The applicable interest rate charged on borrowings is either a eurodollar rate or base rate. In all cases, a utilization fee is charged if borrowings (including outstanding letters of credit), in aggregate, exceed 33% of total commitments. The borrowing formulas are as follows:

Eurodollar borrowings: LIBOR + .50%

Base Rate borrowings: The higher of: Prime or Fed Funds + .50%

Utilization Fee: .125%

- d) PPL Electric has established its credit facilities primarily as a means to provide liquidity support for its unsecured commercial paper program. There were no notes outstanding during the historic test year.
- e) PPL Electric expects to continue to utilize the credit facilities to support its unsecured commercial paper program and does not anticipate making borrowings under the program during the test year.

PPL ELECTRIC UTILITIES CORPORATION

Line of Credit and Average Daily Note Balances by Bank  
At December 31, 2003

	<u>364-Day</u>		<u>Total</u>	<u>Average Daily</u>
	<u>Revolver</u>	<u>3-Year Revolver</u>	<u>Commitment by</u>	<u>Balance</u>
			<u>Bank</u>	
Mellon Bank	\$ 23,333,333	\$ 11,666,667	\$ 35,000,000	\$ 0
Key Bank	18,787,879	9,393,939	28,181,818	0
JP Morgan Chase	18,181,818	9,090,909	27,272,727	0
Barclays Bank	18,181,818	9,090,909	27,272,727	0
Morgan Stanley	18,181,818	9,090,909	27,272,727	0
Merrill Lynch	18,181,818	9,090,909	27,272,727	0
Wachovia	17,727,272	8,863,636	26,590,908	0
Bank One	13,636,364	6,818,182	20,454,546	0
UBS Warburg	12,121,212	6,060,606	18,181,818	0
Citibank	11,515,151	5,757,576	17,272,727	0
Bank of New York	10,000,000	5,000,000	15,000,000	0
Westdeutsche Landesbank	8,333,334	4,166,667	12,500,001	0
Bank of Nova Scotia	7,575,758	3,787,879	11,363,637	0
KBC Bank N.V.	4,242,425	2,121,212	6,363,637	0
	<u>\$ 200,000,000</u>	<u>\$ 100,000,000</u>	<u>\$ 300,000,000</u>	<u>\$ 0</u>

The Company also maintains an overdraft collection line with Mellon Bank for \$2 million to cover unexpected overdrafts in its controlled disbursement bank account.

PPL ELECTRIC UTILITIES CORPORATION

Line of Credit and Average Daily Note Balances by Bank  
At December 31, 2004

	<u>364-Day</u> <u>Revolver</u>	<u>3-Year Revolver</u>	<u>Total</u> <u>Commitment</u> <u>by Bank</u>	<u>Average Daily</u> <u>Balance</u>
Mellon Bank	\$ 23,333,333	\$ 11,666,667	\$ 35,000,000	\$ 0
Key Bank	18,787,879	9,393,939	28,181,818	0
Barclays Bank	18,181,818	9,090,909	27,272,727	0
JP Morgan Chase	18,181,818	9,090,909	27,272,727	0
Morgan Stanley	18,181,818	9,090,909	27,272,727	0
Merrill Lynch	18,181,818	9,090,909	27,272,727	0
Wachovia	17,727,272	8,863,636	26,590,908	0
Bank One	13,636,364	6,818,182	20,454,546	0
UBS Warburg	12,121,212	6,060,606	18,181,818	0
Citibank	11,515,151	5,757,576	17,272,727	0
Bank of New York	10,000,000	5,000,000	15,000,000	0
Westdeutsche Landesbank	8,333,334	4,166,667	12,500,001	0
Bank of Nova Scotia	7,575,758	3,787,879	11,363,637	0
KBC Bank N.V.	4,242,425	2,121,212	6,363,637	0
	<u>\$ 200,000,000</u>	<u>\$ 100,000,000</u>	<u>\$ 300,000,000</u>	<u>\$ 0</u>

The Company also maintains an overdraft collection line with Mellon Bank for \$2 million to cover unexpected overdrafts in its controlled disbursement bank account.

- Q.4. Provide detailed information concerning all other short-term debt outstanding.
- A.4. PPL Electric's primary source of short-term financing is commercial paper. Schedules showing the month-end balances of commercial paper and weighted average interest rate for the historic year and the test year are shown on Attachment III-B-4a and III-B-4b, respectively. The Company had no other short-term debt outstanding during the historic test year.

