



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

April 18, 1994

IN REPLY PLEASE
REFER TO OUR FILE

CA-110500F0206
G-00940388
M-00940535

PAUL E RUSSELL ASSOCIATE GENERAL COUNSEL
PENNSYLVANIA POWER & LIGHT COMPANY
TWO NORTH NINTH STREET
ALLENTOWN PA 18101

Application of Pennsylvania Power & Light Company

Services Agreement between Pennsylvania Power & Light Company and its future
affiliated interest, PP&L Resources, Inc.

Request of Pennsylvania Power & Light Company for the Commission's certification
of its authority to the Securities and Exchange Commission pursuant to Section
33(a) of the Public Utility Holding Company Act of 1935.

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted
by the Commission in Public Meeting on April 14, 1994 in the above entitled
proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,

John G. Alford
Secretary

Enclosure
Certified Mail
Receipt Requested
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PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, Pa. 17105-3265

Public Meeting held April 14, 1994

Commissioners Present:

Joseph Rhodes, Jr., Vice Chairman
John M. Quain
Lisa Crutchfield
John Hanger

Application of Pennsylvania Power & Light Company for approval, pursuant to Chapter 11 of the Public Utility Code, of certain transactions in connection with the utility's establishment of a holding company structure.

Docket No.

~~A-110500E.206~~

Services Agreement between Pennsylvania Power & Light Company and its future affiliated interest, PP&L Resources, Inc.

Docket No.

G-00940388

Request of Pennsylvania Power & Light Company for the Commission's certification of its authority to the Securities and Exchange Commission pursuant to Section 33(a) of the Public Utility Holding Company Act of 1935.

Docket No.

M-00940535

OPINION AND ORDER

BY THE COMMISSION:

On March 18, 1994, Pennsylvania Power & Light Company ("PP&L" hereafter) filed with the Commission a series of documents requesting us to take four separate actions as part of corporate restructuring centered upon the establishment of a holding company.

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The four separate actions requested are as follows:

(1) Issue a certificate of public convenience for the acquisition of stock pursuant to Chapter 11 of the Public Utility Code, 66 Pa. C.S. §1101, et seq.;

(2) Register a securities certificate pursuant to Chapter 19 of the Code, 66 Pa. C.S. §1901, et seq.;

(3) Approve certain affiliated interest agreements pursuant to Chapter 21 of the Code, 66 Pa. C.S. 2101, et seq.; and

(4) Issue a certification to the Securities and Exchange Commission pursuant to Section 33(a) of the Public Utility Holding Company Act of 1935.

PP&L is a public utility providing electric light, heat and power service in twenty-nine counties in the central eastern regions of Pennsylvania. At December 31, 1993, PP&L served approximately 1.2 million customers. As a result of PP&L's ownership of one-third of the capital voting stock of Safe Harbor Water Power Corporation, PP&L is a holding company under the Public Utility Holding Company Act of 1935, 15 U.S.C. § 79, et seq. However, because PP&L is predominantly a public utility company whose operations do not extend beyond Pennsylvania, it is exempt from all of the provisions of the Holding Company Act except Section 9(a)(2).

PP&L Resources ("Resources" hereafter) is a corporation organized under the Pennsylvania Business Corporation Law of 1988, 15 P.a. C.S. § 1101, et seq., on March 15, 1994. It is proposed that following Commission approval, Resources will become a direct wholly-owned subsidiary of PP&L.¹

PP&L explains that in order to respond effectively to the increased competition occasioned by the Public Utility Regulatory

¹ A copy of a subscription agreement is attached as Appendix A to the Application.

Policy Act of 1978 ("PURPA") and the Energy Policy Act of 1992 ("Energy Act"), and the electric industry in general, the utility must position itself to explore and take advantage of potential business opportunities outside of its present markets. Initially, the unregulated business activities being explored will be conducted through Power Markets Development Company ("Power Markets"), which is currently a wholly-owned subsidiary of CEP Group, Inc. ("CEP"), which is, in turn, a wholly-owned subsidiary of PP&L.

After extensive investigation and analysis, PP&L has determined that the pursuit of unregulated business opportunities through subsidiaries is more desirable through a holding company structure than under the existing jurisdictional utility. Generally, PP&L notes that a holding company structure is preferred by the investment community and provides legal protection against the imposition of liability on regulated utilities for activities of unregulated business activities. PP&L goes on to describe the detail of the transactions through which the holding company structure will be created. A summary of the steps entailed in the transaction is set forth as Appendix E to the Application.

PP&L filed in one application its requests for the various types of relief it seeks. After initial review of the application, we believe PP&L's requests would be better docketed as three separate filings as indicated by the captions at the head of this Order. By consolidating the three filings, however, we will ensure that Commission consideration of all the matters connected with the proposed restructuring are coordinated. As a result of our initial review, we have found that in two of the matters raised by PP&L, no Commission action is required.

PP&L has attached to its application two agreements for which the utility seeks Commission approval pursuant to Chapter 21 of the Public Utility Code, pertaining to affiliated interests.

One of those agreements is a Services Agreement between PP&L and Resources, intended to govern transactions between the two corporations after Resources becomes the parent of PP&L. By becoming the owner of at least 5% of the stock of PP&L, Resources would become an affiliated interest of the utility, PP&L. Consequently, our prior approval of the agreement is required by Section 2101 of the Code, and we will review that agreement in conjunction with our review of the application. The same two entities would be parties to a second agreement, entitled Share Exchange Agreement. However, at the time of intended execution of that agreement, Resources would still be a wholly-owned subsidiary of PP&L, and thus not an affiliated interest of the utility within the meaning of Chapter 21 of the Code. We note that the proposed exchange of stock provided for by this second agreement is the immediate transaction by which Resources would become the holding company of PP&L. Consequently, we can understand why PP&L would seek our prior approval. However, at the time of executing the agreement, the parties would not be affiliates. Moreover, by accepting the application filed pursuant to Chapter 11, we clearly have jurisdiction concerning the overall transaction. Consequently, we find that the docketing of a separate affiliated interest agreement is both unnecessary and duplicative.

In its omnibus filing, PP&L also seeks registration of a securities certificate, stating that the "creation of a holding company structure may result in a change in a term of PP&L securities," which would constitute an issuance of securities as defined in Section 1901 of the Public Utility Code. The utility then states that "the issuer of the common stock will change from PP&L to Resources," apparently referring to the common stock held by the public. The question is, rather, what change will there be to the stock issued by the utility, PP&L. Upon consummation of the transactions by which the holding-company structure would be formed, the present holders of PP&L's common stock would hold instead the common stock of Resources, and Resources would in turn

hold all the common stock of PP&L. It appears, then, that the only change to the common stock of PP&L will be in its ownership, so that the stock would change from being held by the public generally to being held by Resources. Such a change in ownership may require our prior review, but such review would be pursuant to Chapter 11 of the Code, pursuant to which the above-captioned application has been filed. A change in ownership is not a change in the terms and conditions of a security as cited by Section 1901. Therefore there will be no issuance of securities by the utility, PP&L, and therefore no securities certificate need be filed or registered.

In its application, PP&L has stated that notice of its filing will be included as a bill insert upon the mailing of April bills to its customers. We believe that such notice can supplant the newspaper notice normally required for applications of this type, but notice to the legal community would be inadequate without publication in the Pennsylvania Bulletin. Therefore, we will require that notice of the application be published in the Bulletin subject to a 15-day protest period, consistent with 52 Pa. Code §5.14.

Additionally, we shall extend the consideration period for the affiliated interest agreement to allow our investigation of that agreement to coincide with our consideration of the application for a certificate of public convenience.

Third, we shall consolidate for our consideration the separate requests for Commission action.

Finally, we shall direct that the Commission Staff prepare a report and recommendation for our consideration;
THEREFORE,

IT IS ORDERED:

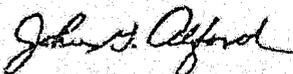
1. That notice of the application be published in the Pennsylvania Bulletin as directed by the Secretary of the Commission, subject to a 15-day protest period, consistent with 52 Pa. Code §5.14

2. That the period for consideration of the Services Agreement docketed at No. G-00940388 be and is hereby extended until further order of the Commission.

3. That Pennsylvania Power & Light Company's application, Services Agreement and request for certification to the Securities and Exchange Commission be consolidated for our further consideration.

4. That after the expiration of the period for protests, the Commission Staff shall prepare a report and recommendation for our consideration.

BY THE COMMISSION,


John G. Alford
Secretary

(SEAL)

ORDER ADOPTED: April 14, 1994

ORDER ENTERED: APR 18 1994

ORIGINAL



Pennsylvania Power & Light Company

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Paul E. Russell
Associate General Counsel
610/774-4254

FAX: 610/774-6726

April 27, 1994

John G. Alford, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, Pennsylvania 17105-3265

Re: Application of Pennsylvania Power & Light
Company; Docket No. A-110500F0206

Services Agreement between Pennsylvania
Power & Light Company and its Future
Affiliated Interest, PP&L Resources,
Inc.; Docket No. G-00940388

Request of Pennsylvania Power & Light
Company for the Commission's
Certification of its Authority to the
Securities and Exchange Commission
pursuant to Section 33(a) of the Public
Utility Holding Company Act of 1935;
Docket No. M-00940535

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Dear Mr. Alford:

On March 18, 1994, Pennsylvania Power & Light Company ("PP&L" or the "Company") submitted the above-captioned documents to the Commission requesting the approvals necessary to create a holding company structure. In that filing (Appendix H, page 5), PP&L indicated that it would supply a copy of SEC Form U-1 to the Commission when it became available.

Accordingly, enclosed for filing on behalf of PP&L are three (3) copies of SEC Form U-1 which was submitted to the Securities and Exchange Commission on April 21, 1994.

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Mr. John G. Alford, Secretary

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April 27, 1994

If you have any questions regarding the enclosed SEC Form U-1 or any other aspect of PP&L's filing, please call.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Paul E. Russell".

Paul E. Russell

Enclosures

cc: Cheryl Walker Davis, Esquire
Mr. Douglas T. Beebe

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

FORM U-1

APPLICATION OR DECLARATION

UNDER THE

PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

PP&L RESOURCES, INC.

Two North Ninth Street,

Allentown, Pennsylvania 18101-1179

(Name of company or companies filing this statement and
address of principal executive offices)

PP&L Resources, Inc.

c/o Michael A. McGrail, Esq.

Pennsylvania Power & Light Company

Two North Ninth Street,

Allentown, Pennsylvania 18101-1179

Telephone: (610) 774-5151

(Names and addresses of agents for service)

Copy to:

Vincent Pagano, Jr.

Simpson Thacher & Bartlett

425 Lexington Avenue

New York, New York 10017

Telephone: (212) 455-3125

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Item 1. Description of Proposed Transaction.

Introduction

Pursuant to Sections 9(a)(2) and 10 of the Public Utility Holding Company Act of 1935 (the "1935 Act"), PP&L Resources, Inc., a Pennsylvania corporation ("Holding Company"), hereby applies for the approval of the Securities and Exchange Commission (the "Commission") for Holding Company (i) to acquire all of the outstanding shares of common stock of Pennsylvania Power & Light Company, a Pennsylvania corporation and an electric utility company ("PP&L"), and (ii) to acquire indirectly one-third of the outstanding capital stock (which represents one-half of the outstanding voting stock) of Safe Harbor Water Power Corporation, a Pennsylvania corporation and an electric utility company ("Safe Harbor"). Pursuant to Section 3(a)(1) of the 1935 Act, Holding Company also hereby applies for an order exempting Holding Company, and each of its subsidiary companies as such, from all provisions of the 1935 Act (except for Section 9(a)(2) thereof).

PP&L supplies electric light, heat and power service to the public in twenty-nine counties in central eastern Pennsylvania. In providing this service, PP&L is subject to the Pennsylvania Public Utility Code, 66 Pa. C.S. § 101 et seq., and regulation by the Pennsylvania Public Utility Commission ("PUC") thereunder. Safe Harbor owns and operates a hydroelectric plant used to generate electricity for sale to PP&L and Safe Harbor's other owner, Baltimore Gas & Electric Company ("BG&E"). By virtue of its ownership of one-third of the outstanding capital

stock (which represents one-half of the outstanding voting stock) of Safe Harbor, PP&L is a holding company under the 1935 Act. However, because it is predominantly a public utility company whose operations as such do not extend beyond Pennsylvania, PP&L is currently exempt by order from the provisions of the 1935 Act (except for Section 9(a)(2) thereof) pursuant to Section 3(a)(2) of the 1935 Act. See Pennsylvania Power & Light Company, Holding Co. Act Release No. 19725, 10 SEC Docket 814, 815 (1976).

Holding Company was incorporated in Pennsylvania on March 15, 1994 for the purpose of carrying out the proposed restructuring described below. Pursuant to the terms of a subscription agreement dated March 16, 1994 and upon receipt of appropriate PUC approval, Holding Company will become a direct wholly-owned subsidiary of PP&L. Thereafter, upon receiving shareholder approval and appropriate regulatory approvals, Holding Company will become the parent of PP&L. Holding Company does not own any utility assets and currently is not a "holding company" under the 1935 Act.

Proposed Restructuring

Holding Company proposes to acquire all of the outstanding shares of common stock of PP&L (the "PP&L Stock") pursuant to an Agreement and Plan of Exchange, the form of which is filed as Exhibit B-1 hereto (the "Plan of Exchange"). Under the terms of the Plan of Exchange, all of the shares of the common stock of Holding Company, which will then be owned by PP&L, will be cancelled and all of the PP&L Stock will be

exchanged on a share-for-share basis for common stock of Holding Company (the "Exchange"). Upon consummation of the Exchange, each person that owned PP&L Stock immediately prior to the Exchange will own a corresponding number of the outstanding shares of common stock of Holding Company, and Holding Company will own all of the PP&L Stock. Additionally, following the Exchange, PP&L will continue to own one-half of the outstanding voting stock of Safe Harbor.

Prior to the Exchange, Holding Company will apply to have its common stock listed on the New York and Philadelphia Stock Exchanges. It is anticipated that the common stock of Holding Company will be listed and traded on those Stock Exchanges upon consummation of the restructuring, whereupon Holding Company will be required to file reports with the Commission pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended (the "1934 Act"). The PP&L Stock will cease to be listed on the New York and Philadelphia Stock Exchanges following the restructuring.

Effectuation of the Exchange will have no significant effect on the holders of PP&L Stock. Their interest and investment in the business of PP&L will be changed only in form and not in substance.

As discussed below, the purpose of the proposed restructuring is to take advantage of business opportunities outside of PP&L's present power markets. Initially, these unregulated business activities will be conducted through Power Markets Development Company ("Power Markets"), a wholly-owned

subsidiary of CEP Group, Inc. ("CEP"), which is a wholly-owned subsidiary of PP&L. Following consummation of the Exchange, PP&L will transfer the common stock of CEP to Holding Company. CEP will then transfer the common stock of Power Markets to Holding Company. It is expected that these transfers will be made in the form of stock dividends.

All of PP&L's first mortgage bonds and other indebtedness of PP&L outstanding immediately prior to the Exchange will continue to be outstanding indebtedness of PP&L after the Exchange. The shares of PP&L's preferred stock issued and outstanding immediately before the Exchange will not be converted or otherwise affected by the Exchange but will continue as outstanding shares of PP&L preferred stock.

Consummation of the restructuring contemplated by the Plan of Exchange is subject to various conditions, including the approval of the Commission under Section 9(a)(2) of the 1935 Act and the other approvals described herein. The Plan of Exchange also will be subject to the approval of a majority of the shareholder votes cast at PP&L's 1995 annual meeting, currently scheduled for April 26, 1995.

Holding Company and PP&L intend to file with the Commission a Registration Statement on Form S-4 (the "Registration Statement") under the Securities Act of 1933, as amended, for the purpose of registering the shares of common stock of Holding Company to be issued in connection with the Exchange and for the purpose of complying with the requirements

of the 1934 Act, in connection with the solicitation of proxies of PP&L's shareholders.

Reasons for, and Anticipated Effect of, the Restructuring
Purpose

The purpose of the restructuring is to establish a more appropriate corporate structure for the conduct of unregulated business activities. As is more fully described below, Holding Company and PP&L believe that the establishment of a broad base of income generation will enhance the overall financial strength of the enterprise.

With the passage of the Public Utility Regulatory Policies Act of 1978 ("PURPA"), and the Energy Policy Act of 1992 ("Energy Act"), the electric utility industry in general, including PP&L, has experienced a significant increase in the level of competition in the market for the generation and sale of electricity. PP&L has already been required under PURPA to purchase substantial amounts of energy from non-utility generators. Further, the Energy Act reduces barriers to market entry for companies that wish to build, own and operate electric generating facilities, and it also promotes competition by authorizing the Federal Energy Regulatory Commission ("FERC") to require wheeling for wholesale power transactions. The clear intent of the Energy Act is to permit wholesale buyers of electricity to reach multiple sellers. The increased competition facing the electric utility industry has been well documented and is undoubtedly the most significant issue facing the industry today.

In order to respond effectively to this increased competition, PP&L, after extensive investigation and analysis, has determined that, in addition to responding to competition in its existing markets, it also must position itself to explore and take advantage of potential business opportunities outside of its present markets in central eastern Pennsylvania. Pursuit of these opportunities will play an important role in maintaining the long-term financial viability necessary for PP&L to continue to provide reliable service to its customers.

PP&L is currently investigating a variety of business opportunities, both in domestic and international markets. PP&L has not yet determined what specific investments it will pursue, but is currently focusing on those opportunities which relate to its present core business -- the generation, transmission and distribution of electric energy. PP&L's focus on geographic rather than product diversification will enable it to take full advantage of its extensive experience in owning and operating electric utility facilities.

Initially, these unregulated business activities will be conducted through Power Markets, currently a wholly-owned subsidiary of CEP, which in turn is a wholly-owned subsidiary of PP&L. Power Markets was formed on March 9, 1994, and was initially funded by a \$50 million capital contribution by PP&L from its internally generated funds, in order to take advantage of current business opportunities.

Effects

PP&L could continue to pursue unregulated business opportunities through Power Markets and other unregulated subsidiaries of PP&L. However, it is more desirable in the long run to conduct these unregulated activities through a holding company structure.

The holding company structure is a well-established form of organization for those companies conducting multiple lines of business. It is a common form of organization for unregulated companies and for those regulated companies, such as telephone utilities and water utilities, which are not subject to the 1935 Act. In addition, it is utilized by many electric companies which are involved in unregulated activities. In recognition of the increased competition in the electric utility industry, the Energy Act permits electric utilities to conduct certain business activities which were previously limited by the 1935 Act. PP&L wishes to take advantage of this opportunity, and desires to do so by utilizing the most efficient and effective corporate structure.

The benefits of a holding company structure are well established. The holding company structure will enable Holding Company to participate in unregulated businesses in a timely manner consistent with regulatory requirements. The new corporate structure also will permit the use of financing techniques that are more directly suited to the particular requirements, characteristics and risks of unregulated and non-utility operations without affecting the capital structure or

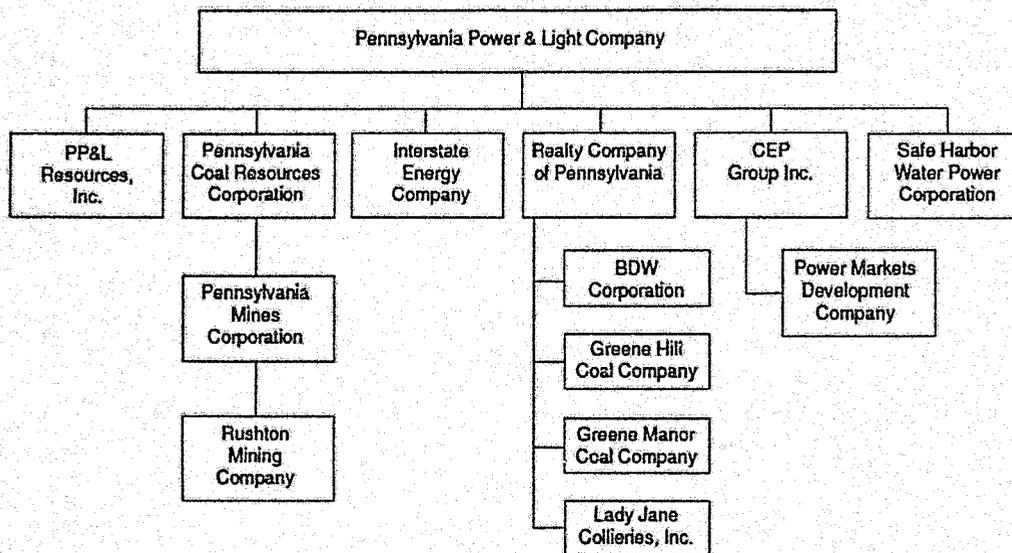
creditworthiness of PP&L, and will increase financial flexibility by allowing the design and implementation of capitalization ratios appropriate for the risk of each subsidiary.

The holding company structure more fully separates the operations of regulated and unregulated businesses. As a result, it provides a better structure for regulators to assure that there is no cross-subsidization of costs or transfer of business risk from unregulated to regulated lines of business. A holding company structure also is preferred by the investment community because it is easier to analyze and value individual lines of business. Moreover, the use of a holding company structure provides legal protection against the imposition of liability on regulated utilities for the results of unregulated business activities. In short, the holding company structure is a highly desirable form of conducting regulated and unregulated businesses within the same corporate group.

Business and Properties of the Parties

Holding Company has only nominal assets and has not engaged in any business operations.

