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VIA FEDERAL EXPRESS

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ORIGINAL

October 19, 1998

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

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Re: PP&L, Inc.  
Docket No. A-110500F.0206

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Dear Mr. McNulty:

PP&L, Inc. ("PP&L") hereby provides the following document to the Pennsylvania Public Utility Commission (PUC):

- PP&L Spectrum, Inc. Financial Statements (Unaudited) for the Nine Months Ended September 30, 1998.

This document is being provided to the PUC and the Office of Consumer Advocate pursuant to conditions contained in the PUC's approval of PP&L's application for permission to establish a holding company structure (order entered on February 10, 1995 at Docket No. A-110500F.0206).

Please date and time-stamp the enclosed extra copy of this letter and return it to me in the envelope provided.

If you have any questions regarding the enclosed documents, please call.

Very truly yours,



Paul E. Russell

Enclosure

cc: Irwin A. Popowsky, Esquire

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

PP&L SPECTRUM, INC.  
FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998

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FOLDER

DATE: OCTOBER 14, 1998

**PP&L SPECTRUM, INC.**

**BALANCE SHEET (UNAUDITED)  
SEPTEMBER 30, 1998**

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**ASSETS**

Cash and cash equivalents.....	\$381,623
Accounts receivable.....	1,199,122
Accounts receivable - PP&L, Inc.....	118,438
Prepayments.....	75,202
Federal income taxes receivable.....	386,460
Unbilled revenue - projects.....	413,408
Deferred compensation.....	8,812
Miscellaneous deferred debits.....	7,008
Accumulated deferred state income taxes.....	<u>343,501</u>
	<u>\$2,933,574</u>

**LIABILITIES AND SHAREOWNER'S INVESTMENT**

Accounts payable - PP&L, Inc.....	\$640,993
Accounts payable - other.....	7,234
Accrued salaries.....	13,979
Accrued taxes other than income.....	24,324
Deferred revenue - projects.....	3,950
Accumulated deferred federal income taxes.....	<u>120,225</u>
	<u>810,705</u>

**SHAREOWNERS' INVESTMENT**

Common Stock (100 shares of \$.01 par value).....	1
Additional paid in capital.....	4,143,953
Accumulated deficit.....	<u>(2,021,085)</u>
	<u>2,122,869</u>
	<u>\$2,933,574</u>

See accompanying Notes to Financial Statements.

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**PP&L SPECTRUM, INC.**

**STATEMENT OF OPERATIONS (UNAUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998**

**REVENUES**

Sales.....	\$8,228,897
Interest.....	89,801
Other .....	302
	<u>8,319,000</u>

**EXPENSES**

Project.....	7,897,516
Administrative and General	
Salaries and benefits (Note 2).....	656,083
PP&L, Inc. support services (Note 2).....	143,843
PP&L Resources, Inc. fees (Note 2).....	6,233
Taxes other than income.....	61,430
Other administrative and general.....	466,693
	<u>9,231,798</u>

LOSS BEFORE INCOME TAXES..... (912,798)

**INCOME TAXES (CREDIT)**

Current	
Federal.....	(307,785)
Deferred	
Federal.....	31,915
State.....	(91,188)
	<u>(367,058)</u>

NET LOSS..... \$(545,740)

See accompanying Notes to Financial Statements.

**PP&L SPECTRUM, INC.**

**STATEMENT OF CASH FLOWS (UNAUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net loss.....	\$ (545,740)
Adjustments to reconcile net loss to net cash used in operating activities:	
Deferred income taxes.....	(59,273)
Change in current assets and current liabilities	
Net deferred (unbilled) revenues.....	(348,650)
Accounts payable.....	(1,349,072)
Income taxes receivable.....	149,839
Accounts receivable.....	384,304
Prepayments.....	(75,202)
Accrued taxes other than income.....	(5,401)
Deferred compensation.....	6,013
Miscellaneous deferred debits.....	(7,008)
NET CASH USED IN OPERATING ACTIVITIES.....	<u>(1,850,190)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	(1,850,190)
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning of period.....	<u>2,231,813</u>
End of period.....	<u>\$381,623</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>	
Cash received during the period for:	
Interest.....	\$89,801
Income taxes.....	457,625

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See accompanying Notes to Financial Statements.

• PP&L SPECTRUM, INC.

• NOTES TO FINANCIAL STATEMENTS

1. BUSINESS ACTIVITY

PP&L Spectrum, Inc. (Spectrum) was incorporated on July 14, 1995 as a wholly owned subsidiary of PP&L Resources, Inc. (Resources). Spectrum was formed to engage in unregulated business activities through investments in energy related power markets. Spectrum has been investing a majority of its funds in temporary cash investments.

2. RELATED COMPANY TRANSACTIONS

PP&L Services

In accordance with a general services agreement, PP&L, Inc. (PP&L) provides Spectrum with various technical and support services as requested. Services provided by PP&L include, but are not limited to, executive management, administration, accounting, information systems, corporate secretarial, human resources, insurance and other similar types of services. The agreement provides that Spectrum will reimburse PP&L for the full cost (direct and indirect) of any services provided.

Resources Fees

Resources' costs are allocated to its subsidiaries based on their share of Resources' total capitalization. Resources' costs are from various technical and support services provided by PP&L and others, including executive management, administration, accounting, information systems, corporate secretarial, human resources, insurance and other similar types of services.

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