PPL ELECTRIC UTILITIES CORPORATION

**Monthly Short Term Debt Outstanding**  
**During Year Ended December 31, 2003**

	<u>Month-end Outstanding</u>	<u>Weighted Average Rate</u>
January	\$ -	
February	-	
March	136,323,000	1.46%
April	62,000,000	1.46%
May	-	
June	-	
July	-	
August	-	
September	-	
October	-	
November	-	
December	-	

**PPL ELECTRIC UTILITIES CORPORATION**

**Monthly Short Term Debt Outstanding**  
**During Year Ended December 31, 2004**

	<u>Month-end Outstanding</u>	<u>Weighted Average Rate</u>
January	\$ -	
February	-	
March	45,000,000	1.10%
April	-	
May	31,000,000	2.00%
June	17,000,000	2.00%
July	6,000,000	2.00%
August	-	
September	-	
October	-	
November	-	
December	-	

- Q.5. 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.5. *Attachment III-B-5 provides the requested information.*

PPL ELECTRIC UTILITIES CORPORATION  
Long-term Debt Recapitalization by Issue

Line No.	Description	Amount	Total Loss on Recaptured Debt (2)	Unamortized Loss as of December 31, 2003	Unamortized Loss as of December 31, 2004
<b>1986</b>					
1	15-5/8% Series due 2010 (3)	\$ 100,000,000	\$ 14,022,896	\$ 1,912,761	\$ 1,750,418
<b>1987</b>					
2	13-1/4% Series due 2012 (3)	100,000,000	11,529,725	1,368,201	1,208,999
<b>1988</b>					
3	13-1/8% Series due 2013 (3)	125,000,000	13,759,884	1,834,865	1,644,840
<b>1989</b>					
4	13-1/2% Series due 1994 (3)	125,000,000	5,503,632	940,727	876,855
5	12-3/4% Series due 2014 (3)	125,000,000	13,787,793	2,467,650	2,308,059
<b>1990</b>					
6	12% Series due 2015 (3)	125,000,000	13,037,869	2,077,430	1,897,331
<b>1992</b>					
7	10-7/8% Series due 2016 (3)	125,000,000	10,585,931	2,205,347	2,082,846
<b>1993</b>					
8	7-7/8% - 8-1/8% PC Series C due 2000-2010 (3)	20,000,000	940,413	197,189	185,930
9	11-1/4% - 11-1/2% PC Series D due 2002-2012 (3)	70,000,000	3,410,648	715,119	674,287
10	9-1/4% Series due 2004 (3)	80,000,000	459,626	99,372	94,069
11	9-3/4% Series due 2005 (3)	125,000,000	773,476	187,303	158,375
12	9-1/2% Series due 2016 (3)	125,000,000	9,395,977	336,413	61,971
13	9% Series due 2016 (3)	125,000,000	8,993,234	2,018,381	1,914,315
<b>1994</b>					
14	5-5/8% PC Series A due 1984-2003 (1), (3)	15,500,000	94,917	22,632	21,633
15	10-5/8% PC Series E due 2014 (3)	37,750,000	1,930,733	459,014	438,766
16	9% Series due 2000 (3)	50,000,000	249,252	15,349	8,121
17	8-1/2% Series due 2007 (3)	100,000,000	827,436	50,990	26,979
18	10% Series due 2019 (3)	125,000,000	10,533,430	2,407,208	2,285,806
19	8-1/4% Series due 2006 (3)	150,000,000	648,782	3,706	(0)
20	10-5/8% PC Series F due 2014 (3)	115,500,000	4,325,015	1,077,770	1,035,004
<b>1995</b>					
21	9-3/8% PC Series G due 2015 (3)	55,000,000	2,511,825	642,251	616,882
22	9-1/4% Series due 2019 (3)	35,000,000	2,962,880	668,230	629,886
23	9-3/8% Series due 2021 (3)	50,250,000	5,289,859	1,226,640	1,155,241
<b>1998</b>					
24	\$116M unsecured promissory notes due 2001 (3)	116,000,000	330,781	32,713	18,430
<b>2000</b>					
25	9-1/4% Series FMB due 2019	27,584,000	71,688	57,902	54,157
<b>2001</b>					
26	9-3/8% Series due 2021	5,168,000	49,861	43,631	41,091
27	6-1/2% Series due 2005	15,000,000	619,354	415,606	327,018
28	6.55 % Series due 2006	4,000,000	221,384	113,942	60,290
<b>2002</b>					
29	8-1/2% Series due 2022	10,911,000	88,945	81,538	77,008
<b>2003</b>					
30	6-4/10% PC Series H due 2021	90,000,000	2,987,069	2,547,157	2,010,610
31	7-7/8% Series due 2023	46,213,000	520,056	502,468	475,654
32	6-3/4% Series due 2023	19,497,000	261,154	261,082	247,858
<b>2004 - Projected</b>					
33	7.3 % due 3/1/2024	5,805,000	57,095		54,755
34	6.5 % due April 1, 2005	50,000,000	1,265,944		1,129,911
35	6.55% due March 1, 2006	50,000,000	1,878,837		1,718,059
<b>Total</b>				<b>\$ 26,970,584</b>	<b>\$ 27,291,056</b>