PP&L's corporate structure immediately prior to the Exchange will be as follows:



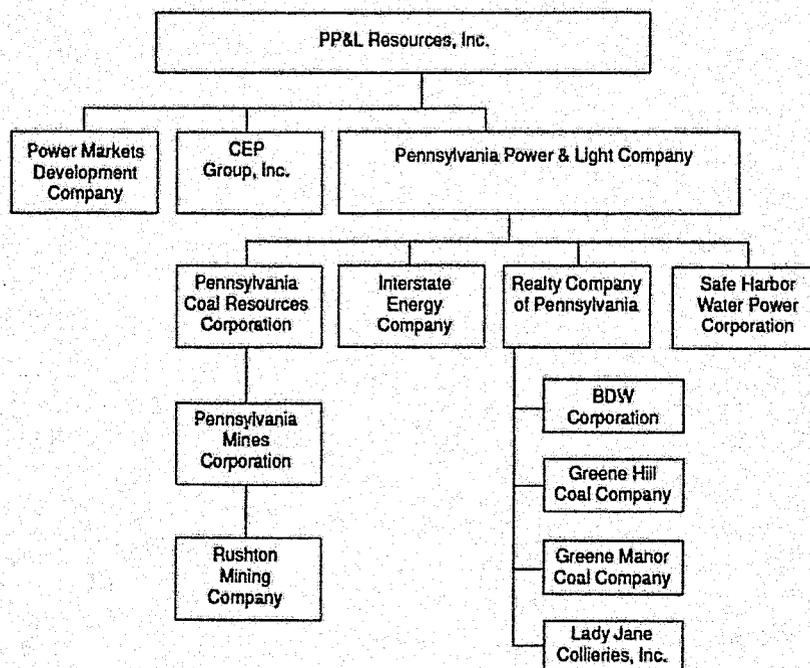
PP&L is an operating electric utility, incorporated under the laws of the Commonwealth of Pennsylvania in 1920. PP&L serves approximately 1.2 million customers in a 10,000 square mile territory in 29 counties of central eastern Pennsylvania, with a population of approximately 2.6 million persons. PP&L owns a 90% undivided interest in each of two nuclear-fueled generating units at its Susquehanna station, and Allegheny Electric Cooperative, Inc. owns a 10% undivided interest in each of those units. PP&L operates its generation and transmission facilities as part of the Pennsylvania-New Jersey-Maryland Interconnection Association (the "PJM"). The PJM, one of the world's largest power pools, includes 11 companies serving 21 million people in a 50,000 square mile territory covering all or part of Pennsylvania, New Jersey, Maryland, Delaware, Virginia and Washington, D.C.

Wholly-owned direct and indirect subsidiary companies of PP&L principally are engaged in holding coal reserves, coal

mining-related activities, oil pipeline operations, and passive investments. In particular, Interstate Energy Company operates oil pipeline facilities that supply fuel to a PP&L electric generation station. Pennsylvania Coal Resources Corporation and its subsidiaries are completing PP&L's phase-out of its coal operations which had been supplying fuel to PP&L's electric generation stations. Realty Company of Pennsylvania and BDW Corporation own real estate and other interests related to the operation of PP&L's electric generation stations. Greene Hill Coal Company and Green Manor Coal Company own undeveloped bituminous coal reserves and Lady Jane Collieries, Inc. purchases and cleans bituminous coal from non-affiliated suppliers. Finally, CEP holds passive investments.

Power Markets, temporarily a wholly-owned subsidiary of CEP, was formed to conduct PP&L's unregulated business activities. Upon consummation of the proposed restructuring, Power Markets will become a direct, wholly-owned subsidiary of Holding Company. Finally, as discussed above, PP&L also owns one-third of the outstanding capital stock (which represents one-half of the outstanding voting stock) of Safe Harbor, which operates a hydroelectric plant used to generate electricity for sale to PP&L and the other owner, BG&E.

The effectuation of the proposed restructuring will have no effect upon the electric utility business and operations of PP&L and Safe Harbor. Upon consummation of the Exchange, the corporate structure will be as follows:



Additional Information

No associate company or affiliate of Holding Company or any affiliate of any such associate company has any direct or indirect material interest in the proposed transaction except as stated herein.

For further information, reference is made to the financial statements and other information in Exhibits G-1 through G-3 hereto.

Item 2. Fees, Commissions and Expenses.

The estimated fees, commissions and expenses paid or incurred, or to be paid or incurred, directly or indirectly, in connection with the proposed restructuring, by the applicant or any associate company thereof, will be set forth in Exhibit I-1 hereto, to be filed by amendment.

Item 3. Applicable Statutory Provisions.

Statutory Provisions Applicable to the Restructuring

Holding Company considers Sections 9(a)(2) and 10 of the 1935 Act to be applicable to the proposed acquisition by Holding Company of the PP&L Stock and the indirect acquisition by Holding Company of one-third of the capital stock (which represents one-half of the voting stock) of Safe Harbor pursuant to the restructuring. After the Exchange has been consummated, Holding Company will qualify for an exemption from all of the provisions of the 1935 Act (except for Section 9(a)(2) thereof) under Section 3(a)(1) of the 1935 Act.

Because Safe Harbor owns and operates facilities used for the generation of electric energy for sale, Safe Harbor is an "electric utility company" within the meaning of Section 2(a)(3) of the 1935 Act. As a result, PP&L is a "holding company" under the 1935 Act, but is exempt pursuant to Section 3(a)(2) of the 1935 Act by order. See Pennsylvania Power & Light Company, supra, 10 SEC Docket at 815. Holding Company is not currently a "holding company" under the 1935 Act because it does not own, control, or hold with power to vote ten percent or more of the voting securities of a public utility company. However, the effectuation of the Exchange will result in Holding Company becoming a "holding company" under the 1935 Act, and PP&L and Safe Harbor, respectively, becoming direct and indirect subsidiary companies of Holding Company. PP&L will continue to be a "holding company" with respect to Safe Harbor.

Compliance with Applicable Statutory Provisions

For the reasons explained below, Holding Company believes that the Exchange complies with the applicable standards of Section 10 of the 1935 Act and that, after the Exchange has been consummated, Holding Company will qualify for an exemption from all of the provisions of the 1935 Act (except for Section 9(a)(2) thereof) under Section 3(a)(1) of the 1935 Act (*i.e.*, because Holding Company and each electric utility subsidiary from which Holding Company will derive any material part of its income are predominantly intrastate in character and carry on their businesses in Pennsylvania, where all such companies are organized).

1. Section 10(b)

Section 10(b) of the 1935 Act requires the Commission to approve the Exchange unless the Commission finds that:

(1) such acquisition will tend towards interlocking relations or the concentration of control of public utility companies, of a kind or to an extent detrimental to the public interest or the interest of investors or consumers;

(2) in case of the acquisition of securities or utility assets, the consideration, including all fees, commissions, and other remuneration, to whomsoever paid, to be given, directly or indirectly, in connection with such acquisition is not reasonable or does not bear a fair relation to the sums invested in or the earning capacity of the utility assets to be acquired or the utility assets underlying the securities to be acquired; or

(3) such acquisition will unduly complicate the capital structure of the holding company system of the applicant or will be detrimental to the public interest or the interest of investors or consumers or the proper functioning of such holding company system.

a. Detrimental "Interlocking Relations" or "Concentration of Control"

The restructuring merely involves the formation of a holding company over PP&L and its subsidiaries and, therefore, will not "tend towards interlocking relations . . . of public utility companies, of a kind or to an extent detrimental to the public interest or the interest of investors or consumers." The relationship between PP&L and Safe Harbor will not be changed as a result of the Exchange, and both PP&L and Safe Harbor will continue their utility operations in essentially the same manner as prior to the restructuring.

Similarly, the restructuring will not tend toward any "concentration of control of public utility companies" that might be detrimental to the public interest, consumers, or investors. The proposed restructuring will not involve the acquisition of any utility assets not already owned, directly or indirectly, by PP&L and "will therefore have no effect on the concentration of control of public utility companies." Wisconsin Energy Corp., Holding Co. Act Release No. 24267, 37 SEC Docket 296, 300 (1986).

b. Fairness of Consideration and Fees

Section 10(b)(2) of the 1935 Act requires the Commission to determine whether the consideration in connection with a proposed acquisition of securities is reasonable and bears a fair relation to the investment in and earning capacity of the utility assets underlying the securities being acquired.

As discussed above, the proposed restructuring involves the conversion of each share of PP&L Stock into a share of

Holding Company common stock. Because the proportion of each shareholder's ownership will be unchanged, the consideration is fair and reasonable. Wisconsin Energy Corp., supra, 37 SEC Docket at 300.

As stated in Item 2. above, an estimate of the fees and expenses to be paid in connection with the proposed restructuring will be filed as Exhibit I-1 by amendment hereto. Holding Company believes that such fees and expenses are reasonable and customary for a transaction of this kind and are not material when measured against PP&L's consolidated book value or the earning capacity of its assets.

c. Complication of Capital Structure

The proposed restructuring will not involve the creation of any ownership interests other than those which are necessary to maintain the basic corporate relationships of the holding company system to be established. Control of the system will remain in the hands of the existing holders of PP&L Stock, who will become the shareholders of Holding Company.

Pursuant to the Exchange, Holding Company will acquire all of the common stock of PP&L. There will be no minority common stock interest in PP&L, and the existing debt and senior equity securities of PP&L will be unaffected. The Commission has previously determined that similar proposed restructurings do not unduly complicate corporate capital structures. See, e.g., CIPSCO, Inc., Holding Co. Act Release No. 25152, 47 SEC Docket

174, 178 (1990); Wisconsin Energy Corp., supra, 37 SEC Docket at 300.

2. Section 10(c)

The relevant provisions of Section 10(c) of the 1935 Act state that the Commission shall not approve

(1) an acquisition of securities or utility assets, or of any other interest, which is . . . detrimental to the carrying out of the provisions of Section 11; or

(2) the acquisition of securities or utility assets of a public utility or holding company unless the Commission finds that such acquisition will serve the public interest by tending towards the economical and the efficient development of an integrated public utility system

a. Significant Benefits

Section 10(c) (1) prohibits an acquisition of securities which is "detrimental to the carrying out of the provisions of Section 11." Section 11(b) (2) in turn requires the Commission to ensure that "the corporate structure . . . of any company in the holding company system does not unduly or unnecessarily complicate the structure, or unfairly or inequitably distribute voting power among security holders, of such holding-company system." The Commission has construed this requirement, in the context of the proposed formation of a holding company over an existing public utility, to mean that the structural change must result in "significant benefits" to the holding company system. CIPSCO Inc., supra, 47 SEC Docket at 178.

As discussed in Item 1, above, the holding company structure resulting from the proposed reorganization will yield significant benefits. In short, it will facilitate the

enterprise's participation in unregulated businesses, it will better insulate PP&L's utility ratepayers from the risks and costs associated with business activities of unregulated subsidiaries, it will enhance managerial accountability for separate business activities and it will permit the use of financing techniques that are more directly suited to the particular requirements, characteristics and risks of unregulated and non-utility operations without affecting the capital structure or creditworthiness of PP&L. In cases involving similar corporate reorganizations, the Commission has held that the existence of these kinds of potential benefits satisfies the statutory standard of Section 10(c)(1). See, e.g., CIPSCO, Inc., supra, 47 SEC Docket at 178-79.

b. Economies and Efficiencies of an Integrated System

The restructuring will serve the public interest by tending towards the economical and efficient development of an integrated public utility system, as required by Section 10(c)(2) of the 1935 Act.

(1) Economies and Efficiencies

In addition to the benefits referred to in paragraph 2.a. of this Item, a number of economies and efficiencies will result from the holding company structure.

As the Commission has found in a number of analogous cases, a holding company structure would permit adjustments of a utility's capital ratios to appropriate levels through dividends to, or equity investments from, the holding company. WPL Holdings, Inc., Holding Co. Act Release No. 25377, 49 SEC Docket

1255, 1257 (1991). This ability to adjust the components of PP&L's capital structure will also increase general financial flexibility, which will allow PP&L to take advantage of more attractive financing opportunities that might not otherwise be available. See CIPSCO Inc., supra, 47 SEC Docket at 179. The flexibility associated with a balanced capital structure permits the issuance of various types of securities under any conditions and thus increases the potential for cost reduction. As the Commission has noted in similar circumstances, "lower-cost financing can enhance efficient utility operations and benefit ratepayers and senior security holders." KU Energy Corp., Holding Co. Act Release No. 25409, 50 SEC Docket 294, 296 (1991).

The restructuring should also help to broaden the holding company system's financial base and its investment appeal by reducing the system's dependence on its utility operations. This diversity should also increase financing alternatives and efficiencies, since financing may be tailored to the specific needs and circumstances of the individual utility and non-utility businesses.

The holding company structure will tend to insulate PP&L's customers and security holders from the risks of unregulated businesses by allowing the enterprise to pursue such businesses through newly created subsidiaries of Holding Company. This reduced risk exposure should enable PP&L to raise new preferred and debt capital at a lower cost than might be possible if unregulated businesses were direct subsidiaries of PP&L. As the Commission has stated in similar circumstances, "the

insulation of the utility businesses . . . from any risks of diversification and the resulting lower costs should tend toward more efficient and economical operation of the utility businesses" CIPSCO, Inc., supra, 47 SEC Docket at 180.

The Commission has noted in analogous cases that these kinds of financial and organizational advantages will suffice to satisfy Section 10(c)(2). See WPL Holdings, Inc., supra, 49 SEC Docket at 1257-58. Moreover, a Commission finding of "efficiencies and economies" may be based "on the potential for economies presented by the acquisition even where these are not precisely quantifiable." American Electric Power Co., 46 SEC 1299, 1322 (1978). In this case, it is clear that the proposed restructuring promises to provide significant financial and organizational advantages and that the substantial potential economies and efficiencies meet the standard of Section 10(c)(2) of the 1935 Act.

(2) Integrated Public Utility System

PP&L's electric utility system is presently "integrated" within the meaning of Section 2(a)(29) of the 1935 Act and will remain so after the restructuring.

3. Section 10(f)

Section 10(f) provides that

The Commission shall not approve any acquisition . . . under this section unless it appears to the satisfaction of the Commission that such State laws as may apply in respect of such acquisition have been complied with, except where the Commission finds that compliance with such State

laws would be detrimental to the carrying out of the provisions of section 11

The Exchange is expressly conditioned on full compliance with the laws of Pennsylvania. PP&L has filed an Application with the PUC, a copy of which is filed as Exhibit D-1 hereto, and a copy of the PUC's determination pursuant thereto will be filed as Exhibit D-2 by amendment hereto. Finally, the restructuring will be consummated in compliance with other applicable Pennsylvania laws.

4. Section 3(a)

Following the proposed restructuring, neither Holding Company nor PP&L intends to register as a holding company under the 1935 Act. Holding Company believes that, following consummation of the Exchange, it will be entitled to exemption under Section 3(a)(1) of the 1935 Act from all of the provisions of the 1935 Act (except for Section 9(a)(2) thereof) because it and each of the public utility subsidiaries from which it will derive a material part of its income will be predominantly intrastate in character and will carry on their businesses substantially within the state of Pennsylvania. Section 3(a)(1) also requires the Commission to grant the requested exemption "unless and except insofar as it finds the exemption detrimental to the public interest or the interest of investors or consumers." Holding Company believes that PP&L will continue to meet the requirements for exemption under Section 3(a)(2) of the 1935 Act.

Item 4. Regulatory Approval.

The proposed restructuring will require the approval of the PUC. A copy of the Application to the PUC is filed as Exhibit D-1 hereto, and a copy of the PUC's determination pursuant thereto will be filed as Exhibit D-2 by amendment hereto.

The FERC must approve the proposed restructuring under Section 203 of the Federal Power Act, and the Nuclear Regulatory Commission ("NRC") will be requested to consent to the de jure transfer of NRC licenses pursuant to Section 184 of the Atomic Energy Act and 10 C.F.R. §50.80. Copies of the application to the FERC and the request to the NRC for consent will be filed as Exhibits D-3 and D-5 hereto, respectively, and copies of the FERC's Order and NRC's Order pursuant thereto will be filed as Exhibits D-4 and D-6, respectively, by amendment hereto.

No other state or Federal commission has jurisdiction over the proposed restructuring.

Item 5. Procedure.

Holding Company respectfully requests the Commission to promptly issue and publish the requisite notice under Rule 23 with respect to the filing of this application, to provide for the filing of comments in a timeframe that permits the Commission to enter an order granting and permitting this application to become effective on or before September 30, 1994. A form of notice suitable for publication in the Federal Register is attached hereto as Exhibit H-1.

Holding Company does not believe that there should be a recommended decision by a hearing officer or any other responsible officer of the Commission or that there should be a 30-day waiting period between the issuance for the Commission's order and the date on which it is to become effective. Holding Company requests that the Commission's order become effective immediately upon the entry thereof. Holding Company consents to the Division of Corporate Regulation assisting in the preparation of the Commission's decision and/or order in this matter, unless the Division opposes this application.

Item 6. Exhibits and Financial Statements.

Financial statements of Holding Company are not included because it has no assets and has not engaged in any business operations. Pro forma financial statements of PP&L and Safe Harbor are not included because the Exchange will have no effect on the financial statements of such companies.

<u>NO.</u>	<u>DESCRIPTION</u>	<u>METHOD OF FILING</u>
A-1	Articles of Incorporation of Holding Company	Filed herewith
A-2	By-Laws of Holding Company	Filed herewith
A-3	Restated Articles of Incorporation of PP&L	Incorporated herein by reference to Exhibit 3(i) to PP&L's Form 8-K Report (File No. 1-905) dated January 26, 1994
A-4	By-Laws of PP&L	Incorporated herein by reference to Exhibit 3(b) to PP&L's Form 10-K Report (File No. 1-905) for the year ended December 31, 1991

<u>NO.</u>	<u>DESCRIPTION</u>	<u>METHOD OF FILING</u>
B-1	Proposed form of Plan of Exchange	Filed herewith
D-1	Application to the PUC, dated March 18, 1994	Filed herewith
D-2	Determination of the PUC	To be filed by amendment
D-3	Application for FERC authorization under Section 203 of the Federal Power Act	To be filed by amendment
D-4	Order of the FERC	To be filed by amendment
D-5	Request for NRC consent under Section 184 of the Atomic Energy Act and 10 C.F.R. §50.80	To be filed by amendment
D-6	Order of the NRC	To be filed by amendment
E-1	Map showing service area of PP&L	Filed herewith
F-1	Preliminary opinion of counsel	To be filed by amendment
F-2	"Past-tense" opinion of counsel	To be filed by amendment
G-1	Consolidated Balance Sheet of PP&L as of December 31, 1993 and Consolidated Statements of Income, Shareowners' Common Equity and Cash Flows for the three fiscal years ended December 31, 1993	Incorporated by reference to PP&L's Annual Report on Form 10-K for the fiscal year ended December 31, 1993
G-2	PP&L's Current Report on Form 8-K dated April 7, 1994	Incorporated by reference to PP&L's Current Report on Form 8-K dated April 7, 1994
G-3	Consolidated Balance Sheet of Safe Harbor as of December 31, 1993 and Consolidated Statements of Income, Stockholders' Equity and Cash Flows for the three fiscal years ended December 31, 1993	Filed herewith
H-1	Form of Notice	Filed herewith
I-1	Fees, Commissions and Expenses	To be filed by amendment

Item 7. Information as to Environmental Effects.

 Holding Company does not believe that the restructuring will involve a "major federal action" nor will it "significantly affect the quality of the human environment" as those terms are used in Section 102(2)(c) of the National Environmental Policy Act. The only federal actions related to the restructuring pertain to the Commission's declaration of the effectiveness of the Registration Statement, Commission approval of this application, the FERC's authorization under Section 203 of the Federal Power Act, and the NRC's consent under Section 184 of the Atomic Energy Act. The restructuring will not result in changes in the operations of PP&L or Safe Harbor that would have any impact on the environment. No Federal agency has prepared or is preparing an environmental impact statement with respect to the proposed restructuring.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned company has duly caused this statement to be signed on its behalf by the undersigned thereunto duly authorized.

PP&L RESOURCES, INC.

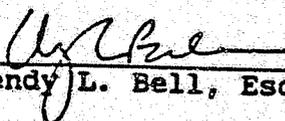
Date: April 21, 1994

By: /s/ William F. Hecht
William F. Hecht
President
(Signature and printed name
and title of signing officer)

ARTICLES OF INCORPORATION
OF
PP&L RESOURCES, INC.

1. The name of the corporation is PP&L Resources, Inc.
2. The address of the registered office of the corporation in this Commonwealth is Two North Ninth Street, Allentown, Lehigh County, Pennsylvania 18101-1179.
3. The corporation is incorporated under the provisions of the Business Corporation Law of 1988.
4. The aggregate number of shares which the corporation shall have the authority to issue is 100 shares, par value \$.01 per share.
5. The shareholders of the corporation shall not have the right to cumulate their votes for the election of directors of the corporation.
6. The following provisions of the Business Corporation Law of 1988 shall not be applicable to the corporation: 15 Pa.C.S. § 2538 (relating to approval of transactions with interested shareholders) and 15 Pa.C.S. Subchs. 25E-G (relating to control transactions, business combinations, control-share acquisitions and disgorgement by certain controlling shareholders following attempts to acquire control, respectively).
7. These articles of incorporation may be amended in the manner at the time prescribed by statute, and all rights conferred upon shareholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, the Incorporator has executed these Articles of Incorporation this 14th day of March, 1994.



Wendy L. Bell, Esquire

BYLAWS
OF
PP&L RESOURCES, INC.
(a Pennsylvania Corporation)
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ARTICLE I

Offices and Fiscal Year

Section 1.01. Registered Office.--The registered office of the corporation in the Commonwealth of Pennsylvania shall be at Two North Ninth Street, Allentown, PA 18101-1179, until otherwise established by an amendment of the articles of incorporation (the "articles") or by the board of directors and a record of such change is filed with the Pennsylvania Department of State in the manner provided by law.