PPL ELECTRIC UTILITIES CORPORATION  
Long-term Debt Reacquisition by Issue

(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 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 issuance.

(3) In June 1998, the generation portion of PPL Electric became deregulated. As a result, losses on reacquired debt attributable to the generation portion of PPL Electric's business are being expensed as incurred in accordance with SFAS 4 "Reporting Gains and Losses from Extinguishment of Debt."

Accounting for losses for income tax purposes:

Loss on reacquired debt set forth above was deducted as incurred for income tax purposes.

Proposed treatment of 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. 1. 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 reacquisitions.
  - 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.
  - o) Projected new issues, retirement and other major changes from the comparable historical data should be clearly noted.
- A. 1. Exhibit Future 1, Schedule B-7 provides the requested information.

Q. 1. Provide complete support for claimed common equity rate of return.

A. 1. See Statement No. 9 the Direct Testimony of Paul R. Moul.

Q.2. Provide a summary statement of all stock dividends, splits or par value changes during the 2 calendar year period preceding the rate case filing.

A.2. None.

Q.3. Provide a schedule of all issuances of common stock, whether or not underwriters are used, for the most immediately available annual historical period and the 2 calendar years most immediately preceding the test year.

A.3. The Company has issued no common stock in the most immediate annual historical period and in the two calendar years most immediately preceding the test year.

- Q.4. Submit details on the utility and parent company stock offerings - past 5 years to present - as follows:
- 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 (i - j).
  - l) Market price per share.
    - (1) At record date.
    - (2) At offering date.
    - (3) One month after close of offering.
  - m) Average market price during offering.
    - (1) Price per share.
    - (2) 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.4. The requested information is provided in Attachment III-D-4.

**PPL ELECTRIC UTILITIES CORPORATION**  
**Parent Company Stock Offerings - Past 5 Years to Present**

	1999 Dividend Reinvestment Plan (8)	2000 Dividend Reinvestment Plan	2000 Structured Equity Shelf (1)	2000 Structured Equity Shelf Continuation (2)	2001 Dividend Reinvestment Plan	2002 Dividend Reinvestment Plan	2002 Common Stock Offering	2002 Structured Equity Shelf	2003 Dividend Reinvestment Plan	2003 Common Stock Offering
a) Date of Prospectus	05/21/1999	05/21/1999	12/21/2000	2/4/2002	05/21/1999	05/21/1999	9/12/2002	11/21/2002	1/30/2003	5/15/2003
b) Date of Offering	Various dates throughout 1999	Various dates throughout 2000	Various dates from 12/28/00-4/20/01	Various dates from 2/13/02-3/22/02	Various dates throughout 2001	Various dates throughout 2002	9/13/2002	Various dates from 11/21/02-5/7/03	Various dates throughout 2003	5/16/2003
c) Record Date	Various dates throughout 1999	Various dates throughout 2000	Various dates from 1/3/01-4/25/01	Various dates from 2/19/02-3/27/02	Various dates throughout 2001	Various dates throughout 2002	9/18/2002	Various dates from 11/21/02-5/7/03	Various dates throughout 2003	5/21/2003
d) Offering period - dates and number of days	Various dates throughout 1999	Various dates throughout 2000	Various dates from 12/28/00- 4/20/01(113 days)	Various dates from 2/13/02-3/22/02 (37 days)	Various dates throughout 2001	Various dates throughout 2002	9/13/2002 (1 day)	Various dates from 11/21/02-5/7/03 (167 days)	Various dates throughout 2003	5/16/2003 (1 day)
e) Amount and number of shares offered	282,087	975,206	354,200	379,400	341,695	656,679	16,675,000 (3)	4,200,800	598,493	7,058,800 (4)
f) Offering ratio, if rights offering	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
g) Percent subscribed	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
h) Offering price	Prevailing Market	Prevailing Market	Prevailing Market	Prevailing Market	Prevailing Market	Prevailing Market	\$30.50/sh	Prevailing Market	Prevailing Market	\$38.25/sh
i) Gross proceeds per share	\$28.07	\$25.74	\$45.83	\$34.73	\$44.58	\$32.81	\$30.50	\$35.60	\$35.38	\$38.25
j) Expenses per share (5)	\$0.00	\$0.00	\$0.92	\$0.70	\$0.00	\$0.00	\$0.96	\$0.10	\$0.00	\$1.24
k) Net proceeds per share (i-j)	\$28.07	\$25.74	\$44.91	\$34.03	\$44.58	\$32.81	\$29.54	\$35.50	\$35.38	\$37.01
l) Market price per share										
1. At record date	N/A	N/A	N/A	N/A	N/A	N/A	\$31.50	N/A	N/A	\$38.94
2. At offering date	N/A	N/A	N/A	N/A	N/A	N/A	\$31.51	N/A	N/A	\$39.24
3. One month after close	N/A	N/A	N/A	N/A	N/A	N/A	\$30.25	N/A	N/A	\$43.24
m) Average market price during offering										
1. Price per share	N/A	N/A	N/A	N/A	N/A	N/A	\$31.51	N/A	N/A	\$39.24
2. Rights per share - average value of rights	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
n) Latest reported earnings per share at time of offering (6)	\$2.84/sh	\$3.45/sh	\$3.99/sh	\$1.23/sh	\$1.23/sh	\$1.37/sh	(\$1.30)/sh	\$2.87/sh	\$4.25/sh	\$2.87/sh
o) Latest reported dividends at time of offering (7)	\$1.00/sh	\$1.06/sh	\$1.06/sh	\$1.06/sh	\$1.06/sh	\$1.44/sh	\$1.44/sh	\$1.54/sh	\$1.54/sh	\$1.54/sh