Section 1.02. Other Offices.--The corporation may also have offices at such other places within or without the Commonwealth of Pennsylvania as the board of directors may from time to time appoint or the business of the corporation may require.

Section 1.03. Fiscal Year.--The fiscal year of the corporation shall begin on the 1st day of January in each year.

ARTICLE II

Notice--Waivers--Meetings Generally

Section 2.01. Manner of Giving Notice.

(a) General Rule.--Whenever written notice is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws, it may be given to the person either personally or by sending a copy thereof by first class or express mail, postage prepaid, or by telegram (with messenger service specified), telex or TWX (with answerback received) or courier service, charges prepaid, or by facsimile transmission to the address (or to the telex, TWX, facsimile or telephone number) of the person appearing on the books of the corporation or, in the case of directors, supplied by the director to the corporation for the purpose of notice. If the notice is sent by mail, telegraph or courier service, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office or courier service for delivery to that person or, in the case of telex or TWX, when dispatched or, in the case of facsimile transmission when received. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by any other provision of the Business Corporation Law, the articles or these bylaws.

(b) Adjourned Shareholder Meetings.--When a meeting of shareholders is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which the adjournment is taken, unless the board fixes a new record date for the adjourned meeting in which event notice shall be given in accordance with Section 2.03.

Section 2.02. Notice of Meetings of Board of Directors.--Notice of a regular meeting of the board of directors need not be given. Notice of every special meeting of the board of directors shall be given to each director by telephone or in writing at least 24 hours (in the case of notice by telephone, telex, TWX or facsimile transmission) or 48 hours (in the case of notice by telegraph, courier service or express mail) or five days (in the case of notice by first class mail) before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board need be specified in a notice of the meeting.

Section 2.03. Notice of Meetings of Shareholders.

(a) General Rule.--Written notice of every meeting of the shareholders shall be given by, or at the direction of, the secretary or other authorized person to each shareholder of record entitled to vote at the meeting at least (1) ten days prior to the day named for a meeting (and, in case of a meeting called to consider a merger, consolidation, share exchange or division, to each shareholder of record not entitled to vote at the meeting) called to consider a fundamental change under 15 Pa.C.S. Chapter 19 or (2) five days prior to the day named for the meeting in any other case. If the secretary neglects or refuses to give notice of a meeting, the person or persons calling the meeting may do so. In the case of a special meeting of shareholders, the notice shall specify the general nature of the business to be transacted.

(b) Notice of Action by Shareholders on Bylaws.--In the case of a meeting of shareholders that has as one of its purposes action on the bylaws, written notice shall be given to each shareholder that the purpose, or one of the purposes, of the meeting is to consider the adoption, amendment or repeal of the bylaws. There shall be included in, or enclosed with, the notice a copy of the proposed amendment or a summary of the changes to be effected thereby.

(c) Notice of Action by Shareholders on Fundamental Change.--In the case of a meeting of the shareholders that has as one of its purposes action with respect to any fundamental change under 15 Pa.C.S. Chapter 19, each shareholder shall be given,

together with written notice of the meeting, a copy or summary of the amendment or plan to be considered at the meeting in compliance with the provisions of Chapter 19.

(d) Notice of Action by Shareholders Giving Rise to Dissenters Rights.--In the case of a meeting of the shareholders that has as one of its purposes action that would give rise to dissenters rights under the provisions of 15 Pa.C.S. Subchapter 15D, each shareholder shall be given, together with written notice of the meeting:

(1) a statement that the shareholders have a right to dissent and obtain payment of the fair value of their shares by complying with the provisions of Subchapter 15D (relating to dissenters rights); and

(2) a copy of Subchapter 15D.

Section 2.04. Waiver of Notice.

(a) Written Waiver.--Whenever any written notice is required to be given under the provisions of the Business Corporation Law, the articles or these bylaws, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of the notice. Neither the business to be transacted at, nor the purpose of, a meeting need be specified in the waiver of notice of the meeting.

(b) Waiver by Attendance.--Attendance of a person at any meeting shall constitute a waiver of notice of the meeting except where a person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

Section 2.05. Modification of Proposal Contained in Notice.--Whenever the language of a proposed resolution is included in a written notice of a meeting required to be given under the provisions of the Business Corporation Law or the articles or these bylaws, the meeting considering the resolution may without further notice adopt it with such clarifying or other amendments as do not enlarge its original purpose.

Section 2.06. Exception to Requirement of Notice.

(a) General Rule.--Whenever any notice or communication is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws or by the terms of any agreement or other instrument or as a condition precedent to taking any corporate action and communication with

that person is then unlawful, the giving of the notice or communication to that person shall not be required.

(b) Shareholders Without Forwarding Addresses.--Notice or other communications need not be sent to any shareholder with whom the corporation has been unable to communicate for more than 24 consecutive months because communications to the shareholder are returned unclaimed or the shareholder has otherwise failed to provide the corporation with a current address. Whenever the shareholder provides the corporation with a current address, the corporation shall commence sending notices and other communications to the shareholder in the same manner as to other shareholders.

Section 2.07. Use of Conference Telephone and Similar Equipment.--Any director may participate in any meeting of the board of directors, and the board of directors may provide by resolution with respect to a specific meeting or with respect to a class of meetings that one or more persons may participate in a meeting of the shareholders of the corporation, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

ARTICLE III

Shareholders

Section 3.01. Place of Meeting.--All meetings of the shareholders of the corporation shall be held at the registered office of the corporation or such other place as may be designated by the board of directors in the notice of a meeting.

Section 3.02. Annual Meeting.--The board of directors may fix and designate the date and time of the annual meeting of the shareholders, but if no such date and time is fixed and designated by the board, the meeting for any calendar year shall be held on the fourth Wednesday in April in such year, if not a legal holiday under the laws of Pennsylvania, and, if a legal holiday, then on the next succeeding business day, not a Saturday, at 1:30 o'clock P.M., and at said meeting the shareholders then entitled to vote shall elect directors and shall transact such other business as may properly be brought before the meeting. If the annual meeting shall not have been called and held within six months after the designated time, any shareholder may call the meeting at any time thereafter.

Section 3.03. Special Meetings.

(a) Call of Special Meetings.--Special meetings of the shareholders may be called at any time:

(1) by the board of directors; or

(2) unless otherwise provided in the articles, by shareholders entitled to cast at least 20% of the votes that all shareholders are entitled to cast at the particular meeting.

(b) Fixing of Time for Meeting.--At any time, upon written request of any person who has called a special meeting, it shall be the duty of the secretary to fix the time of the meeting which shall be held not more than 60 days after the receipt of the request. If the secretary neglects or refuses to fix the time of the meeting, the person or persons calling the meeting may do so.

Section 3.04. Quorum and Adjournment.

(a) General Rule.--A meeting of shareholders of the corporation duly called shall not be organized for the transaction of business unless a quorum is present. The presence of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast on a particular matter to be acted upon at the meeting shall constitute a quorum for the purposes of consideration and action on the matter. Shares of the corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors of this corporation, as such, shall not be counted in determining the total number of outstanding shares for quorum purposes at any given time.

(b) Withdrawal of a Quorum.--The shareholders present at a duly organized meeting can continue to do business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

(c) Adjournments Generally.--Any regular or special meeting of the shareholders, including one at which directors are to be elected and one which cannot be organized because a quorum has not attended, may be adjourned for such period and to such place as the shareholders present and entitled to vote shall direct, except that any meeting at which directors are to be elected shall be adjourned only from day to day or for such longer periods not exceeding 15 days each as the shareholders present and entitled to vote shall direct.

(d) Electing Directors at Adjourned Meeting.--Those shareholders entitled to vote who attend a meeting called for the election of directors that has been previously adjourned for lack of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of electing directors.

(e) Other Action in Absence of Quorum.--Those shareholders entitled to vote who attend a meeting of shareholders that has been previously adjourned for one or more periods aggregating at least 15 days because of an absence of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the notice of the meeting if the notice states that those shareholders who attend the adjourned meeting shall nevertheless constitute a quorum for the purpose of acting upon the matter.

Section 3.05. Action by Shareholders.--Except as otherwise provided in the Business Corporation Law or the articles or these bylaws, whenever any corporate action is to be taken by vote of the shareholders of the corporation, it shall be authorized upon receiving the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon and, if any shareholders are entitled to vote thereon as a class, upon receiving the affirmative vote of a majority of the votes cast by the shareholders entitled to vote as a class.

Section 3.06. Organization.--At every meeting of the shareholders, the chairman of the board, if there be one, or, in the case of vacancy in office or absence of the chairman of the board, one of the following persons present in the order stated: the vice chairman of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or a person chosen by vote of the shareholders present, shall act as chairman of the meeting. The secretary or, in the absence of the secretary, an assistant secretary, or, in the absence of both the secretary and assistant secretaries, a person appointed by the chairman of the meeting, shall act as secretary of the meeting.

Section 3.07. Voting Rights of Shareholders.--Unless otherwise provided in the articles, every shareholder of the corporation shall be entitled to one vote for every share standing in the name of the shareholder on the books of the corporation.

Section 3.08. Voting and Other Action by Proxy.

(a) General Rule.--

(1) Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person to act for the shareholder by proxy.

(2) The presence of, or vote or other action at a meeting of shareholders, or the expression of consent or dissent to corporate action in writing, by a proxy of a shareholder shall constitute the presence of, or vote or

action by, or written consent or dissent of, the shareholder.

(3) Where two or more proxies of a shareholder are present, the corporation shall, unless otherwise expressly provided in the proxy, accept as the vote of all shares represented thereby the vote cast by a majority of them and, if a majority of the proxies cannot agree whether the shares represented shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among those persons.

(b) Execution and Filing.--Every proxy shall be executed in writing by the shareholder or by the duly authorized attorney-in-fact of the shareholder and filed with the secretary of the corporation. A telegram, telex, cablegram, datagram or similar transmission from a shareholder or attorney-in-fact, or a photographic, facsimile or similar reproduction of a writing executed by a shareholder or attorney-in-fact:

(1) may be treated as properly executed for purposes of this subsection; and

(2) shall be so treated if it sets forth a confidential and unique identification number or other mark furnished by the corporation to the shareholder for the purposes of a particular meeting or transaction.

(c) Revocation.--A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until written notice thereof has been given to the secretary of the corporation. An unrevoked proxy shall not be valid after three years from the date of its execution unless a longer time is expressly provided therein. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of the death or incapacity is given to the secretary of the corporation.

(d) Expenses.--The corporation shall pay the reasonable expenses of solicitation of votes, proxies or consents of shareholders by or on behalf of the board of directors or its nominees for election to the board, including solicitation by professional proxy solicitors and otherwise.

Section 3.09. Voting by Fiduciaries and Pledges.--Shares of the corporation standing in the name of a trustee or other fiduciary and shares held by an assignee for the benefit of creditors or by a receiver may be voted by the trustee, fiduciary, assignee or receiver. A shareholder whose shares are pledged shall be entitled to vote the shares until the shares

have been transferred into the name of the pledgee, or a nominee of the pledgee, but nothing in this section shall affect the validity of a proxy given to a pledgee or nominee.

Section 3.10. Voting by Joint Holders of Shares.

(a) General Rule.--Where shares of the corporation are held jointly or as tenants in common by two or more persons, as fiduciaries or otherwise:

(1) if only one or more of such persons is present in person or by proxy, all of the shares standing in the names of such persons shall be deemed to be represented for the purpose of determining a quorum and the corporation shall accept as the vote of all the shares the vote cast by a joint owner or a majority of them; and

(2) if the persons are equally divided upon whether the shares held by them shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among the persons without prejudice to the rights of the joint owners or the beneficial owners thereof among themselves.

(b) Exception.--If there has been filed with the secretary of the corporation a copy, certified by an attorney at law to be correct, of the relevant portions of the agreement under which the shares are held or the instrument by which the trust or estate was created or the order of court appointing them or of an order of court directing the voting of the shares, the persons specified as having such voting power in the document latest in date of operative effect so filed, and only those persons, shall be entitled to vote the shares but only in accordance therewith.

Section 3.11. Voting by Corporations.

(a) Voting by Corporate Shareholders.--Any corporation that is a shareholder of this corporation may vote at meetings of shareholders of this corporation by any of its officers or agents, or by proxy appointed by any officer or agent, unless some other person, by resolution of the board of directors of the other corporation or a provision of its articles or bylaws, a copy of which resolution or provision certified to be correct by one of its officers has been filed with the secretary of this corporation, is appointed its general or special proxy in which case that person shall be entitled to vote the shares.

(b) Controlled Shares.--Shares of this corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors of this corporation, as such, shall not be voted at any meeting and shall not be counted

in determining the total number of outstanding shares for voting purposes at any given time.

Section 3.12. Determination of Shareholders of Record.

(a) Fixing Record Date.--The board of directors may fix a time prior to the date of any meeting of shareholders as a record date for the determination of the shareholders entitled to notice of, or to vote at, the meeting, which time, except in the case of an adjourned meeting, shall be not more than 90 days prior to the date of the meeting of shareholders. Only shareholders of record on the date fixed shall be so entitled notwithstanding any transfer of shares on the books of the corporation after any record date fixed as provided in this subsection. The board of directors may similarly fix a record date for the determination of shareholders of record for any other purpose. When a determination of shareholders of record has been made as provided in this section for purposes of a meeting, the determination shall apply to any adjournment thereof unless the board fixes a new record date for the adjourned meeting.

(b) Determination When a Record Date is Not Fixed.--If a record date is not fixed:

(1) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day immediately preceding the day on which the meeting is held.

(2) The record date for determining shareholders entitled to express consent or dissent to corporate action in writing without a meeting, when prior action by the board of directors is not necessary, to call a special meeting or to propose an amendment of the articles shall be the close of business on the day on which the first written consent or dissent, request for a special meeting or petition proposing an amendment of the articles is filed with the secretary of the corporation.

(3) The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

(c) Certification by Nominee.--The board of directors may adopt a procedure whereby a shareholder of the corporation may certify in writing to the corporation that all or a portion of the shares registered in the name of the shareholder are held for the account of a specified person or persons. Upon receipt by

the corporation of a certification complying with the procedure, the persons specified in the certification shall be deemed, for the purposes set forth in the certification, to be the holders of record of the number of shares specified in place of the shareholder making the certification.

Section 3.13. Voting Lists.

(a) General Rule.--The officer or agent having charge of the transfer books for shares of the corporation shall make a complete list of the shareholders entitled to vote at any meeting of shareholders, arranged in alphabetical order, with the address of and the number of shares held by each. The list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof except that if the corporation has 5,000 or more shareholders, in lieu of the making of the list, the corporation may make the information therein available at the meeting by any other means.

(b) Effect of List.--Failure to comply with the requirements of this section shall not affect the validity of any action taken at a meeting prior to a demand at the meeting by any shareholder entitled to vote thereat to examine the list. The original share register or transfer book, or a duplicate thereof kept in the Commonwealth of Pennsylvania, shall be prima facie evidence as to who are the shareholders entitled to examine the list or share register or transfer book or to vote at any meeting of shareholders.

Section 3.14. Judges of Election.

(a) Appointment.--In advance of any meeting of shareholders of the corporation, the board of directors may appoint judges of election, who need not be shareholders, to act at the meeting or any adjournment thereof. If judges of election are not so appointed, the presiding officer of the meeting may, and on the request of any shareholder shall, appoint judges of election at the meeting. The number of judges shall be one or three. A person who is a candidate for an office to be filled at the meeting shall not act as a judge.

(b) Vacancies.--In case any person appointed as a judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the board of directors in advance of the convening of the meeting or at the meeting by the presiding officer thereof.

(c) Duties.--The judges of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies, receive votes

or ballots, hear and determine all challenges and questions in any way arising in connection with nominations by shareholders or the right to vote, count and tabulate all votes, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. The judges of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

(d) Report.--On request of the presiding officer of the meeting or of any shareholder, the judges shall make a report in writing of any challenge or question or matter determined by them, and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated therein.

Section 3.15. Consent of Shareholders in Lieu of Meeting.

(a) Unanimous Written Consent.--Any action required or permitted to be taken at a meeting of the shareholders or of a class of shareholders may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the shareholders who would be entitled to vote at a meeting for such purpose shall be filed with the secretary of the corporation.

(b) Partial Written Consent.--Any action required or permitted to be taken at a meeting of the shareholders or of a class of shareholders may be taken without a meeting upon the written consent of shareholders who would have been entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting. The consents shall be filed with the secretary of the corporation. The action shall not become effective until after at least ten days' written notice of the action has been given to each shareholder entitled to vote thereon who has not consented thereto.

Section 3.16. Minors as Securityholders.--The corporation may treat a minor who holds shares or obligations of the corporation as having capacity to receive and to empower others to receive dividends, interest, principal and other payments or distributions, to vote or express consent or dissent and to make elections and exercise rights relating to such shares or obligations unless, in the case of payments or distributions on shares, the corporate officer responsible for maintaining the list of shareholders or the transfer agent of the corporation or, in the case of payments or distributions on obligations, the treasurer or paying officer or agent has received written notice that the holder is a minor.

ARTICLE IV

Board of Directors

Section 4.01. Powers; Personal Liability.

(a) General Rule.--Unless otherwise provided by statute, all powers vested by law in the corporation shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the board of directors.

(b) Fundamental Transactions.--Where any provision of 15 Pa.C.S. Ch. 19 requires that an amendment of the articles, a plan or the dissolution of the corporation be proposed or approved by action of the board of directors, that requirement shall be construed to authorize and be satisfied by the written agreement or consent of all of the shareholders of the corporation entitled to vote thereon.

(c) Personal Liability of Directors.--

(1) To the fullest extent that the laws of the Commonwealth of Pennsylvania, as now in effect or as hereafter amended, permit elimination or limitation of the liability of directors, no director of the corporation shall be personally liable for monetary damages as such for any action taken, or any failure to take any action, as a director.

(2) Any amendment or repeal of this Section 4.01 which has the effect of increasing directors' liability shall operate prospectively only, and shall not affect any action taken, or any failure to act, prior to its adoption.

(The provisions of this subsection (c) were first adopted by the shareholders of the corporation on March , 1994.)

(d) Notation of Dissent.--A director who is present at a meeting of the board of directors, or of a committee of the board, at which action on any corporate matter is taken on which the director is generally competent to act, shall be presumed to have assented to the action taken unless his or her dissent is entered in the minutes of the meeting or unless the director files a written dissent to the action with the secretary of the meeting before the adjournment thereof or transmits the dissent in writing to the secretary of the corporation immediately after the adjournment of the meeting. The right to dissent shall not apply to a director who voted in favor of the action. Nothing in this section shall bar a director from asserting that minutes of the meeting incorrectly omitted his or her dissent if, promptly

upon receipt of a copy of such minutes, the director notifies the secretary, in writing, of the asserted omission or inaccuracy.

Section 4.02. Qualifications and Selection of Directors.

(a) Qualifications.--Each director of the corporation shall be a natural person of full age who need not be a resident of the Commonwealth of Pennsylvania or a shareholder of the corporation.

(b) Power to Select Directors.--Except as otherwise provided in these bylaws, directors of the corporation shall be elected by the shareholders.

(c) Nomination of Candidates.--Upon the demand of any shareholder at any meeting of shareholders for the election of directors the chairman of the meeting shall call for and shall afford a reasonable opportunity for the making of nominations for the office of director. If the board of directors is classified with respect to the power to elect directors or with respect to the terms of directors and if, due to a vacancy or vacancies, or otherwise, directors of more than one class are to be elected, each class of directors to be elected at the meeting shall be nominated and elected separately. Any shareholder may nominate as many persons for the office of director as there are positions to be filled. If nominations for the office of director have been called for as provided in this section only candidates who have been so nominated shall be eligible for election.

(d) Election of Directors.--In elections for directors, voting need not be by ballot, unless required by vote of the shareholders before the voting for the election of directors begins. The candidates receiving the highest number of votes from each class or group of classes, if any, entitled to elect directors separately up to the number of directors to be elected by the class or group of classes shall be elected. If at any meeting of shareholders, directors of more than one class are to be elected, each class of directors shall be elected in a separate election.

Section 4.03. Number and Term of Office.

(a) Number.--The board of directors shall consist of such number of directors, not less than two nor more than seven, as may be determined from time to time by resolution of the board of directors.

(b) Term of Office.--Each director shall hold office for one year and until a successor has been selected and qualified or until his or her earlier death, resignation or removal. A decrease in the number of directors shall not have the effect of shortening the term of any incumbent director.

(c) Resignation.--Any director may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as shall be specified in the notice of resignation.

Section 4.04. Vacancies.

(a) General Rule.--Vacancies in the board of directors, including vacancies resulting from an increase in the number of directors, may be filled by a majority vote of the remaining members of the board though less than a quorum, or by a sole remaining director, and each person so selected shall be a director to serve until the next selection of the class for which such director has been chosen, and until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

(b) Action by Resigned Directors.--When one or more directors resign from the board effective at a future date, the directors then in office, including those who have so resigned, shall have power by the applicable vote to fill the vacancies, the vote thereon to take effect when the resignations become effective.

Section 4.05. Removal of Directors.

(a) Removal by the Shareholders.--The entire board of directors, or any class of the board, or any individual director may be removed from office by vote of the shareholders entitled to vote thereon without assigning any cause. In case the board or a class of the board or any one or more directors are so removed, new directors may be elected at the same meeting.

(b) Removal by the Board.--The board of directors may declare vacant the office of a director who has been judicially declared of unsound mind or who has been convicted of an offense punishable by imprisonment for a term of more than one year or if, within 60 days after notice of his or her selection, the director does not accept the office either in writing or by attending a meeting of the board of directors.

Section 4.06. Place of Meetings.--Meetings of the board of directors may be held at such place within or without the Commonwealth of Pennsylvania as the board of directors may from time to time appoint or as may be designated in the notice of the meeting.

Section 4.07. Organization of Meetings.--At every meeting of the board of directors, the chairman of the board, if there be one, or, in the case of a vacancy in the office or absence of the

chairman of the board, one of the following officers present in the order stated: the vice chairman of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or a person chosen by a majority of the directors present, shall act as chairman of the meeting. The secretary or, in the absence of the secretary, an assistant secretary, or, in the absence of the secretary and the assistant secretaries, any person appointed by the chairman of the meeting, shall act as secretary of the meeting.

Section 4.08. Regular Meetings.--Regular meetings of the board of directors shall be held at such time and place as shall be designated from time to time by resolution of the board of directors.

Section 4.09. Special Meetings.--Special meetings of the board of directors shall be held whenever called by the chairman or by two or more of the directors.

Section 4.10. Quorum of and Action by Directors.

(a) General Rule.--A majority of the directors in office of the corporation shall be necessary to constitute a quorum for the transaction of business and the acts of a majority of the directors present and voting at a meeting at which a quorum is present shall be the acts of the board of directors.

(b) Action by Written Consent.--Any action required or permitted to be taken at a meeting of the directors may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the directors in office is filed with the secretary of the corporation.

Section 4.11. Executive and Other Committees.

(a) Establishment and Powers.--The board of directors may, by resolution adopted by a majority of the directors in office, establish one or more committees to consist of one or more directors of the corporation. Any committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all of the powers and authority of the board of directors except that a committee shall not have any power or authority as to the following:

(1) The submission to shareholders of any action requiring approval of shareholders under the Business Corporation Law.

(2) The creation or filling of vacancies in the board of directors.

(3) The adoption, amendment or repeal of these bylaws.

(4) The amendment or repeal of any resolution of the board that by its terms is amendable or repealable only by the board.

(5) Action on matters committed by a resolution of the board of directors to another committee of the board.

(b) Alternate Committee Members.--The board may designate one or more directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of the committee or for the purposes of any written action by the committee. In the absence or disqualification of a member and alternate member or members of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another director to act at the meeting in the place of the absent or disqualified member.

(c) Term.--Each committee of the board shall serve at the pleasure of the board.

(d) Committee Procedures.--The term "board of directors" or "board," when used in any provision of these bylaws relating to the organization or procedures of or the manner of taking action by the board of directors, shall be construed to include and refer to any executive or other committee of the board.

Section 4.12. Compensation.--The board of directors shall have the authority to fix the compensation of directors for their services as directors and a director may be a salaried officer of the corporation.

ARTICLE V

Officers

Section 5.01. Officers Generally.

(a) Number, Qualifications and Designation.--The officers of the corporation shall be a president, one or more vice presidents, a secretary, a treasurer, and such other officers as may be elected in accordance with the provisions of Section 5.03. Officers may but need not be directors or shareholders of the corporation. The president and secretary shall be natural persons of full age. The treasurer may be a corporation, but if a natural person shall be of full age. The board of directors may elect from among the members of the board a chairman of the board and a vice chairman of the board who may be officers of the corporation. Any number of offices may be held by the same person.

(b) Bonding.--The corporation may secure the fidelity of any or all of its officers by bond or otherwise.

(c) Standard of Care.--In lieu of the standards of conduct otherwise provided by law, officers of the corporation shall be subject to the same standards of conduct, including standards of care and loyalty and rights of justifiable reliance, as shall at the time be applicable to directors of the corporation. An officer of the corporation shall not be personally liable, as such, to the corporation or its shareholders for monetary damages (including, without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense of any nature (including, without limitation, attorneys' fees and disbursements) for any action taken, or any failure to take any action, unless the officer has breached or failed to perform the duties of his or her office under the articles of incorporation, these bylaws, or the applicable provisions of law and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The provisions of this subsection shall not apply to the responsibility or liability of an officer pursuant to any criminal statute or for the payment of taxes pursuant to local, state or federal law.

Section 5.02. Election, Term of Office and Resignations.

(a) Election and Term of Office.--The officers of the corporation, except those elected by delegated authority pursuant to Section 5.03, shall be elected annually by the board of directors, and each such officer shall hold office for a term of one year and until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

(b) Resignations.--Any officer may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as may be specified in the notice of resignation.

Section 5.03. Subordinate Officers, Committees and Agents.--The board of directors may from time to time elect such other officers and appoint such committees, employees or other agents as the business of the corporation may require, including one or more assistant secretaries, and one or more assistant treasurers, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws, or as the board of directors may from time to time determine. The board of directors may delegate to any officer or committee the power to elect subordinate officers and to retain or appoint employees or other agents, or committees thereof, and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents.

Section 5.04. Removal of Officers and Agents.--Any officer or agent of the corporation may be removed by the board of directors with or without cause. The removal shall be without prejudice to the contract rights, if any, of any person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 5.05. Vacancies.--A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, may be filled by the board of directors or by the officer or committee to which the power to fill such office has been delegated pursuant to Section 5.03, as the case may be, and if the office is one for which these bylaws prescribe a term, shall be filled for the unexpired portion of the term.

Section 5.06. Authority.

(a) General Rule.--All officers of the corporation, as between themselves and the corporation, shall have such authority and perform such duties in the management of the corporation as may be provided by or pursuant to resolutions or orders of the board of directors or, in the absence of controlling provisions in the resolutions or orders of the board of directors, as may be determined by or pursuant to these bylaws.

(b) Chief Executive Officer.--The chairman of the board or the president, as designated from time to time by the board of directors, shall be the chief executive officer of the corporation.

Section 5.07. The Chairman and Vice Chairman of the Board.--The chairman of the board or in the absence of the chairman, the vice chairman of the board, or in the absence of a chairman or vice chairman of the Board, a chairman appointed at the meeting, shall preside at meetings of the shareholders and of the board of directors, and shall perform such other duties as may from time to time be requested by the board of directors.

Section 5.08. The President.--The president shall have general supervision over the business and operations of the corporation, subject however, to the control of the board of directors and, if the chairman of the board is the chief executive officer of the corporation, the chairman of the board. The president shall sign, execute, and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments, authorized by the board of directors, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors, or by these bylaws, to some other officer or agent of the corporation; and, in general, shall perform all duties incident to the office of president and such other duties as from time to time may be assigned by the board of

directors and, if the chairman of the board is the chief executive officer of the corporation, the chairman of the board.

Section 5.09. The Vice Presidents.--The vice presidents shall perform the duties of the president in the absence of the president and such other duties as may from time to time be assigned to them by the board of directors or the president.

Section 5.10. The Secretary.--The secretary or an assistant secretary shall attend all meetings of the shareholders and of the board of directors and all committees thereof and shall record all the votes of the shareholders and of the directors and the minutes of the meetings of the shareholders and of the board of directors and of committees of the board in a book or books to be kept for that purpose; shall see that notices are given and records and reports properly kept and filed by the corporation as required by law; shall be the custodian of the seal of the corporation and see that it is affixed to all documents to be executed on behalf of the corporation under its seal; and, in general, shall perform all duties incident to the office of secretary, and such other duties as may from time to time be assigned by the board of directors or the president.

Section 5.11. The Treasurer.--The treasurer or an assistant treasurer shall have or provide for the custody of the funds or other property of the corporation; shall collect and receive or provide for the collection and receipt of moneys earned by or in any manner due to or received by the corporation; shall deposit all funds in his or her custody as treasurer in banks or other places of deposit; shall, whenever so required by the board of directors, render an account showing all transactions as treasurer, and the financial condition of the corporation; and, in general, shall discharge such other duties as may from time to time be assigned by the board of directors or the president.

Section 5.12. Salaries.--The salaries of the officers elected by the board of directors shall be fixed from time to time by the board of directors or by such officer as may be designated by resolution of the board. The salaries or other compensation of any other officers, employees and other agents shall be fixed from time to time by the officer or committee to which the power to elect such officers or to retain or appoint such employees or other agents has been delegated pursuant to Section 5.03. No officer shall be prevented from receiving such salary or other compensation by reason of the fact that the officer is also a director of the corporation.

ARTICLE VI

Certificates of Stock, Transfer, Etc.

Section 6.01. Share Certificates.

(a) Form of Certificates.--Certificates for shares of the corporation shall be in such form as approved by the board of directors, and shall state that the corporation is incorporated under the laws of the Commonwealth of Pennsylvania, the name of the person to whom issued, and the number and class of shares and the designation of the series (if any) that the certificate represents. If the corporation is authorized to issue shares of more than one class or series, certificates for shares of the corporation shall set forth upon the face or back of the certificate (or shall state on the face or back of the certificate that the corporation will furnish to any shareholder upon request and without charge), a full or summary statement of the designations, voting rights, preferences, limitations and special rights of the shares of each class or series authorized to be issued so far as they have been fixed and determined and the authority of the board of directors to fix and determine the designations, voting rights, preferences, limitations and special rights of the classes and series of shares of the corporation.

(b) Share Register.--The share register or transfer books and blank share certificates shall be kept by the secretary or by any transfer agent or registrar designated by the board of directors for that purpose.

Section 6.02. Issuance.--The share certificates of the corporation shall be numbered and registered in the share register or transfer books of the corporation as they are issued. They shall be executed in such manner as the board of directors shall determine.

Section 6.03. Transfer.--Transfers of shares shall be made on the share register or transfer books of the corporation upon surrender of the certificate therefor, endorsed by the person named in the certificate or by an attorney lawfully constituted in writing. No transfer shall be made inconsistent with the provisions of the Uniform Commercial Code, 13 Pa.C.S. §§ 8101 et seq., and its amendments and supplements.

Section 6.04. Record Holder of Shares.--The corporation shall be entitled to treat the person in whose name any share or shares of the corporation stand on the books of the corporation as the absolute owner thereof, and shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person.

Section 6.05. Lost, Destroyed or Mutilated Certificates.--
The holder of any shares of the corporation shall immediately notify the corporation of any loss, destruction or mutilation of the certificate therefor, and the board of directors may, in its discretion, cause a new certificate or certificates to be issued to such holder, in case of mutilation of the certificate, upon the surrender of the mutilated certificate or, in case of loss or destruction of the certificate, upon satisfactory proof of such loss or destruction and, if the board of directors shall so determine, the deposit of a bond in such form and in such sum, and with such surety or sureties, as it may direct.

ARTICLE VII

Indemnification of Directors, Officers and Other Authorized Representatives

(The provisions of this Article VII were first adopted by the shareholders of the corporation on March , 1994.)

Section 7.01. Indemnification of Directors and Officers.

(a) Right to Indemnification. Except as prohibited by law, every director and officer of the corporation shall be entitled as of right to be indemnified by the corporation against reasonable expense and any liability paid or incurred by such person in connection with any actual or threatened claim, action, suit or proceeding, civil, criminal, administrative, investigative or other, whether brought by or in the right of the corporation or otherwise, in which he or she may be involved, as a party or otherwise, by reason of such person being or having been a director or officer of the corporation or by reason of the fact that such person is or was serving at the request of the corporation as a director, officer, employee, fiduciary or other representative of another corporation, partnership, joint venture, trust, employee benefit plan or other entity (such claim, action, suit or proceeding hereinafter being referred to as "action"). Such indemnification shall include the right to have expenses incurred by such person in connection with an action paid in advance by the corporation prior to final disposition of such action, subject to such conditions as may be prescribed by law. Persons who are not directors or officers of the corporation may be similarly indemnified in respect of service to the corporation or to another such entity at the request of the corporation to the extent the board of directors at any time denominates such person as entitled to the benefits of this Section 7.01. As used herein, "expense" shall include fees and expenses of counsel selected by such person; and "liability" shall include amounts of judgments, excise taxes, fines and penalties, and amounts paid in settlement.

(b) Right of Claimant to Bring Suit. If a claim under paragraph (a) of this Section 7.01 is not paid in full by the corporation within thirty days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim, and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim. It shall be a defense to any such action that the conduct of the claimant was such that under Pennsylvania law the corporation would be prohibited from indemnifying the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors, independent legal counsel and its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because the conduct of the claimant was not such that indemnification would be prohibited by law, nor an actual determination by the corporation (including its board of directors, independent legal counsel or its shareholders) that the conduct of the claimant was such that indemnification would be prohibited by law, shall be a defense to the action or create a presumption that the conduct of the claimant was such that indemnification would be prohibited by law.

(c) Insurance and Funding. The corporation may purchase and maintain insurance to protect itself and any person eligible to be indemnified hereunder against any liability or expense asserted or incurred by such person in connection with any action, whether or not the corporation would have the power to indemnify such person against such liability or expense by law or under the provisions of this Section 7.01. The corporation may create a trust fund, grant a security interest, cause a letter of credit to be issued or use other means (whether or not similar to the foregoing) to ensure the payment of such sums as may become necessary to effect indemnification as provided herein.

(d) Non-Exclusivity; Nature and Extent of Rights. The right of indemnification provided for herein (1) shall not be deemed exclusive of any other rights, whether now existing or hereafter created, to which those seeking indemnification hereunder may be entitled under any agreement, bylaw or charter provision, vote of shareholders or directors or otherwise, (2) shall be deemed to create contractual rights in favor of persons entitled to indemnification hereunder, (3) shall continue as to persons who have ceased to have the status pursuant to which they were entitled or were denominated as entitled to indemnification hereunder and shall inure to the benefit of the heirs and legal representatives of persons entitled to indemnification hereunder and (4) shall be applicable to actions, suits or proceedings commenced after the adoption hereof, whether arising from acts or omissions occurring before or after the adoption hereof. The

right of indemnification provided for herein may not be amended, modified or repealed so as to limit in any way the indemnification provided for herein with respect to any acts or omissions occurring prior to the effective date of any such amendment, modification or repeal.

Section 7.02. Indemnification of Persons Not Indemnified Under Section 7.01.

(a) The provisions of this Section 7.02 are applicable only to employees and other authorized representatives of the corporation who are not entitled to the benefits of Section 7.01 pursuant to either the terms of Section 7.01 or a resolution of the board of directors of the corporation.

(b) Employees; Third Party Actions. The corporation shall indemnify any employee of the corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was an authorized representative of the corporation (which, for the purposes of this Section 7.02, shall mean an employee or agent of the corporation, or a person who is or was serving at the request of the corporation as a director, officer, employee, fiduciary or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise) against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which that person reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(c) Employees; Derivative Actions. The corporation shall indemnify any employee of the corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was an authorized representative of the corporation, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good

faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the corporation unless and only to the extent that the court of common pleas of the county in which the registered office of the corporation is located or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court of common pleas or such other court shall deem proper.

(d) Other Authorized Representatives. To the extent that an authorized representative of the corporation who is not an employee of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (b) and (c) of this Section 7.02 or in defense of any claim, issue or matter therein, such person shall be indemnified by the corporation against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith. Such an authorized representative may, at the discretion of the corporation, be indemnified by the corporation in any other circumstances and to any extent if the corporation would be required by subsections (b) and (c) of this Section 7.02 to indemnify such person in such circumstances and to such extent if such person were or had been an employee of the corporation.

(e) Procedure for Effecting Indemnification. Indemnification under subsections (b), (c) or (d) of this Section 7.02 shall be made when ordered by a court (in which case the expenses, including attorneys' fees, of the authorized representative in enforcing such right of indemnification shall be added to and be included in the final judgment against the corporation) or shall be made upon a determination that indemnification of the authorized representative is required or proper in the circumstances because such person has met the applicable standard of conduct set forth in subsections (b) and (c) of this Section 7.02. Such determination shall be made:

(1) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or

(2) if such a quorum is not obtainable, or, even if obtainable, a majority vote of a quorum of disinterested directors so direct, by independent legal counsel in a written opinion, or

(3) by the shareholders.

(f) Advancing Expenses. Expenses (including attorneys' fees) incurred in defending a civil or criminal action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of an employee to repay such amount unless it shall ultimately be determined that such person is entitled to be indemnified by the corporation as required in this Section 7.02 or as authorized by law and may be paid by the corporation in advance on behalf of any other authorized representative when authorized by the board of directors upon receipt of a similar undertaking.

(g) Non-Exclusivity; Nature and Extent of Rights. Each person who shall act as an authorized representative of the corporation and who is not entitled to the benefits of Section 7.01, shall be deemed to be doing so in reliance upon such rights of indemnification as are provided in this Section 7.02.

The indemnification provided by this Section 7.02 shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, vote of shareholders or disinterested directors, statute or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office or position, and shall continue as to a person who has ceased to be an authorized representative of the corporation and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE VIII

Miscellaneous

Section 8.01. Corporate Seal.--The corporation shall have a corporate seal in the form of a circle containing the name of the corporation, the year of incorporation and such other details as may be approved by the board of directors. The affixation of the corporate seal shall not be necessary to the valid execution, assignment or endorsement by the corporation of any instrument or other document.

Section 8.02. Checks.--All checks, notes, bills of exchange or other similar orders in writing shall be signed by such one or more officers or employees of the corporation as the board of directors may from time to time designate.

Section 8.03. Contracts.

(a) General Rule.--Except as otherwise provided in the Business Corporation Law in the case of transactions that require

action by the shareholders, the board of directors may authorize any officer or agent to enter into any contact or to execute or deliver any instrument on behalf of the corporation, and such authority may be general or confined to specific instances.

(b) Statutory Form of Execution of Instruments.--Any note, mortgage, evidence of indebtedness, contract or other document, or any assignment or endorsement thereof, executed or entered into between the corporation and any other person, when signed by one or more officers or agents having actual or apparent authority to sign it, or by the president or vice president and secretary or assistant secretary or treasurer or assistant treasurer of the corporation, shall be held to have been properly executed for and in behalf of the corporation, without prejudice to the rights of the corporation against any person who shall have executed the instrument in excess of his or her actual authority.

Section 8.04. Interested Directors or Officers; Quorum.

(a) General Rule.--A contract or transaction between the corporation and one or more of its directors or officers or between the corporation and another corporation, partnership, joint venture, trust or other enterprise in which one or more of its directors or officers are directors or officers or have a financial or other interest, shall not be void or voidable solely for that reason, or solely because the director or officer is present at or participates in the meeting of the board of directors that authorizes the contract or transaction, or solely because his, her or their votes are counted for that purpose, if:

(1) the material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors and the board authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors even though the disinterested directors are less than a quorum;

(2) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon and the contract or transaction is specifically approved in good faith by vote of those shareholders; or

(3) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified by the board of directors or the shareholders.

(b) Quorum.--Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board which authorizes a contract or transaction specified in subsection (a).

Section 8.05. Deposits.--All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositaries as the board of directors may approve or designate, and all such funds shall be withdrawn only upon checks signed by such one or more officers or employees of the corporation as the board of directors shall from time to time designate.

Section 8.06. Corporate Records.

(a) Required Records.--The corporation shall keep complete and accurate books and records of account, minutes of the proceedings of the incorporators, shareholders and directors and a share register giving the names and addresses of all shareholders and the number and class of shares held by each. The share register shall be kept at either the registered office of the corporation in the Commonwealth of Pennsylvania or at its principal place of business wherever situated or at the office of its registrar or transfer agent. Any books, minutes or other records may be in written form or any other form capable of being converted into written form within a reasonable time.

(b) Right of Inspection.--Every shareholder shall, upon written verified demand stating the purpose thereof, have a right to examine, in person or by agent or attorney, during the usual hours for business for any proper purpose, the share register, books and records of account, and records of the proceedings of the incorporators, shareholders and directors and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to the interest of the person as a shareholder. In every instance where an attorney or other agent is the person who seeks the right of inspection, the demand shall be accompanied by a verified power of attorney or other writing that authorizes the attorney or other agent to so act on behalf of the shareholder. The demand shall be directed to the corporation at its registered office in the Commonwealth of Pennsylvania or at its principal place of business wherever situated.

Section 8.07. Financial Reports.--Unless otherwise agreed between the corporation and a shareholder, the corporation shall furnish to its shareholders annual financial statements, including at least a balance sheet as of the end of each fiscal year and a statement of income and expenses for the fiscal year. The financial statements shall be prepared on the basis of generally accepted accounting principles, if the corporation prepares financial statements for the fiscal year on that basis for any purpose, and may be consolidated statements of the corporation and one or more of its subsidiaries. The financial statements shall be mailed by the corporation to each of its shareholders entitled thereto within 120 days after the close of each fiscal year and, after the mailing and upon written

request, shall be mailed by the corporation to any shareholder or beneficial owner entitled thereto to whom a copy of the most recent annual financial statements has not previously been mailed. Statements that are audited or reviewed by a public accountant shall be accompanied by the report of the accountant; in other cases, each copy shall be accompanied by a statement of the person in charge of the financial records of the corporation:

(1) Stating the person's reasonable belief as to whether or not the financial statements were prepared in accordance with generally accepted accounting principles and, if not, describing the basis of presentation.

(2) Describing any material respects in which the financial statements were not prepared on a basis consistent with those prepared for the previous year.

Section 8.08. Amendment of Bylaws.--These bylaws may be amended or repealed, or new bylaws may be adopted, either (i) by vote of the shareholders at any duly organized annual or special meeting of shareholders, or (ii) with respect to those matters that are not by statute committed expressly to the shareholders and regardless of whether the shareholders have previously adopted or approved the bylaw being amended or repealed, by vote of a majority of the board of directors of the corporation in office at any regular or special meeting of directors. Any change in these bylaws shall take effect when adopted unless otherwise provided in the resolution effecting the change. See Section 2.03(b) (relating to notice of action by shareholders on bylaws).