- (1) Under the Structured Equity Shelf Program, the Company engaged a Broker Agent to issue small amounts of shares on various days at the Company's discretion
- (2) The Structured Equity Shelf Program that began in 2000 was continued under a new shelf registration statement
- (3) In addition to the 14,500,000 shares offered, the underwriter exercised an option to purchase an additional 2,175,000 shares
- (4) In addition to the 6,500,000 shares offered, the underwriter exercised an option to purchase an additional 558,800 shares
- (5) Includes dealer commissions and SEC fees
- (6) Represents the most recent 12 month trailing EPS reported as of the last offering date in the offering period
- (7) Represents annualized dividends
- (8) Dividend Reinvestment Plan shares represent shares issued by the company to satisfy plan funding requirements

- Q.1. If a claim of the filing utility is based on utilization of the capital structure or capital costs of the parent company and system - consolidated - the reasons for this claim must be fully stated and supported.
- A.1. *PPL Electric's capital structure and capital costs claim in this filing are based on the Company's operations only.*

- Q.2.           Regardless of the claim made, provide the capitalization data requested at Item III.A.2. for the parent company and for the system - consolidated.
- A.2.           Attachment III-E-2 provides the capitalization data for the years 2002 and 2003 for PPL Corporation.

PPL CORPORATION

**Capitalization & Capitalization Ratios - Year End**  
(Thousands of Dollars)

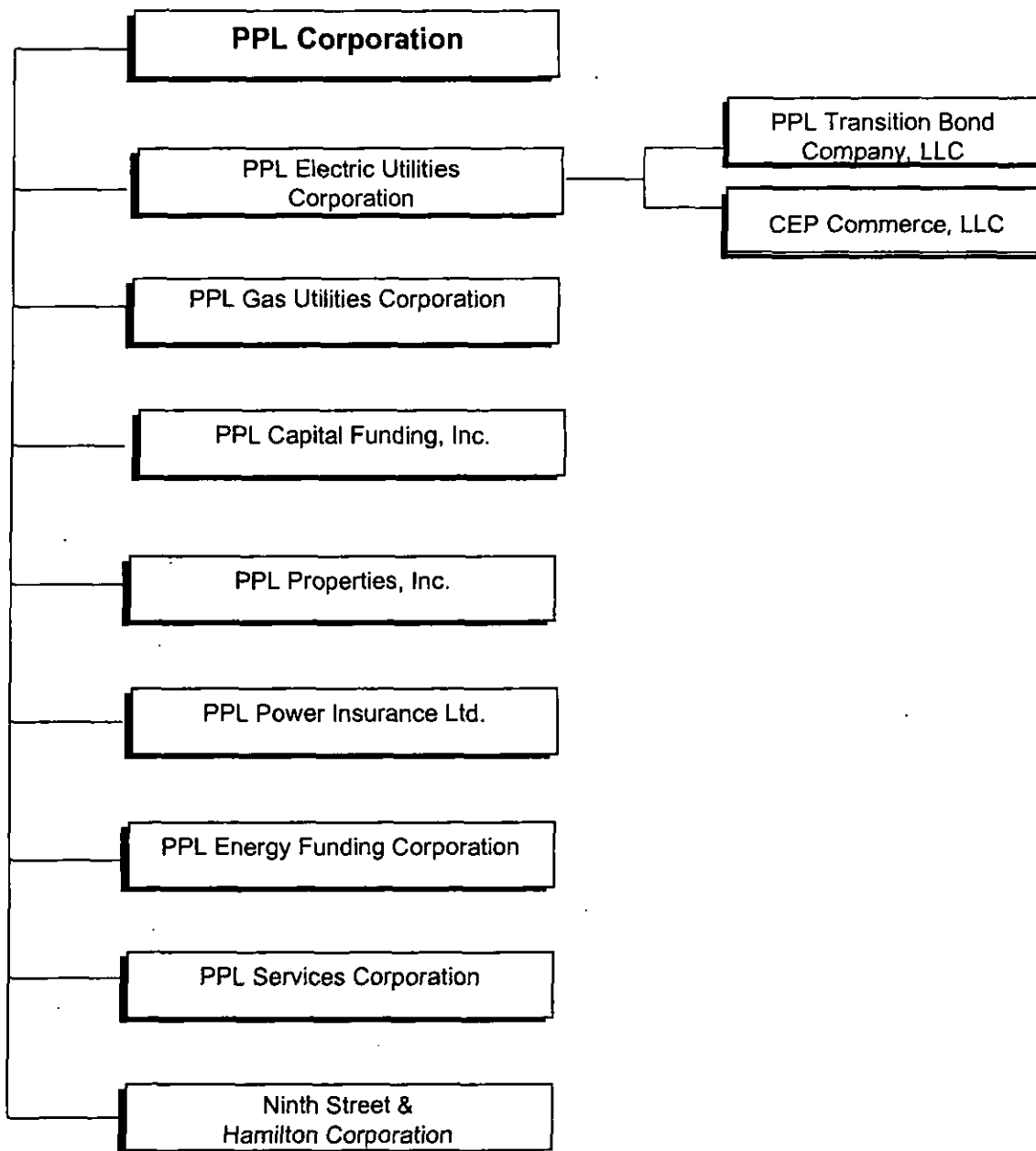