AGREEMENT AND PLAN OF EXCHANGE

between

PENNSYLVANIA POWER &
LIGHT COMPANY
(a Pennsylvania corporation)

and

PP&L RESOURCES, INC.
(a Pennsylvania corporation)

RECITALS

A. PENNSYLVANIA POWER & LIGHT COMPANY (the "Exchanging Corporation") is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania, which is authorized to issue 170,000,000 shares of Common Stock, no par value ("PP&L Common Stock"), of which _____ shares are issued and outstanding.

B. PP&L RESOURCES, INC. (the "Acquiring Person"), a wholly owned subsidiary of the Exchanging Corporation, is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania, which is authorized to issue _____ shares of Common Stock, par value \$.01 per share ("Resources Common Stock"), of which _____ shares are issued and outstanding and held of record by the Exchanging Corporation.

C. The Board of Directors of the Exchanging Corporation has adopted resolutions approving this Agreement and Plan of Exchange (the "Agreement") in accordance with the Pennsylvania Business Corporation Law of 1988 (the "BCL") and directing that it be submitted to the shareholders of the Exchanging Corporation for adoption.

ARTICLE I

General

1.01. *Parties to Exchange.* The Exchanging Corporation and the Acquiring Person shall effect a share exchange (the "Exchange") in accordance with and subject to the terms this Agreement.

1.02. *Effectiveness.* Articles of Exchange, and such other documents and instruments as are required by, and complying in all respects with, the BCL shall be delivered to the appropriate state officials for filing. The Exchange shall become effective at the later of 12:01 A.M. on _____,

1995 or the filing of Articles of Exchange in the Department of State of the Commonwealth of Pennsylvania (the "Effective Time").

1.03. *Termination.* Notwithstanding shareholder approval of this Agreement, this Agreement may be terminated at any time prior to the Effective Time by either the Acquiring Person by written notice to the Exchanging Corporation at least ___ days prior to the Effective Time or by the Exchanging Corporation at any time prior to the Effective Time by resolution approved by its Board of Directors.

ARTICLE II

Capital Stock

2.01. *Exchange.* At the Effective Time each share of PP&L Common Stock issued and outstanding immediately prior to the Effective Time shall, by virtue of the Exchange and without any action on the part of the holder thereof, be converted and exchanged into one share of Resources Common Stock and the Acquiring Person shall thereupon have acquired and be the holder of each share of PP&L Common Stock covered and exchanged in the Exchange. No shares of PP&L Common Stock shall cease to exist by reason of such conversion and exchange.

2.02. *Certificates.* Following the Effective Time, each holder of an outstanding certificate or certificates theretofore representing shares of PP&L Common Stock may, but shall not be required to, surrender the same to the Acquiring Person for reissuance of a new certificate or certificates in holders' name or for transfer, and each such holder or transferee will be entitled to receive a certificate or certificates representing the same number of shares of the Acquiring Person. Without any further action on the part of the Exchanging Corporation or the Acquiring Person, each outstanding certificate which, immediately before the Effective Time, represented PP&L Common Stock, shall be deemed and treated for all corporate purposes to represent the ownership of the same number of shares of Resources Common Stock as though a surrender or transfer and exchange had taken place.

2.03. *Cancellation of Resources Common Stock Held by the Exchanging Corporation.* Immediately prior to the Effective Time, each share of Resources Common Stock issued and outstanding immediately before the Effective Time shall be cancelled and thereupon shall constitute an authorized but unissued share, and all rights in respect thereof shall cease. The Exchanging Corporation, as the sole holder of such Resources Common Stock, consents to such cancellation.

ARTICLE III

3.01. *Articles of Incorporation.* At the Effective Time, the Restated Articles of Incorporation of the Exchanging Corporation shall be amended and restated as set forth on Exhibit A hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement and Plan of Exchange as of _____, 1994.

PENNSYLVANIA POWER & LIGHT COMPANY

By: _____
Name:
Title:

PP&L RESOURCES, INC.

By: _____
Name:
Title:

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In Re: Application Of :
Pennsylvania Power & Light :
Company For: :
(1) Pennsylvania Public :
Utility Commission Approval, : Application Docket No.
Pursuant To Chapters 11, :
19 And 21 Of The Pennsylvania :
Public Utility Code, Of :
Certain Transactions And :
Agreements To Be Undertaken :
In Connection With The :
Establishment Of A Holding :
Company Structure, And :
(2) Pennsylvania Public Utility :
Commission Certification :
To The Securities And Exchange :
Commission Pursuant To :
Section 33(a) Of The Public :
Utility Holding Company :
Act Of 1935 :

APPLICATION OF
PENNSYLVANIA POWER & LIGHT COMPANY

David B. MacGregor
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

G. D. Caliendo
Paul E. Russell
Pennsylvania Power & Light Company
Two North Ninth Street
Allentown, PA 18101

Counsel for Pennsylvania
Power & Light Company

OF COUNSEL:

MORGAN, LEWIS & BOCKIUS
2000 One Logan Square
Philadelphia, PA 19103

DATED: March 18, 1994

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In Re: Application Of :
Pennsylvania Power & Light :
Company For: :
(1) Pennsylvania Public :
Utility Commission Approval, : Application Docket No.
Pursuant To Chapters 11, :
19 And 21 Of The Pennsylvania :
Public Utility Code, Of :
Certain Transactions And :
Agreements To Be Undertaken :
In Connection With The :
Establishment Of A Holding :
Company Structure, And :
(2) Pennsylvania Public Utility :
Commission Certification :
To The Securities And Exchange :
Commission Pursuant To :
Section 33(a) Of The Public :
Utility Holding Company :
Act Of 1935 :

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

1. The name and address of the Applicant are:

Pennsylvania Power & Light Company
Two North Ninth Street
Allentown, PA 18101

2. The names and addresses of Applicant's attorneys are:

David B. MacGregor
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103
(215) 963-5448

G. D. Caliendo
Senior Vice President, General Counsel & Secretary
Paul E. Russell
Associate General Counsel
Pennsylvania Power & Light Company
Two North Ninth Street
Allentown, PA 18101
(610) 774-4254

3. Pennsylvania Power & Light Company ("PP&L") is a corporation which was organized on June 4, 1920 under the laws of the Commonwealth of Pennsylvania to exist perpetually. PP&L is subject to the Pennsylvania Associations Code, 15 Pa.C.S. § 101 et seq., including the Pennsylvania Business Corporation Law of 1988, 15 Pa.C.S. § 1101 et seq., for the government and regulation of its affairs. PP&L is vested with lawful authority to supply and is supplying to the public electric light, heat and power service in twenty-nine counties in central eastern Pennsylvania. In providing this service, PP&L is subject to the Public Utility Code ("Code"), 66 Pa.C.S. § 101, et seq., and regulation by the Pennsylvania Public Utility Commission ("Commission") thereunder.

4. PP&L Resources, Inc. ("Resources") is a corporation organized under the Pennsylvania Business Corporation Law of 1988, 15 Pa.C.S. § 1101 et seq. Resources was incorporated on March 15, 1994. Pursuant to the terms of a subscription agreement dated March 16, 1994, Resources, upon appropriate Commission approval, will become a direct wholly-owned subsidiary of PP&L. A copy of this subscription agreement is attached as Appendix A. Thereafter, upon receiving shareholder and other appropriate regulatory approvals, Resources will become the holding company parent of PP&L.

5. After the creation of the holding company structure, PP&L and Resources will be affiliated companies under Chapter 21

of the Code by virtue of Resources' ownership of more than 5% of PP&L's common stock.

6. PP&L owns one-third of the capital stock, which represents one-half of the voting stock, of Safe Harbor Water Power Corporation ("Safe Harbor"). As a result, PP&L is a holding company under the Public Utility Holding Company Act of 1935, 15 U.S.C. § 79, et seq. ("Holding Company Act"). However, because it is predominantly a public utility company whose operations do not extend beyond Pennsylvania, PP&L is exempt from all of the provisions of the Holding Company Act except Section 9(a)(2) thereof. Resources also will be a holding company under the Holding Company Act but will qualify for an exemption because Resources and the electric utility subsidiaries in the holding company group (PP&L and Safe Harbor) are predominantly intrastate in character and carry on their businesses in Pennsylvania where all three companies are organized.

7. At December 31, 1993, PP&L served approximately 1.2 million customers. Attached as Appendix B is a table showing the number of customers, by classes, to whom PP&L furnishes electric utility service.

8. Attached as Appendix C is a balance sheet for PP&L as of December 31, 1993.

9. Attached as Appendix D is an income statement for PP&L for the 12 months ended December 31, 1993.

10. All the annual reports, tariffs, certificates of notification, applications for certificates of valuation, applications for approval of the issuance of securities, and securities certificates, filed with the Commission by PP&L and by its predecessor, constituent, and affiliated companies are made a part hereof by reference.

11. With the passage of the Public Utility Regulatory Policies Act of 1978 ("PURPA"), and the Energy Policy Act of 1992 ("Energy Act"), the electric utility industry in general, and PP&L in particular, have experienced a significant increase in the level of competition in the market for the generation and sale of electricity. PP&L has already been required under PURPA to purchase substantial amounts of energy from non-utility generators. The Energy Act further reduces barriers to market entry for companies that wish to build, own and operate electric generating facilities. The Energy Act also promotes competition by authorizing the Federal Energy Regulatory Commission to require wheeling for wholesale power transactions. The clear intent of the Energy Act is to permit buyers of electricity to reach multiple sellers. The increased competition facing the electric utility industry has been well documented and is undoubtedly the most significant issue facing the industry today.

12. In order to respond effectively to this increased competition, PP&L, after extensive investigation and analysis, has determined that, in addition to responding to competition in

its existing markets, it also must position itself to explore and take advantage of potential business opportunities outside of its present markets in central eastern Pennsylvania. Pursuit of these opportunities will play an important role in maintaining PP&L's long-term financial viability, which is necessary for it to continue to provide reliable service to its retail customers.

13. PP&L is currently investigating a variety of business opportunities, both in domestic and international markets. PP&L has not yet determined what specific investments it will pursue, but is currently focusing on those opportunities which relate to its present core business--the generation, transmission and distribution of electric energy.

14. Initially, these unregulated business activities will be conducted through Power Markets Development Company ("Power Markets"), currently a wholly-owned subsidiary of CEP Group, Inc. ("CEP"), which in turn is a wholly-owned subsidiary of PP&L.^{1/} Power Markets was formed on March 9, 1994, and has been funded with a \$50 million capital contribution from PP&L's internally generated funds, in order to take advantage of business opportunities in the near term. PP&L expects that the amount invested in unregulated business activities may increase over time and anticipates that pursuit of these expanded activities may require the creation of additional subsidiaries.

^{1/} CEP was originally incorporated as a direct wholly-owned subsidiary of PP&L in the late 1960's under the name of Service Development Company ("SDC").

15. PP&L could continue to pursue unregulated business opportunities through Power Markets and other subsidiaries as second-tier subsidiaries of PP&L.^{2/} However, it is more desirable in the long run to conduct these unregulated activities through a holding company structure. The holding company structure is a well-established form of organization for those companies conducting multiple lines of business. It is a common form of organization for unregulated companies and for those regulated companies, e.g., telephone utilities and water utilities, which are not subject to the Holding Company Act. In addition, it is utilized by many electric companies which are involved in unregulated activities. In recognition of the increased competition in the electric utility industry, the Energy Act permits electric utilities to conduct certain business activities which were previously prohibited by the Holding Company Act. PP&L wishes to take advantage of this opportunity, and desires to do so by utilizing the most efficient and effective corporate structure.

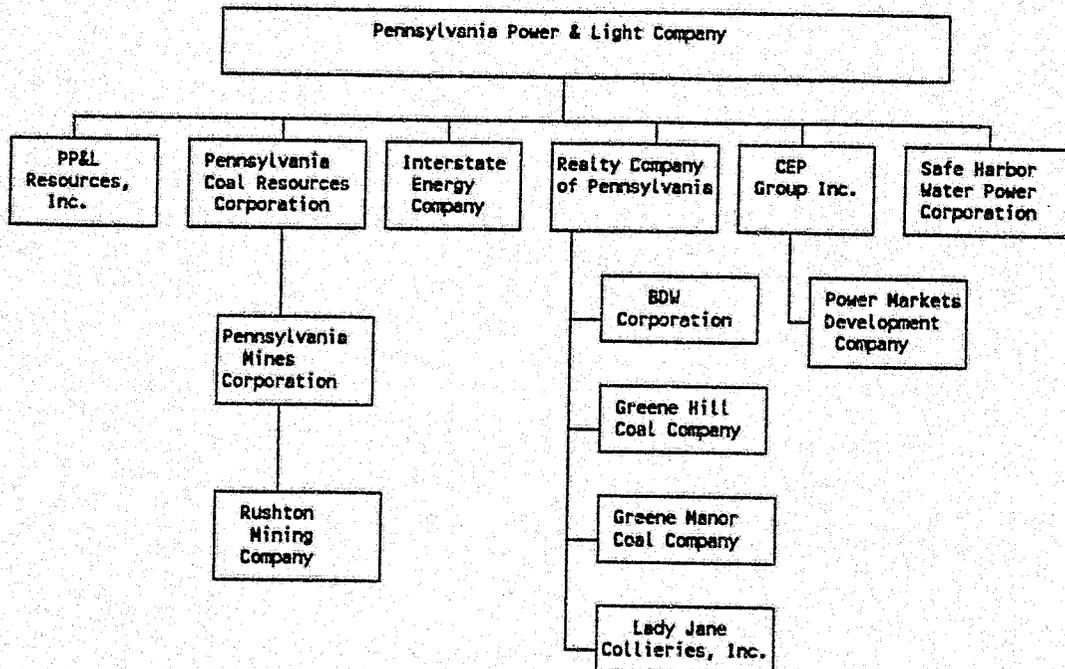
16. The benefits of a holding company structure are well established. The holding company structure fully separates the operations of regulated and unregulated businesses. As a result, it provides maximum protection to ratepayers and a better structure for regulators to assure that there is no cross-subsidization of costs or transfer of business risk from

^{2/} Because PP&L has created Power Markets as a second-tier subsidiary, Commission approval is not required.

unregulated to regulated lines of business. A holding company structure is preferred by the investment community because it is easier to analyze and value individual lines of business. Moreover, the use of a holding company structure provides legal protection against the imposition of liability on regulated utilities for the results of unregulated business activities. In short, the holding company structure is a highly desirable form of conducting regulated and unregulated businesses within the same corporate group.

17. The Commission is quite familiar with holding company structures and their operation. The Commission regulates many utilities which are part of holding company structures, including Citizens Utilities, Inc., Columbia Distribution Company, Duquesne Light Company, Equitable Gas Company, Metropolitan Edison Company, National Fuel Gas Distribution Company, the seven operating gas company subsidiaries of Penn Fuel Gas, Inc., Pennsylvania-American Water Company, Pennsylvania Electric Company, Pennsylvania Gas & Water Company, Pennsylvania Power Company, The Peoples Natural Gas Company, Philadelphia Suburban Water Company, Roaring Creek Water Company and UGI Utilities, Inc. Indeed, most utility operations in Pennsylvania are today conducted within a holding company structure.

18. PP&L's corporate structure immediately prior to the formation of the holding company structure will be as follows:^{3/}

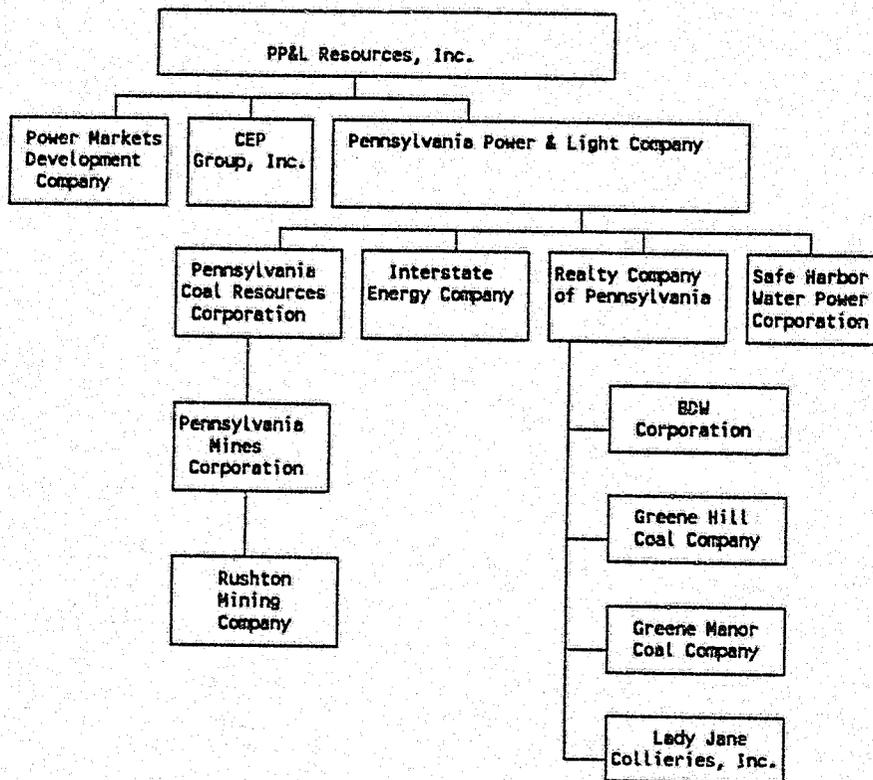


19. The holding company structure will be created through a share exchange, in which all the outstanding common stock of PP&L will be exchanged on a share-for-share basis for common stock of Resources. A summary of the steps entailed in the share exchange is provided in Appendix E. After the share exchange is completed, all of PP&L's common stock will be owned by Resources, and all of Resources' common stock will be owned by the former owners of PP&L's common stock.

^{3/} As explained above, Resources will become a first-tier subsidiary of PP&L upon Commission approval of the subscription agreement attached as Appendix A.

20. Following consummation of the share exchange, PP&L will transfer the common stock of its wholly-owned subsidiary, CEP, to Resources. CEP will then transfer the common stock of its wholly-owned subsidiary, Power Markets, to Resources. It is expected that these transfers will be made in the form of stock dividends.

21. After the above transactions, the new corporate structure will be as follows:



22. Pro forma balance sheets of PP&L and Resources reflecting these transactions are attached as Appendix F. The

transactions will have no pro forma effects on PP&L's or Resources' income statements.

23. The proposed transactions will have no effect on the service provided by PP&L to its customers or the rates charged for that service. PP&L will carefully separate non-regulated and regulated operations to assure that no cross-subsidization of costs or transfer of risk occurs. Services provided between PP&L and Resources, on behalf of itself and its other subsidiaries, will be provided at cost, pursuant to a Services Agreement. A draft of this agreement is attached as Appendix G.

24. The Commission has full authority and resources to protect Pennsylvania jurisdictional customers against any potential adverse consequences associated with unregulated operations. The Commission's authority and resources to address these issues are detailed in paragraph 27 below. The holding company structure proposed in this filing will in no way impair the Commission's ability to protect PP&L's retail customers. Indeed, by providing the maximum separation of regulated and unregulated lines of business, the holding company structure should enhance the Commission's ability to pursue its regulatory functions.

25. In connection with the transactions set forth above, PP&L seeks certain approvals by the Commission under Chapters 11, 19 and 21 of the Code.^{4/}

a. Chapter 11 Approvals. PP&L seeks two Chapter 11 approvals in connection with these transactions. First, the issuance of Resources common stock to PP&L will result in PP&L acquiring more than 5% of the voting capital stock of a corporation. This transaction requires Commission approval under Section 1102(a)(4) of the Code, 66 Pa.C.S. § 1102(a)(4). Second, the share exchange agreement described in Appendix E will result in a change of ownership of PP&L common stock -- from current shareholders to Resources -- and may require approval under Section 1102(a)(3), 66 Pa.C.S. § 1102(a)(3). Section 1102(a)(3) requires Commission approval for the transfer, by any means, of title, possession or use of public utility property used or useful in providing public service. It is the Company's position that the establishment of a holding company structure does not trigger Commission jurisdiction under Chapter 11 because there will be no transfer of the title, possession or use of public utility property. Both before and after the transaction, title, possession and use of all utility property will remain with PP&L. Nor will there be any change in control of this property. PP&L's common stock is currently owned by a large number of individual

^{4/} The establishment of the holding company structure also will require various filings with the Securities and Exchange Commission ("SEC"), the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission.

and institutional shareholders and is actively traded on the New York and Philadelphia Stock Exchanges. After the transaction all PP&L common stock will be owned by Resources, and all Resources common stock will be owned by the former PP&L common shareholders. Thus, ultimate control remains in the hands of the former PP&L common shareholders.

PP&L recognizes, however, that in a recent draft Policy Statement the Commission has interpreted Section 1102 as requiring approval for transactions such as the proposed share exchange. 24 Pa. Bulletin No. 3, p. 389 (Jan. 15, 1994). PP&L submits that Chapter 11 does not apply to the change in ownership of PP&L common stock described in the share exchange agreement. However, in order to avoid delay, to provide the Commission with a full opportunity to review all aspects of this transaction, and because other aspects of this transaction require Commission approval, PP&L requests that Commission approval of this Application be deemed approval under the draft Policy Statement.

b. Chapter 19 Approval. PP&L also seeks registration of a securities certificate in connection with the share exchange agreement described in Appendix E to this Application. The creation of the holding company structure may result in a change in a term of PP&L securities. Specifically, the issuer of the common stock will change from PP&L to Resources. However, this change has no effect on ratepayers, which are the class protected by this statute. Chapter 19 is not a "blue sky" law and is not

intended to protect utility shareholders. York Railways Co. v. Pa. P.U.C., 131 Pa. Super. 126, 198 A. 920 (1938). It is therefore PP&L's view that a securities certificate is not required.^{5/} However, in order to avoid delay, to provide the Commission with a full opportunity to review all aspects of this transaction, and because other aspects of this transaction require Commission approval, PP&L is seeking Commission registration of a securities certificate in connection with the share exchange. The securities certificate for the share exchange is attached as Appendix H.

Section 1903(a) of the Code, 66 Pa.C.S. § 1903(a), provides that a securities certificate will be deemed registered if the Commission has not rejected it within 30 days after filing or extended the period for consideration. PP&L recognizes that this Chapter 19 approval is one part of a larger transaction and that the Commission may not be in a position to rule on PP&L's application within 30 days. Accordingly, PP&L agrees to extend the 30-day consideration period until the Commission acts on this Application, or in the alternative, requests that the Commission issue an order providing for such an extension of the consideration period.

c. Chapter 21 Approvals. PP&L seeks approval of the share exchange agreement described in Appendix E and the Services

^{5/} Shareholder approval of the share exchange will be required under the Pennsylvania Business Corporation Law.

Agreement attached as Appendix G as affiliated interest agreements under Chapter 21 of the Code. At the time the share exchange agreement is presented to PP&L shareholders for approval, Resources will be a first-tier subsidiary of PP&L. Accordingly, PP&L and Resources will not be affiliated interests as that term is defined in the Code. It is, therefore, PP&L's view that approval of the share exchange agreement under Chapter 21 is not required. However, in order to avoid delay, to provide the Commission with a full opportunity to review all aspects of this transaction, and because other aspects of this transaction require Commission approval, PP&L requests that Commission approval of this Application be deemed approval of the share exchange agreement under Chapter 21 of the Code.

Section 2102(b) of the Code, 66 Pa.C.S. § 2102(b), provides that an affiliated interest agreement will be deemed approved if the Commission has not rejected it within 30 days after filing or extended the consideration period. PP&L recognizes that this Chapter 21 approval is one part of a larger transaction and that the Commission may not be in a position to rule on PP&L's application within 30 days. Accordingly, the Company agrees to extend the 30-day consideration period until the Commission acts on this Application or, in the alternative, requests that the Commission issue an order providing for such an extension of the consideration period.

d. Other Commission Approvals. To the extent required, PP&L requests any other Commission approvals required by Title 66 of the Pennsylvania Consolidated Statutes which may be necessary to consummate the transactions described in this Application.

26. In addition to the Chapter 11, 19 and 21 approvals set forth above, PP&L also seeks Commission certification under § 33(a) of the Holding Company Act. Section 33(a) provides that an exempt holding company which owns or operates generation, transmission or distribution facilities in a foreign country will not lose its exemption if the Commission certifies to the SEC that: (1) the Commission has the authority and resources to protect jurisdictional ratepayers; and (2) the Commission intends to exercise that authority. Because Power Markets will likely own or operate generation, transmission or distribution facilities in a foreign country, PP&L is requesting that the Commission issue a Section 33(a) certification so that exempt holding company status can be maintained. A draft certification to the SEC is attached as Appendix I.

27. The Commission clearly meets the criteria set forth in Section 33(a) and should provide the requested certification.

a. Commission Authority. The Commission has ample authority to protect ratepayers subject to its jurisdiction. The Code grants the Commission pervasive powers to, inter alia: investigate public utilities (§ 331); adopt all regulations and

orders necessary to carry out its statutory duties (§ 501(a)); supervise and regulate all public utilities (§ 501(b)); enforce its orders in the state courts (§ 502); obtain information required to value utility property (§ 505); inspect utility facilities and records (§ 506); hear and determine customer complaints against utilities (§ 701); approve the establishment and abandonment of service by public utilities (§§ 1102(a)(1)-(2)); approve the transfer of public utility property (§ 1102(a)(3)); approve the acquisition by a public utility of more than 5% of the voting stock of any corporation (§ 1102(a)(4)); approve the exercise of the power of eminent domain (§ 1104); establish just and reasonable rates (§ 1301); prevent unreasonable rate discrimination (§ 1304); fix the fair value of utility property (§ 1311); order refunds (§ 1312); ensure adequate, safe, efficient facilities and service (§ 1501); prevent discrimination in service (§ 1502); establish accounting and depreciation systems (§§ 1701, 1703); require maintenance of continuing property records (§ 1702); approve the issuance and assumption of securities (§§ 1901-1903); pre-approve affiliated interest agreements (§§ 2101-2107); and impose civil penalties (§ 3301) and seek criminal prosecution (§ 3302) for violations of its regulations and orders. Taken together, these and other provisions of the Code provide the Commission with broad authority to protect Pennsylvania ratepayers from any potential adverse consequences of any unregulated business activities, including foreign investments by affiliated companies.

b. Commission Resources. The Commission also has sufficient resources to exercise this authority on behalf of ratepayers. The Commission has an annual budget of over \$32 million to fund its regulatory oversight of the Commonwealth's public utilities. PUC Annual Report 1991-92, at 5. It has a staff of 581 employees, including attorneys, rate analysts, auditors, economists, engineers and enforcement officers. PUC Annual Report 1991-92, at 4.

The Commission's recent activities demonstrate that it will exercise its authority to protect customers. For example, during the 1991-92 fiscal year, the Commission completed 72 fixed utility rate cases, 187 audits and 14 Management Audits, and responded to 7,522 consumer complaints, 13,221 mediation requests and more than 5,000 consumer inquiries. PUC Annual Report 1991-92, at 1.

Moreover, the regulation of utilities which are part of a holding company structure is not new to the Commission. Most of the major utilities regulated by the Commission are part of holding companies (see paragraph 17, supra). The Commission is well versed in dealing with holding companies and is fully capable of assuring that jurisdictional utility customers are protected against any cross-subsidization of costs or transfer of risk which might occur.

c. Conclusion. The Commission has the authority, resources and experience to protect Pennsylvania ratepayers from

any potential adverse consequences of foreign investments by PP&L and/or its affiliated companies and should so certify to the SEC.

28. PP&L is providing notice of this filing to all of its customers through an insert in each customer's April bill. In addition, the Company has provided a copy of the application to the Office of Consumer Advocate, the Office of Small Business Advocate, the Commission's Office of Trial Staff and counsel for the Lehigh Valley Power Committee -- a group of large industrial customers that traditionally participates in Commission proceedings involving PP&L.

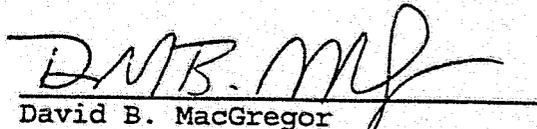
29. PP&L submits that this Application is in the public interest and should be approved. Competition in the electric utility industry is now a reality and must be faced directly. To compete on a fair and level playing field, PP&L must compete aggressively in its own service territory. PP&L also must explore opportunities in other markets to maintain the long-term financial viability necessary to provide reliable service to its retail customers in a competitive environment. The proposed holding company structure will permit PP&L to explore and enter the world-wide power market in a way that provides the maximum protection to its Pennsylvania customers.

30. PP&L requests expedited review of this Application. The electric utility industry is evolving rapidly, and there is an ever-increasing level of competition in the generation and sale of power. PP&L believes that it must move quickly to become

involved in the new electric marketplace and take advantage of emerging business opportunities. In addition, the use of a holding company structure is quite common in Pennsylvania and the Commission is well versed in dealing with holding companies. PP&L recognizes, however, that this Application is one of first impression and may raise public interest considerations that require Commission review. In an effort to balance its desire for timely action with the need for adequate review, PP&L respectfully requests that the Commission enter a final order approving this Application as expeditiously as possible.

WHEREFORE, for the reasons set forth above, Pennsylvania Power & Light Company requests that the Pennsylvania Public Utility Commission approve this Application, grant all of the specific approvals requested under Chapters 11, 19 and 21 of the Public Utility Code and any other Commission approvals which may be required by Title 66 of the Pennsylvania Consolidated Statutes to consummate the transactions described in this Application, and provide to the Securities and Exchange Commission the certification described in Section 33(a) of the Public Utility Holding Company Act of 1935.

Respectfully submitted,



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Morgan, Lewis & Bockius
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OF COUNSEL:

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DATED: March 18, 1994

Pennsylvania Power & Light Company
Holding Company Application
List of Appendices

<u>Appendix</u>	<u>Description</u>
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SUBSCRIPTION AGREEMENT

THIS AGREEMENT is made this 16th day of March, 1994, by and between PP&L Resources, Inc., a Pennsylvania corporation (the "Corporation"), and Pennsylvania Power & Light Company, a Pennsylvania corporation (the "Subscriber"), with reference to the following Recitals:

RECITALS

A. The Corporation was incorporated on March 15, 1994, under the laws of the Commonwealth of Pennsylvania.

B. At the date hereof no shares of the Capital Stock of the Corporation have been issued.

C. The Subscriber desires to purchase shares of the Corporation on the terms hereinafter set forth.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Upon receipt of appropriate approval of the Pennsylvania Public Utility Commission, the Corporation will authorize and issue to the Subscriber, and the Subscriber will purchase from the Corporation at the price of \$1.00 per share, 100 shares of Capital Stock of the Corporation.

2. The payment for the shares shall be made upon receipt of a certificate or certificates evidencing issue to the Subscriber of the appropriate number of fully paid and nonassessable shares of the Corporation.

3. The Subscriber acknowledges the following: The shares subscribed for hereunder may be deemed a "security" within the meaning of the act of December 5, 1972 (P.L. 1280, No. 284), known as the Pennsylvania Securities Act of 1972 (the "Pa. Securities Act"), and will be issued to the undersigned on the basis of an exemption from registration afforded by Section 203(f) of the Pa. Securities Act. Section 207(m) of the Pa. Securities Act provides that "[e]ach person who accepts an offer to purchase securities exempted from registration by Section 203(f) . . . directly from an issuer . . . shall have the right to withdraw his acceptance without incurring any liability to the seller, underwriter (if any) or any other person, within two business days from the date of receipt by the issuer of his written binding contract of purchase or, in the case of a transaction in which there is no written binding contract of purchase . . . within two business days after he makes the initial payment for the securities being offered." If the undersigned desires to withdraw in accordance with the foregoing, the undersigned must:

(i) cause a written notice of the undersigned's intention to withdraw to be received by the Corporation at Two North Ninth Street, Allentown, PA 18101-1179, or

(ii) deliver such notice of intention to withdraw to a telegraph office or other message service for transmittal to the above Corporation at the foregoing address, or

(iii) deposit such notice to withdraw in the United States mails (either registered or certified mail) addressed to the Corporation at the foregoing address,

within two business days from the date this Subscription Agreement as executed by the undersigned is accepted by the Corporation. All telegraph, postage or other transmittal fees shall be paid by the undersigned.

4. The Subscriber hereby represents and warrants to the Corporation that the shares subscribed for hereunder are being acquired by the Subscriber for investment and not with a view to the distribution or resale thereof, the effect of which is that such shares must be held indefinitely unless subsequently registered under the Securities Act of 1933, as amended, or an exemption from such registration is available.

5. The Subscriber hereby agrees that certificates representing shares subscribed for hereunder may bear the following legend:

THE SHARES REPRESENTED BY THIS
CERTIFICATE HAVE NOT BEEN REGISTERED UNDER
THE SECURITIES ACT OF 1933. SUCH SHARES HAVE
BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE
SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED IN
THE ABSENCE OF AN EFFECTIVE REGISTRATION
STATEMENT FOR SUCH SHARES UNDER THE
SECURITIES ACT OF 1933, UNLESS, IN THE
OPINION (WHICH SHALL BE IN FORM AND SUBSTANCE
SATISFACTORY TO THE CORPORATION) OF COUNSEL
SATISFACTORY TO THE CORPORATION, SUCH
REGISTRATION IS NOT REQUIRED.

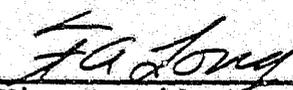
6. This agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without giving effect to the principles of conflicts of law thereof.

IN WITNESS WHEREOF, the parties have executed this agreement as of the date first above written.

Pennsylvania Power & Light
Company

By: 
Senior Vice President,
General Counsel and
Secretary

PP&L Resources, Inc.

By: 
Vice President, Treasurer
and Secretary

Year-end 1993 Customers

Residential	1,059,690
General Service (GS-1,GS-3 GH, Sttg.,BL)	142,466
LP-4	830
LP-5	<u>126</u>
PPUC	1,203,112
FERC	<u>19</u>
Total System	1,203,131

CONSOLIDATED BALANCE SHEET AT DECEMBER 31

Pennsylvania Power & Light Company and Subsidiaries

Assets	1993	1992
	<i>(Thousands of Dollars)</i>	
Property, Plant and Equipment		
Electric utility plant in service—at original cost.....	\$8,912,473	\$8,591,544
Accumulated depreciation (Notes 1 and 10).....	(2,666,967)	(2,495,972)
Deferred depreciation (Notes 1 and 10)	282,115	296,285
	<u>6,507,621</u>	<u>6,391,857</u>
Construction work in progress—at cost	238,600	211,534
Nuclear fuel owned and leased—net of amortization (Note 9)	174,979	174,388
Other leased property—net of amortization (Note 9)	75,630	76,974
	<u>6,996,830</u>	<u>6,854,733</u>
Electric utility plant—net	6,996,830	6,854,733
Other property—net of depreciation, amortization and depletion (1993, \$49,166; 1992, \$64,286)	148,751	164,771
	<u>7,145,581</u>	<u>7,019,504</u>
Investments		
Associated company—at equity	17,069	17,088
Nuclear plant decommissioning trust fund (Notes 1 and 6).....	76,913	65,159
Financial investments (Notes 1 and 7)	140,569	121,500
Other—at cost or less (Note 7)	31,249	33,857
	<u>285,800</u>	<u>237,404</u>
Current Assets		
Cash and cash equivalents (Note 1)	8,271	15,110
Accounts receivable (less reserve: 1993, \$29,429; 1992, \$27,660)		
Customers	183,364	184,149
Interchange power sales		7,261
Other	17,502	14,128
Unbilled revenues.....	120,589	109,906
Fuel (coal and oil)—at average cost	95,702	142,374
Materials and supplies—at average cost	125,676	139,360
Common stock held for dividend reinvestment plan—at cost (Note 8)	15,937	14,383
Deferred income taxes (Note 5).....	12,688	6,776
Other	37,083	52,153
	<u>616,812</u>	<u>685,600</u>
Deferred Debits		
Utility plant carrying charges—net of amortization (Notes 1 and 10).....	24,097	24,965
Reacquired debt costs (Notes 1 and 10).....	101,836	78,917
Assessment for decommissioning uranium enrichment facilities (Notes 3 and 10).....	33,710	38,925
Retired miners' health care benefits (Notes 3 and 10).....	24,096	38,600
Taxes recoverable through future rates (Notes 5 and 10).....	1,166,118	
Postretirement benefits other than pensions (Notes 10 and 13).....	14,855	
Other.....	61,208	69,853
	<u>1,425,920</u>	<u>249,260</u>
	<u>\$8,454,113</u>	<u>\$8,191,768</u>

See accompanying Notes to Financial Statements.

Liabilities	1993	1992
	<i>(Thousands of Dollars)</i>	
Capitalization		
Common equity		
Common stock	\$1,370,783	\$1,364,148
Capital stock expense	(10,908)	(11,989)
Earnings reinvested	<u>1,065,958</u>	<u>1,014,780</u>
	<u>2,425,835</u>	<u>2,366,939</u>
Preferred and preference stock		
With sinking fund requirements	335,000	325,600
Without sinking fund requirements	171,375	223,612
Long-term debt	<u>2,618,031</u>	<u>2,620,720</u>
	<u>5,550,241</u>	<u>5,536,871</u>
Current Liabilities		
Commercial paper (Note 12)	117,000	67,000
Bank loans (Note 12)	85,260	92,348
Long-term debt due within one year	44,539	6,439
Capital lease obligations due within one year (Note 9)	78,740	86,299
Accounts payable	156,992	147,001
Taxes accrued	62,721	63,067
Interest accrued	60,373	59,429
Dividends payable	70,410	70,556
Accrued mine closing costs - current	7,842	20,296
Other	<u>88,791</u>	<u>91,105</u>
	<u>772,668</u>	<u>704,140</u>
Deferred Credits and Other Noncurrent Liabilities		
Deferred investment tax credits (Note 5)	242,317	255,823
Deferred income taxes (Note 5)	2,269,648	1,079,744
Capital lease obligations (Note 9)	170,285	164,159
Unamortized cost of power plant spare parts (Note 3)	51,147	75,457
Accrued nuclear plant decommissioning costs (Notes 1 and 6)	78,947	67,435
Accrued mine closing costs	55,876	61,841
Contract settlement proceeds to be credited to customers (Note 3).....	43,894	55,794
Accrued pension costs (Note 13).....	92,024	73,902
Accrued assessment for decommissioning uranium enrichment facilities (Note 3).....	31,871	39,600
Accrued retired miners' health care benefits (Note 3).....	38,751	36,600
Accrued postretirement benefits other than pensions and postemployment benefits (Note 13).....	9,862	
Other.....	<u>46,582</u>	<u>40,402</u>
	<u>3,131,204</u>	<u>1,850,757</u>
Commitments and Contingent Liabilities (Note 15)		
	<u>\$9,454,113</u>	<u>\$8,191,768</u>

See accompanying Notes to Financial Statements.

PENNSYLVANIA POWER & LIGHT COMPANY
BALANCE SHEET ACCOUNTS
ASSETS AND OTHER DEBITS

ACCT. NO.	<u>TITLE OF ACCOUNT</u>	<u>DECEMBER 31, 1993</u>
	UTILITY PLANT	
101	UTILITY PLANT IN SERVICE	\$8,879,801,553.46
101.1	PROPERTY UNDER CAPITAL LEASES	75,629,908.33
105	UTILITY PLANT HELD FOR FUTURE USE	32,871,545.37
107	CONSTRUCTION WORK IN PROGRESS	238,600,081.26
	GROSS UTILITY PLANT	9,226,703,068.42
108/111	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF UTILITY PLANT IN SERVICE	(2,404,852,089.81)
	NET UTILITY PLANT, LESS NUCLEAR FUEL	6,821,850,978.61
120.1	NUCLEAR FUEL IN PROCESS	1,584,283.03
120.6	NUCLEAR FUEL UNDER CAPITAL LEASES	173,394,572.08
	NET UTILITY PLANT	6,996,828,833.92
	OTHER PROPERTY AND INVESTMENTS	
121	NONUTILITY PROPERTY	3,633,847.80
122	ACCUMULATED PROVISION FOR DEPRECIATION OF NONUTILITY PROPERTY	(401,494.14)
	NET NONUTILITY PROPERTY	3,232,353.66
123.1	INVESTMENT IN SUBSIDIARY COMPANIES	49,044,411.79
124	OTHER INVESTMENTS	22,239,961.31
128	OTHER SPECIAL FUNDS	101,705,547.98
	TOTAL OTHER PROPERTY AND INVESTMENTS	176,222,274.74
	CURRENT AND ACCRUED ASSETS	
131	CASH	2,197,909.17
132	INTEREST SPECIAL DEPOSITS	2,451.96
134	OTHER SPECIAL DEPOSITS	575.00
135	WORKING FUNDS	1,522,408.06
	NOTES AND ACCOUNTS RECEIVABLE	
141	NOTES RECEIVABLE	10,169.67
142	CUSTOMER ACCOUNTS RECEIVABLE	212,600,102.63
143	OTHER ACCOUNTS RECEIVABLE	9,870,263.67
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS-CREDIT	(29,429,084.29)
	TOTAL NOTES AND ACCOUNTS RECEIVABLE	193,051,451.68
	RECEIVABLES FROM ASSOCIATED COMPANIES	
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	67,161,248.50
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	835,190.95
	TOTAL RECEIVABLES FROM ASSOCIATED COMPANIES	67,996,439.45
	MATERIALS AND SUPPLIES	
151	FUEL STOCK	94,843,052.38
152	FUEL STOCK EXPENSES UNDISTRIBUTED	621,594.40
154	PLANT MATERIALS AND OPERATING SUPPLIES	124,133,045.81
163	STORES EXPENSE UNDISTRIBUTED	1,516,098.35
	TOTAL MATERIALS AND SUPPLIES	\$221,213,790.74

PENNSYLVANIA POWER & LIGHT COMPANY
BALANCE SHEET ACCOUNTS
ASSETS AND OTHER DEBITS

ACCT. NO.	<u>TITLE OF ACCOUNT</u>	<u>DECEMBER 31, 1993</u>
	CURRENT AND ACCRUED ASSETS (CONTINUED)	
165	PREPAYMENTS	\$8,898,098.95
	OTHER CURRENT AND ACCRUED ASSETS	
171	INTEREST AND DIVIDENDS RECEIVABLE	98,133.04
172	RENTS RECEIVABLE	7,125,133.83
173	ACCRUED UTILITY REVENUES	120,589,054.31
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	15,581,339.76
190	ACCUMULATED DEFERRED INCOME TAXES (CURRENT)	28,119,715.00
	TOTAL OTHER CURRENT AND ACCRUED ASSETS	<u>171,512,975.94</u>
	TOTAL CURRENT AND ACCRUED ASSETS	<u>686,398,100.95</u>
	DEFERRED DEBITS	
181	UNAMORTIZED DEBT EXPENSE	3,957,157.12
182.3	OTHER REGULATORY ASSETS	1,559,707,432.52
183	PRELIMINARY SURVEY AND INVESTIGATION CHARGES	1,088,807.19
184	CLEARING ACCOUNTS	(241,891.86)
185	TEMPORARY FACILITIES	(7,549.91)
186	MISCELLANEOUS DEFERRED DEBITS	28,388,178.91
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	101,836,052.00
190	ACCUMULATED DEFERRED INCOME TAXES	329,353,200.00
	LESS CURRENT ACCUMULATED DEFERRED INCOME TAXES	28,119,715.00
	TOTAL ACCUMULATED DEFERRED INCOME TAXES (NONCURRENT)	<u>301,233,485.00</u>
	TOTAL DEFERRED DEBITS	<u>1,985,959,670.97</u>
	TOTAL ASSETS AND OTHER DEBITS	<u>\$9,835,407,880.58</u>