Line No.	2002			2003		
	Amount	Excluding Short-Term Debt	Including Short-Term Debt	Amount	Excluding Short-Term Debt	Including Short-Term Debt
1	\$ 4,575,429	62.0%	55.0%	\$ 7,100,350	65.9%	65.6%
2	78,954	1.1%	1.0%	48,289	0.5%	0.5%
3	2,720,891	36.9%	32.7%	3,618,677	33.6%	33.4%
4	<u>7,375,274</u>	<u>100.0%</u>	<u>88.7%</u>	<u>10,767,316</u>	<u>100.0%</u>	<u>99.5%</u>
5	942,726		11.3%	56,076		0.5%
6	<u>\$ 8,318,000</u>		<u>100.0%</u>	<u>\$ 10,823,392</u>		<u>100.0%</u>

(a) Long-term debt includes amount due within one year and the unamortized loss on reacquired debt, but excludes securitization debt issued by PPL Transition Bond Company.

(b) Common equity includes an adjustment for the unamortized premiums and unrecovered original issue costs on reacquired preferred and preference stock.

- Q.3. Provide the latest available balance sheet and income statement for the parent company and system - consolidated.
- A.3. See the response to Filing Requirement III-F-1 for the requested data.

- Q.4. Provide an organizational chart explaining the filing utility's corporate relationship to its affiliates - system structure.
- A.4. See Attachment III-E-4.



- Q. 1. 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. 1. Attachment III-F-1a provides the Quarterly Report to the Securities and Exchange Commission for the Quarter Ended September 30, 2003 (Form 10-Q). Attachment III-F-1b provides the latest Prospectus for PPL Electric; and Attachment III-F-1c provides the Annual Report to the Securities and Exchange Commission for the year ended December 31, 2003 (Form 10-K).