PENNSYLVANIA POWER & LIGHT COMPANY
BALANCE SHEET ACCOUNTS
LIABILITIES AND OTHER CREDITS

ACCT. NO.	<u>TITLE OF ACCOUNT</u>	<u>DECEMBER 31, 1993</u>
	PROPRIETARY CAPITAL	
201	COMMON STOCK ISSUED	\$1,370,782,933.48
204	PREFERRED STOCK ISSUED	506,374,560.00
207	PREMIUM ON CAPITAL STOCK	87,000.00
214	CAPITAL STOCK EXPENSE	(10,993,425.71)
216	EARNINGS REINVESTED	1,046,908,545.98
215.1	APPROPRIATED RETAINED EARNINGS-AMORTIZATION RESERVE-FEDERAL	3,062,823.32
218.1	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS	13,985,511.31
	TOTAL PROPRIETARY CAPITAL	<u>2,932,208,888.38</u>
	LONG-TERM DEBT	
221	BONDS	2,673,750,000.00
224	OTHER LONG-TERM DEBT	77,480.00
225	UNAMORTIZED PREMIUM ON LONG-TERM DEBT	124,688.84
226	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT-DEBIT	(24,981,722.85)
		<u>2,646,970,443.99</u>
	LESS AMOUNT DUE WITHIN ONE YEAR	
221	BONDS	30,900,000.00
224	OTHER LONG-TERM DEBT	38,740.00
		<u>30,938,740.00</u>
	TOTAL LONG-TERM DEBT	<u>2,618,031,703.99</u>
	OTHER NONCURRENT LIABILITIES	
227	OBLIGATIONS UNDER CAPITAL LEASES-NONCURRENT	170,284,913.32
	TOTAL OTHER NONCURRENT LIABILITIES	<u>170,284,913.32</u>
	CURRENT AND ACCRUED LIABILITIES	
	LONG-TERM DEBT DUE WITHIN ONE YEAR	
221	BONDS	30,900,000.00
224	OTHER LONG-TERM DEBT	38,740.00
229	ACCUMULATED PROVISION FOR RATE REFUNDS	12,745,756.00
231	NOTES PAYABLE	117,000,000.00
232	ACCOUNTS PAYABLE	146,759,360.05
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	2,459,499.92
235	CUSTOMER DEPOSITS	1,108,943.29
236	TAXES ACCRUED	61,390,033.12
237	INTEREST ACCRUED	59,564,144.36
238	DIVIDENDS DECLARED	70,409,819.38
240	MATURED INTEREST	2,451.96
241	TAX COLLECTIONS PAYABLE	4,424,617.86
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	73,920,437.11
243	OBLIGATIONS UNDER CAPITAL LEASES-CURRENT	78,739,567.09
283	ACCUMULATED DEFERRED INCOME TAXES-OTHER (CURRENT)	17,375,117.00
	TOTAL CURRENT AND ACCRUED LIABILITIES	<u>\$676,838,487.14</u>

PENNSYLVANIA POWER & LIGHT COMPANY
 BALANCE SHEET ACCOUNTS
 LIABILITIES AND OTHER CREDITS

<u>ACCT. NO.</u>	<u>TITLE OF ACCOUNT</u>	<u>DECEMBER 31, 1993</u>
	DEFERRED CREDITS	
228.4	ACCRUED MISCELLANEOUS OPERATING PROVISION—D&D FUND	\$31,870,800.00
252	CUSTOMER ADVANCES FOR CONSTRUCTION	35,716.69
253	OTHER DEFERRED CREDITS	235,728,777.40
254	OTHER REGULATORY LIABILITIES	364,021,256.36
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	239,940,390.30
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED AMORTIZATION PROPERTY	622,160.00
282	ACCUMULATED DEFERRED INCOME TAXES-OTHER PROPERTY	1,927,038,194.00
283	ACCUMULATED DEFERRED INCOME TAXES-OTHER	656,161,710.00
	LESS ACCUMULATED DEFERRED INCOME TAXES-OTHER (CURRENT)	17,375,117.00
	TOTAL ACCUMULATED DEFERRED INCOME TAXES-OTHER (NONCURRENT)	<u>638,786,593.00</u>
	TOTAL DEFERRED CREDITS	<u>3,438,043,887.75</u>
	TOTAL LIABILITIES AND OTHER CREDITS	<u>\$9,835,407,880.58</u>

CONSOLIDATED STATEMENT OF INCOME
Pennsylvania Power & Light Company and Subsidiaries

	1993	1992	1991
	<i>(Thousands of Dollars)</i>		
Operating Revenues (Notes 1, 2, 3 and 4).....	<u>\$2,727,002</u>	<u>\$2,744,122</u>	<u>\$2,740,715</u>
Operating Expenses			
Operation			
Fuel.....	508,900	545,381	588,325
Power purchases.....	278,800	275,499	258,320
Other.....	480,482	452,999	481,921
Maintenance.....	193,242	201,254	208,881
Depreciation (Notes 1 and 10).....	271,390	258,357	248,212
Amortized (deferred) depreciation (Notes 1 and 10).....	14,249	3,563	(7,047)
Income taxes (Note 5).....	235,164	228,340	217,368
Taxes, other than income (Note 5).....	203,987	205,318	190,428
	<u>2,164,194</u>	<u>2,170,691</u>	<u>2,158,384</u>
Operating Income.....	<u>562,808</u>	<u>573,431</u>	<u>582,331</u>
Other Income and (Deductions)			
Allowance for equity funds used during construction (Note 1).....	7,981	6,771	2,981
Income tax credits (expense) (Note 5).....	1,280	(322)	903
Other—net.....	8,700	12,337	7,816
	<u>17,961</u>	<u>18,786</u>	<u>11,480</u>
Income Before Interest Charges.....	<u>580,769</u>	<u>592,217</u>	<u>593,811</u>
Interest Charges			
Long-term debt.....	225,800	240,260	232,092
Short-term debt and other.....	14,443	13,402	22,254
Allowance for borrowed funds used during construction and interest capitalized (Note 1).....	(7,600)	(8,169)	(8,949)
	<u>232,643</u>	<u>245,493</u>	<u>245,397</u>
Net Income.....	<u>348,126</u>	<u>346,724</u>	<u>348,414</u>
Dividends on Preferred and Preference Stock.....	33,885	40,495	44,887
Earnings Applicable to Common Stock.....	<u>\$314,241</u>	<u>\$306,229</u>	<u>\$303,727</u>
Earnings Per Share of Common Stock (a).....	<u>\$2.07</u>	<u>\$2.02</u>	<u>\$2.01</u>
Average Number of Shares Outstanding (thousands).....	151,904	151,676	151,382
Dividends Declared Per Share of Common Stock.....	\$1.65	\$1.60	\$1.55

(a) Based on average number of shares outstanding.

See accompanying Notes to Financial Statements.

PENNSYLVANIA POWER & LIGHT COMPANY
STATEMENT OF INCOME
TWELVE MONTHS ENDED DECEMBER 31, 1993

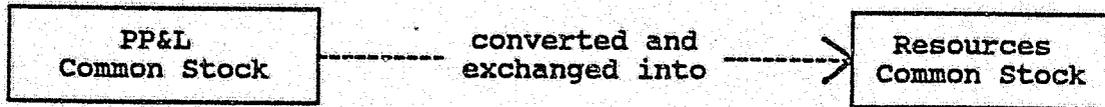
ACCT. NO.		
	UTILITY OPERATING INCOME	
400	OPERATING REVENUES	<u>\$2,725,738,679.51</u>
	OPERATING EXPENSES	
401	OPERATION EXPENSES	1,258,902,122.91
402	MAINTENANCE EXPENSES	230,502,908.81
403/406	DEPRECIATION EXPENSES AND AMORTIZATION OF ELECTRIC PLANT ACQUISITION ADJUSTMENTS	285,371,766.67
407.4	REGULATORY CREDITS	(51,833,003.72)
408.1	TAXES OTHER THAN INCOME TAXES	
	STATE GROSS RECEIPTS	98,173,129.00
	STATE CAPITAL STOCK	35,943,121.00
	STATE UTILITY REAL ESTATE	45,282,599.00
	OTHER	24,431,944.27
409.1	INCOME TAXES	
	FEDERAL	162,565,830.00
	STATE	63,009,637.00
410.1	PROVISION FOR DEFERRED INCOME TAXES	
	FEDERAL	103,373,793.00
	STATE	21,416,358.00
411.1	PROVISION FOR DEFERRED INCOME TAXES-CREDIT	
	FEDERAL	(80,536,528.00)
	STATE	(21,041,470.00)
411.4	INVESTMENT TAX CREDIT ADJUSTMENT-NET	(13,369,711.00)
411.7	LOSSES FROM DISPOSITION OF UTILITY PLANT	15,987.76
411.8	GAINS FROM DISPOSITION OF EMISSION ALLOWANCES	(408,848.53)
	TOTAL UTILITY OPERATING EXPENSES	<u>2,161,799,616.17</u>
	NET UTILITY OPERATING INCOME	<u>563,939,063.34</u>
	OTHER INCOME AND DEDUCTIONS	
	OTHER INCOME	
418	NONOPERATING RENTAL INCOME	(58,585.38)
418.1	EQUITY IN EARNINGS OF SUBSIDIARY COMPANIES	5,353,535.35
419	INTEREST AND DIVIDEND INCOME	3,869,728.49
419.1	ALLOWANCE FOR EQUITY FUNDS USED DURING CONSTRUCTION	7,981,293.22
421	MISCELLANEOUS NONOPERATING INCOME	42,885.19
421.1	GAIN ON DISPOSITION OF PROPERTY	220,041.18
	TOTAL OTHER INCOME	<u>17,408,896.05</u>
	OTHER INCOME DEDUCTIONS	
421.2	LOSS ON DISPOSITION OF PROPERTY	40,658.94
426.1-426.5	MISCELLANEOUS INCOME DEDUCTIONS	8,548,083.66
	TOTAL OTHER INCOME DEDUCTIONS	<u>\$6,588,742.62</u>

PENNSYLVANIA POWER & LIGHT COMPANY
STATEMENT OF INCOME
TWELVE MONTHS ENDED DECEMBER 31, 1993

ACCT. NO.		
	OTHER INCOME AND DEDUCTIONS (CONTINUED)	
	TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS	
408.2	TAXES OTHER THAN INCOME TAXES	\$84,000.00
409.2	INCOME TAXES	
	FEDERAL	(355,212.00)
	STATE	(142,413.00)
410.2/411.2	PROVISION FOR DEFERRED INCOME TAXES-NET	
	FEDERAL	(1,393,306.00)
	STATE	(555,436.00)
	TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS	<u>(2,362,367.00)</u>
	NET OTHER INCOME AND DEDUCTIONS	<u>13,182,520.43</u>
	INCOME BEFORE INTEREST CHARGES	<u>577,121,583.77</u>
	INTEREST CHARGES	
427	INTEREST ON LONG-TERM DEBT	224,415,520.30
428	AMORTIZATION OF DEBT DISCOUNT AND EXPENSE	1,840,759.98
428.1	AMORTIZATION OF LOSS ON REACQUIRED DEBT	5,237,178.14
429	AMORTIZATION OF PREMIUM ON DEBT-CREDIT	(42,965.04)
431	OTHER INTEREST CHARGES	4,545,176.51
432	ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION	(6,999,869.83)
	NET INTEREST CHARGES	<u>228,995,800.04</u>
	NET INCOME	<u>\$348,125,783.73</u>

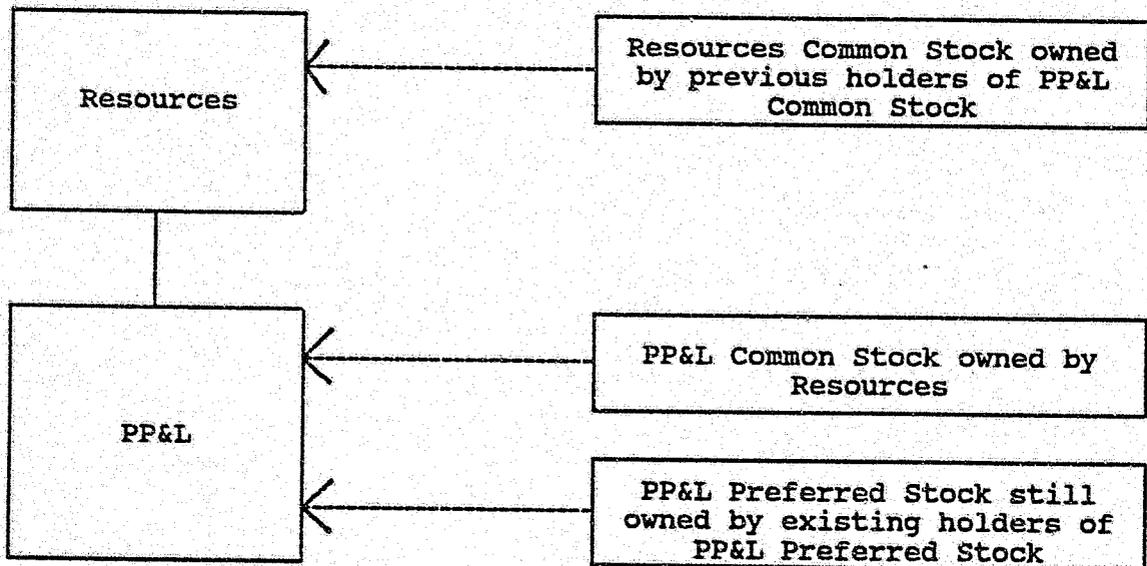
Steps Entailed in Resources - PP&L Share Exchange

1. Under the share exchange agreement, all outstanding Common Stock of PP&L will be exchanged and converted into Common Stock of Resources.



2. As a result, PP&L will become a subsidiary of Resources.

3. Following consummation of the share exchange, the former shareholders of PP&L Common Stock will own Common Stock of Resources. Resources, in turn, will own all the Common Stock of PP&L. The outstanding Preferred Stock of PP&L will be unaffected by the plan of exchange. Therefore, existing holders of PP&L Preferred Stock will remain holders of PP&L Preferred Stock following consummation of the share exchange. The corporate stock ownership of Resources and PP&L will be as follows:



PP&L Resources, Inc.
Pro Forma Balance Sheet

	Actual <u>December 31, 1993</u>	Adjustments	Pro Forma <u>December 31, 1993</u>
ASSETS			
Investments in Subsidiary Companies—			
Pennsylvania Power & Light Company	\$0.00	\$2,425,834,388.38 (1) (\$81,724,065.13) (2)	\$2,344,110,323.25
CEP Group, Inc.	0.00	81,724,065.13 (2) (50,000,000.00) (3)	31,724,065.13
Power Markets Development Company	0.00	50,000,000.00 (3)	50,000,000.00
Total Assets	<u>\$0.00</u>	<u>\$2,425,834,388.38</u>	<u>\$2,425,834,388.38</u>
EQUITY			
Common Stock Issued	<u>\$0.00</u>	<u>\$2,425,834,388.38 (1)</u>	<u>\$2,425,834,388.38</u>
Total Equity	<u>\$0.00</u>	<u>\$2,425,834,388.38</u>	<u>\$2,425,834,388.38</u>

(1) To reflect the stock exchange agreement in which PP&L shareholders transfer their common stock to PP&L Resources, Inc.

(2) To reflect the dividend distribution by PP&L of its common stock and equity investment in CEP Group, Inc. to PP&L Resources, Inc.

(3) To reflect the dividend distribution by CEP Group, Inc. of its common stock and equity investment in Power Markets Development Company to PP&L Resources, Inc.

PENNSYLVANIA POWER & LIGHT COMPANY
BALANCE SHEET ACCOUNTS
ASSETS AND OTHER DEBITS

ACCT. NO.	TITLE OF ACCOUNT	ACTUAL DECEMBER 31, 1993	ADJUSTMENTS	PRO FORMA DECEMBER 31, 1993
101	UTILITY PLANT			
101.1	UTILITY PLANT IN SERVICE	94,879,001,553.46		94,879,001,553.46
105	PROPERTY UNDER CAPITAL LEASES	75,629,908.33		75,629,908.33
107	UTILITY PLANT HELD FOR FUTURE USE	32,871,545.37		32,871,545.37
	CONSTRUCTION WORK IN PROGRESS	239,000,061.26		239,000,061.26
	GROSS UTILITY PLANT	9,228,703,068.42		9,228,703,068.42
108/111	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF UTILITY PLANT IN SERVICE	(2,404,852,069.81)		(2,404,852,069.81)
	NET UTILITY PLANT, LESS NUCLEAR FUEL	6,821,850,978.81		6,821,850,978.81
120.1	NUCLEAR FUEL IN PROCESS	1,584,283.03		1,584,283.03
120.6	NUCLEAR FUEL UNDER CAPITAL LEASES	173,384,572.08		173,384,572.08
	NET UTILITY PLANT	8,989,829,833.92		8,989,829,833.92
	OTHER PROPERTY AND INVESTMENTS			
121	NONUTILITY PROPERTY	3,633,847.80		3,633,847.80
122	ACCUMULATED PROVISION FOR DEPRECIATION OF NONUTILITY PROPERTY	(401,494.14)		(401,494.14)
123.1	NET NONUTILITY PROPERTY	3,232,353.66		3,232,353.66
	INVESTMENT IN SUBSIDIARY COMPANIES	49,044,411.79	\$50,000,000.00 (1)	17,320,346.69
	OTHER INVESTMENTS	22,239,981.31	(81,724,065.13) (2)	22,239,981.31
126	OTHER SPECIAL FUNDS	101,705,547.96		101,705,547.96
	TOTAL OTHER PROPERTY AND INVESTMENTS	176,222,274.74	(31,724,065.13)	144,498,209.61
	CURRENT AND ACCRUED ASSETS			
131	CASH	2,197,909.17		2,197,909.17
132	INTEREST SPECIAL DEPOSITS	2,451.96		2,451.96
134	OTHER SPECIAL DEPOSITS	575.00		575.00
135	WORKING FUNDS	1,522,408.08		1,522,408.08
	NOTES AND ACCOUNTS RECEIVABLE			
141	NOTES RECEIVABLE	10,199.87		10,199.87
142	CUSTOMER ACCOUNTS RECEIVABLE	212,600,102.63		212,600,102.63
143	OTHER ACCOUNTS RECEIVABLE	9,670,263.67		9,670,263.67
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS-CREDIT	(28,429,084.29)		(28,429,084.29)
	TOTAL NOTES AND ACCOUNTS RECEIVABLE	193,051,451.88		193,051,451.88
	RECEIVABLES FROM ASSOCIATED COMPANIES			
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	67,161,248.50		67,161,248.50
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	835,190.93		835,190.93
	TOTAL RECEIVABLES FROM ASSOCIATED COMPANIES	67,996,439.43		67,996,439.43
	MATERIALS AND SUPPLIES			
151	FUEL STOCK	94,943,052.38		94,943,052.38
152	FUEL STOCK EXPENSES UNDISTRIBUTED	621,594.40		621,594.40
154	PLANT MATERIALS AND OPERATING SUPPLIES	124,133,045.61		124,133,045.61
163	STORES EXPENSE UNDISTRIBUTED	1,516,096.35		1,516,096.35
	TOTAL MATERIALS AND SUPPLIES	221,213,790.74		221,213,790.74

PENNSYLVANIA POWER & LIGHT COMPANY
 BALANCE SHEET ACCOUNTS
 ASSETS AND OTHER DEBITS

ACCT. NO.	TITLE OF ACCOUNT	ACTUAL DECEMBER 31, 1993	ADJUSTMENTS	PRO FORMA DECEMBER 31, 1993
	CURRENT AND ACCRUED ASSETS (CONTINUED)			
165	PREPAYMENTS	\$9,898,098.95		\$9,898,098.95
171	OTHER CURRENT AND ACCRUED ASSETS	98,133.04		98,133.04
172	INTEREST AND DIVIDENDS RECEIVABLE	7,125,133.83		7,125,133.83
173	RENTS RECEIVABLE	120,588,654.31		120,588,654.31
174	ACCURED UTILITY REVENUES	15,531,339.76		15,531,339.76
190	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	28,119,715.00		28,119,715.00
	ACCUMULATED DEFERRED INCOME TAXES (CURRENT)	171,512,975.94		171,512,975.94
	TOTAL OTHER CURRENT AND ACCRUED ASSETS	688,388,100.95		688,388,100.95
	TOTAL CURRENT AND ACCRUED ASSETS			
	DEFERRED DEBITS			
161	UNAMORTIZED DEBT EXPENSE	3,957,157.12		3,957,157.12
162.3	OTHER REGULATORY ASSETS	1,559,707,432.52		1,559,707,432.52
163	PRELIMINARY SURVEY AND INVESTIGATION CHARGES	1,088,807.19		1,088,807.19
164	CLEARING ACCOUNTS	(241,691.96)		(241,691.96)
165	TEMPORARY FACILITIES	(7,549.91)		(7,549.91)
166	MISCELLANEOUS DEFERRED DEBITS	28,386,178.91		28,386,178.91
169	UNAMORTIZED LOSS ON REACQUIRED DEBT	101,836,052.00		101,836,052.00
190	ACCUMULATED DEFERRED INCOME TAXES	329,353,200.00		329,353,200.00
	LESS CURRENT ACCUMULATED DEFERRED INCOME TAXES (NONCURRENT)	28,119,715.00		28,119,715.00
	TOTAL ACCUMULATED DEFERRED INCOME TAXES (NONCURRENT)	301,233,485.00		301,233,485.00
	TOTAL DEFERRED DEBITS	1,995,859,870.87		1,995,859,870.87
	TOTAL ASSETS AND OTHER DEBITS	\$9,835,407,880.58	\$9(31,724,006.13)	\$9,803,683,874.45

PENNSYLVANIA POWER & LIGHT COMPANY
BALANCE SHEET ACCOUNTS
LIABILITIES AND OTHER CREDITS

ACCT. NO.	TITLE OF ACCOUNT	ACTUAL DECEMBER 31, 1993	ADJUSTMENTS	PRO FORMA DECEMBER 31, 1993
	PROPRIETARY CAPITAL			
201	COMMON STOCK ISSUED	\$1,370,782,933.49		\$1,370,782,933.49
204	PREFERRED STOCK ISSUED	508,374,500.00		508,374,500.00
207	PREMIUM ON CAPITAL STOCK	87,000.00		87,000.00
214	CAPITAL STOCK EXPENSE	(10,993,425.71)		(10,993,425.71)
216	EARNINGS REINVESTED	1,048,908,545.98		997,184,490.85
215.1	APPROPRIATED RETAINED EARNINGS-AMORTIZATION RESERVE-FEDERAL	3,062,823.32	\$(61,724,065.13) (2)	3,062,823.32
216.1	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS	13,898,511.31		13,898,511.31
	TOTAL PROPRIETARY CAPITAL	2,932,208,285.30	(61,724,065.13)	2,850,484,220.17
	LONG-TERM DEBT			
221	BONDS	2,073,750,000.00		2,073,750,000.00
224	OTHER LONG-TERM DEBT	77,490.00		77,490.00
225	UNAMORTIZED PREMIUM ON LONG-TERM DEBT	124,688.84		124,688.84
226	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT-DEBIT	(24,981,722.85)		(24,981,722.85)
	LESS AMOUNT DUE WITHIN ONE YEAR	2,848,970,443.99		2,848,970,443.99
221	BONDS	30,900,000.00		30,900,000.00
224	OTHER LONG-TERM DEBT	38,740.00		38,740.00
	TOTAL LONG-TERM DEBT	30,938,740.00		30,938,740.00
	OTHER NONCURRENT LIABILITIES	2,819,031,703.99		2,819,031,703.99
227	OBLIGATIONS UNDER CAPITAL LEASES-NONCURRENT	170,284,913.32		170,284,913.32
	TOTAL OTHER NONCURRENT LIABILITIES	170,284,913.32		170,284,913.32
	CURRENT AND ACCRUED LIABILITIES			
	LONG-TERM DEBT DUE WITHIN ONE YEAR			
221	BONDS	30,900,000.00		30,900,000.00
224	OTHER LONG-TERM DEBT	38,740.00		38,740.00
229	ACCUMULATED PROVISION FOR RATE REFUNDS	12,745,758.00		12,745,758.00
231	NOTES PAYABLE	117,000,000.00		107,000,000.00
232	ACCOUNTS PAYABLE	146,759,380.05	50,000,000.00 (1)	146,759,380.05
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	2,459,489.92		2,459,489.92
235	CUSTOMER DEPOSITS	1,106,943.29		1,106,943.29
236	TAXES ACCRUED	91,390,033.12		61,390,033.12
237	INTEREST ACCRUED	59,584,144.36		59,584,144.36
238	DIVIDENDS DECLARED	70,409,819.38		70,409,819.38
240	MATURED INTEREST	2,451.98		2,451.98
241	TAX COLLECTIONS PAYABLE	4,424,617.96		4,424,617.88
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	73,920,437.11		73,920,437.11
243	OBLIGATIONS UNDER CAPITAL LEASES-CURRENT	78,739,587.09		78,739,587.09
243	ACCUMULATED DEFERRED INCOME TAXES-OTHER (CURRENT)	17,375,117.00		17,375,117.00
243	TOTAL CURRENT AND ACCRUED LIABILITIES	\$778,838,487.14	\$50,000,000.00	\$728,838,487.14

PENNSYLVANIA POWER & LIGHT COMPANY
BALANCE SHEET ACCOUNTS
LIABILITIES AND OTHER CREDITS

ACCT. NO.	TITLE OF ACCOUNT	ACTUAL DECEMBER 31, 1983	ADJUSTMENTS	PRO FORMA DECEMBER 31, 1983
	DEFERRED CREDITS			
228.4	ACCRUED MISCELLANEOUS OPERATING PROVISION-D&D FUND	\$31,870,800.00		\$31,870,800.00
252	CUSTOMER ADVANCES FOR CONSTRUCTION	35,716.69		35,716.69
253	OTHER DEFERRED CREDITS	235,728,777.40		235,728,777.40
254	OTHER REGULATORY LIABILITIES	364,021,256.36		364,021,256.36
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	239,940,390.30		239,940,390.30
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED AMORTIZATION PROPERTY	622,160.00		622,160.00
282	ACCUMULATED DEFERRED INCOME TAXES-OTHER PROPERTY	1,927,036,194.00		1,927,036,194.00
283	ACCUMULATED DEFERRED INCOME TAXES-OTHER	656,161,710.00		656,161,710.00
	LESS ACCUMULATED DEFERRED INCOME TAXES-OTHER (CURRENT)	17,375,117.00		17,375,117.00
	TOTAL ACCUMULATED DEFERRED INCOME TAXES-OTHER (NONCURRENT)	638,786,593.00		638,786,593.00
	TOTAL DEFERRED CREDITS	3,433,043,887.75		3,433,043,887.75
	TOTAL LIABILITIES AND OTHER CREDITS	\$9,835,407,880.58	\$(31,724,065.13)	\$9,803,683,815.45

(1) TO REFLECT THE CAPITAL CONTRIBUTION BY PP&L TO CEP GROUP, INC. TO FUND A CAPITAL CONTRIBUTION TO POWER MARKETS DEVELOPMENT COMPANY. ALTHOUGH THE SOURCE OF FUNDS WILL BE AN ALLOCATION OF INTERNALLY GENERATED FUNDS, FOR PURPOSES OF THIS PRO FORMA ADJUSTMENT, THE SOURCE OF FUNDS IS SHOWN AS A TEMPORARY INCREASE IN SHORT-TERM NOTES PAYABLE.

(2) TO REFLECT THE DIVIDEND DISTRIBUTION BY PP&L OF ITS COMMON STOCK AND EQUITY INVESTMENT IN CEP GROUP, INC. TO PP&L RESOURCES, INC. PP&L'S COMMON STOCK AND EQUITY INVESTMENT IN CEP GROUP, INC. CONSISTS OF THE \$50,000,000.00 CAPITAL CONTRIBUTION FOR POWER MARKETS DEVELOPMENT COMPANY AND A \$31,724,065.13 INVESTMENT AT DECEMBER 31, 1983.

DRAFT
Services Agreement

This Agreement is made as of _____, 1994,
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, 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; and

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 service 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: _____
(Name)
(Title)

PENNSYLVANIA POWER & LIGHT COMPANY

By: _____
(Name)
(Title)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In Re: Securities Certificate Of :
Pennsylvania Power & Light :
Company In Respect Of The : Securities Certificate
Proposed Plan Of Share Exchange : No. _____
In Connection With The :
Establishment Of A Holding :
Company Structure :

To The Pennsylvania Public Utility Commission:

1. The name of the public utility filing this Securities Certificate is Pennsylvania Power & Light Company ("PP&L" or the "Company") and its address is Two North Ninth Street, Allentown, Pennsylvania.

2. The names and addresses of the Company's attorneys are:

David B. MacGregor
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103
(215) 963-5448

G. D. Caliendo
Senior Vice President, General Counsel & Secretary
Paul E. Russell
Associate General Counsel
Pennsylvania Power & Light Company
Two North Ninth Street
Allentown, PA 18101
(610) 774-4254

3. PP&L is a corporation which was organized on June 4, 1920 under the laws of the Commonwealth of Pennsylvania to exist perpetually. The Company is subject to the Pennsylvania Associations Code, 15 Pa.C.S. §§ 101 et seq., including the Pennsylvania Business Corporation Law of 1988, 15 Pa.C.S. §§ 1101 et

seq., for the government and regulation of its affairs. PP&L is vested with lawful authority to supply and is supplying to the public electric light, heat and power service in twenty-nine (29) counties in central eastern Pennsylvania. At December 31, 1993, the Company had approximately 1.2 million customers. In providing this service, PP&L is subject to the Public Utility Code ("Code"), 66 Pa.C.S. §§ 101 et. seq., and regulation by the Pennsylvania Public Utility Commission ("Commission") thereunder.

4. At the time of filing of this Securities Certificate, PP&L is not controlled, directly or indirectly, by any corporation. PP&L Resources, Inc. ("Resources") is a corporation organized under the Pennsylvania Business Corporation Law of 1988. 15 Pa.C.S. §§ 1101 et seq. Pursuant to the terms of a subscription agreement dated March 16, 1994, Resources, upon appropriate Commission approval, will become a direct wholly-owned subsidiary of PP&L. Thereafter, upon receiving shareholder and other appropriate regulatory approvals, Resources will become the holding company parent of PP&L. The Company's corporate structure immediately prior to, and after the formation of the holding company structure is described in an Application filed by PP&L with the Commission on March 18, 1994.^{1/}

^{1/} Application Of Pennsylvania Power & Light Company For: (1) Pennsylvania Public Utility Commission Approval, Pursuant To Chapters 11, 19 And 21 Of The Pennsylvania Public Utility Code, Of Certain Transactions And Agreement To Be Undertaken In Connection With The Establishment Of A Holding Company Structure; And (2) Pennsylvania Public Utility Commission Certification To The Securities And Exchange Commission Pursuant To Section 33(a) Of The Public Utility Holding

5. PP&L has determined that it is appropriate and in the public interest to reorganize its operations into a holding company structure. A detailed description of this proposed corporate reorganization and the reasons for it are fully set forth in PP&L's Application.

The holding company structure will be created through a share exchange, in which all the outstanding common stock of PP&L will be exchanged on a share-for-share basis for common stock of Resources. A summary of the steps entailed in the share exchange is provided in Appendix E of the Application. After the share exchange is completed, all of PP&L's common stock will be owned by Resources, and all of Resources' common stock will be owned by the former owners of PP&L common stock.

The share exchange outlined above may result in a change in the term of PP&L's common stock. While the issuer of the common stock will change from PP&L to Resources, this change will have no effect on ratepayers. Chapter 19 of the Code is designed to protect ratepayers. Chapter 19 is not a "blue sky" law and is not intended to protect utility shareholders. York Railways Co. v. Pa. P.U.C., 131 Pa. Super. 126, 198 A. 920 (1938). Shareholder interests will be fully protected because shareholders must approve the share exchange under the Pennsylvania Business Corporation Law. In addition, PP&L must file a Form U-1, registration statement and

Company Act of 1935, filed on March 18, 1994
("Application").

prospectus with the Securities and Exchange Commission ("SEC") in connection with the establishment of the holding company structure. It is therefore PP&L's view that a securities certificate is not required. However, in order to avoid delay, to provide the Commission with a full opportunity to review all aspects of this transaction; and because other aspects of this transaction require Commission approval, PP&L is seeking Commission registration of this securities certificate in connection with the share exchange.

6. A detailed description of the share exchange is included as Appendix E to the Application and is incorporated herein by reference.

7. The purposes for which PP&L and Resources propose to enter into the share exchange agreement are set forth in detail in the Application.

8. The establishment of a holding company structure will require the approval of the SEC through the filing of a Form U-1. In addition, the share exchange constitutes a public offering of the common stock of Resources under the provisions of the Securities Act of 1935 and will require the filing of a registration statement and prospectus with the SEC. Copies of these filings will be supplied to the Commission.

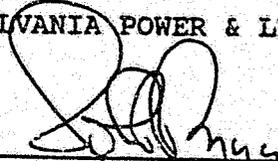
9. The following either are appended to this Securities Certificate as Exhibits, incorporated by reference from the Application, or will be supplied when available:

- A. A balance sheet of the Company as of December 31, 1993, is included as Appendix B to the Company's Application and is incorporated herein by reference. A pro forma balance sheet of PP&L and Resources giving effect to the proposed transaction is included as Appendix F to the Application and is incorporated herein by reference.
- B. A statement of income of the Company for the 12 months ended December 31, 1993, is included as Appendix C to the Company's Application, and is incorporated herein by reference.
- C. A statement of utility plant of the Company at original cost as of December 31, 1993, is attached as Exhibit C.
- D. A statement of securities of other corporations owned by the Company as of December 31, 1993, is attached as Exhibit D.
- E. A statement showing the status of the funded debt of the Company as of December 31, 1993, is attached as Exhibit E.
- F. A statement showing the status of outstanding capital stock of the Company outstanding as of December 31, 1993, is attached as Exhibit F.
- G. Copies of the registration statement and prospectus to be filed with the Securities and Exchange Commission in connection with the establishment of the holding company structure will be provided to the Commission when available.
- H. A copy of SEC Form U-1 will be supplied to the Commission when available.
- I. A copy of resolutions of the Board of Directors of the Company authorizing the proposed plan of share exchange will be supplied when available.
- J. Under the share exchange agreement, the certificates for common stock will remain unchanged, except that the issuer will be Resources in place of PP&L. PP&L's form of common stock certificate was filed as Exhibit (J) to Securities Certificate S-80124630 and is incorporated herein by reference.
- K. The only PP&L journal entries associated with the share exchange will be the appropriate entries to reflect the acquisition and disposition of the common stock of Resources (100 shares, \$1.00 per share), as discussed in the Application.

L. A copy of the share exchange agreement will be supplied when available.

WHEREFORE, Pennsylvania Power & Light Company requests that the Commission register this Securities Certificate pursuant to the provisions of the Public Utility Code and evidence such registration by an Order.

PENNSYLVANIA POWER & LIGHT COMPANY

By: 

John R. Biggar
Vice President - Finance

Dated: March 18, 1994

PENNSYLVANIA POWER & LIGHT COMPANY

UTILITY PLANT ACCOUNTS

<u>Acct. No.</u>		<u>December 31, 1993</u>
101	Utility plant in service	
	Electric plant in service	
	Intangible plant	\$ 15,006,114.10
	Production plant	
	Steam production	\$1,794,602,118.62
	Nuclear production	3,967,483,653.35
	Hydraulic production	79,952,613.39
	Other production	<u>34,816,706.12</u>
	Total production plant	5,876,855,091.48
	Transmission plant	423,731,612.16
	Distribution plant	2,291,838,525.25
	General plant	<u>272,170,210.47</u>
	Electric plant in service	8,879,601,553.46
101.1	Property under capital leases	<u>75,629,908.33</u>
	Total utility plant in service	8,955,231,461.79
105	Electric plant held for future use	32,871,545.37
107	Construction work in progress	<u>238,600,061.26</u>
	Total utility plant, less nuclear fuel	9,226,703,068.42
108	Accumulated provision for depreciation of utility plant	(2,396,033,569.32)
111	Accumulated provision for amortization of utility plant	<u>(8,818,520.29)</u>
	Net utility plant, less nuclear fuel	6,821,850,978.81
120.1	Nuclear fuel in process	1,584,283.03
120.6	Nuclear fuel under capital leases	<u>173,394,572.08</u>
	Net utility plant	<u>\$6,996,829,833.92</u>

PENNSYLVANIA POWER & LIGHT COMPANY
STATEMENT OF SECURITIES OF OTHER CORPORATIONS OWNED

AS OF DECEMBER 31, 1993

Name of Issuer	Title of Security	Number of Shares or Principal Amount	Date Acquired	Price Paid	Book Value	Approximate Value Indicated by Market Quotations December 31, 1993
Securities of Subsidiary Corporations						
BDW Corp	Note	\$ 609,000.00	12-19-90	\$ 609,000.00	\$ 609,000.00	Not Available
CEP Group, Inc	Common Stock	100 shares	12-31-65	10,000.00	10,000.00	Not Available
	Capital Contributions	\$ 25,461,462.90	Various	25,461,462.90	25,461,462.90	Not Available
	Undistributed Earnings				6,232,602.23	Not Available
	Note	51,461,800.00	12-30-93	51,461,800.00	51,461,800.00	Not Available
Interstate Energy Company	Common Stock	1,000 shares	3-1-80	1,000.00	1,000.00	Not Available
Pennsylvania Coal Resources Corporation	Common Stock	10 shares	12-29-83	85,001.00	85,001.00	Not Available
	Common Stock	150 shares	4-23-51	15,000.00	15,000.00	Not Available
Realty Company of Pennsylvania	Capital Contributions	\$ 100,940.69	Various	100,940.69	100,940.69	Not Available
	Advances-Open Account	49,000.00	Various	49,000.00	49,000.00	Not Available
	Note	15,090,448.50	10-31-87	15,090,448.50	15,090,448.50	Not Available
Safe Harbor Water Power Corporation	Common Class "B" Stock (Voting)	100,000 shares	6-1-55	3,315,498.48	3,315,498.48	Not Available
	Capital Contributions	\$ 6,000,000.00	Various	6,000,000.00	6,000,000.00	Not Available
	Undistributed Earnings				7,753,909.49	Not Available
				<u>\$102,219,149.57</u>	<u>\$116,205,660.28</u>	
Other Corporate Securities						
Mortgages						
Greater Hazleton Community Area	Mortgage	\$ 30,022.50	6-29-64	\$ 30,022.50	\$ 30,022.50	Not Available
New Development Organization, Inc.	"	20,000.00	5-20-65	20,000.00	20,000.00	Not Available
Greater Pittston Chamber of Commerce	"	174,825.00	3-2-68	174,825.00	174,825.00	Not Available
Greater Tamaqua Industrial Development Enterprise	"	58,217.50	2-21-74	58,217.50	58,217.50	Not Available
Greater Wilkes-Barre Industrial Fund	"	755,000.00	9-3-82	755,000.00	755,000.00	Not Available

Exhibit (D)
1 of 2

PENNSYLVANIA POWER & LIGHT COMPANY

STATEMENT OF SECURITIES OF OTHER CORPORATIONS OWNED

AS OF DECEMBER 31, 1993

Name of Issuer	Title of Security	Number of Shares or Principal Amount	Date Acquired	Price Paid	Book Value	Approximate Value Indicated by Market Quotations December 31, 1993
Other Corporate Securities - Continued						
Mortgages - Continued						
Maharoy Area Joint Industrial Corporation	Mortgage	\$ 12,390.00	6-31-71	\$ 12,390.00	\$ 12,390.00	Not Available
Mount Carmel District Industrial Fund Incorporated	"	59,500.00	5-17-67	59,500.00	59,500.00	Not Available
Pocono Mountain Industries	"	551,250.00	6-11-92	551,250.00	551,250.00	Not Available
Schuylkill County Industrial Development Authority	"	15,000.00	3-11-76	15,000.00	15,000.00	Not Available
Schuylkill Economic Development Corp	"	140,000.00	11-17-92	140,000.00	140,000.00	Not Available
Total Mortgages				\$ 1,816,208.00	\$ 1,816,208.00	
Bonds						
Harrisburg Area Industrial Development Corporation	Bonds	\$ 8,000.00	7-1-64 to 1-1-69	\$ 8,000.00	\$ 8,000.00	Not Available
Total Bonds				\$ 8,000.00	\$ 8,000.00	
Stocks						
American Casualty Excess Insurance Company Limited	Capital Stock	90,570 shares	11-21-95	\$ 459,950.00	\$ 459,950.00	\$2,816,991.00
Renovo Community Trade Association	Common Stock	1 share	12-30-47	200.00	200.00	Not Available
Total Stocks				\$ 459,150.00	\$ 459,150.00	
Securities of Other Corporations						
Written-Off to Nominal Value	Various	Various	Various	Not Applicable	\$ 72.00	
Total Other Corporate Securities				\$ 2,283,355.00	\$ 2,283,377.00	
Total Securities of Other Corporations Owned				\$104,502,504.57	\$116,499,037.29	

Exhibit (D)

2 of 2

PENNSYLVANIA POWER & LIGHT COMPANY
STATEMENT SHOWING THE STATUS OF THE FUNDED DEBT
AS OF DECEMBER 31, 1993

Name and Description of Obligation (a)	Interest		Term of Issue (Years) (d)	Date of Maturity (e)	Total Principal Amount Authorized (f)	Total Principal Amount Outstanding (Not Held by the Public Utility) (g)	Total Principal Amount Held by the Public Utility			
	Rate (b)	Dates Payable (c)					Rescinded and Held in Treasury (h)	Pledged (i)	In Sinking or Other Funds (j)	
First Mortgage Bonds (1)										
4-5/8% Series due 1994	4-5/8%	Mar. 1 & Sep. 1	30	Mar. 1, 1994	\$ 30,000,000	\$ 30,000,000.00	None	None	None	None
5-5/8% Series due 1996	5-5/8%	June 1 & Dec. 1	30	June 1, 1996	30,000,000	30,000,000.00	None	None	None	None
6-3/4% Series due 1997	6-3/4%	May 1 & Nov. 1	30	Nov. 1, 1997	30,000,000	30,000,000.00	None	None	None	None
5-1/2% Series due 1998	5-1/2%	April 1 & Oct. 1	5	Apr. 1, 1998	150,000,000	150,000,000.00	None	None	None	None
7% Series due 1999	7%	Jan. 1 & July 1	30	Jan. 1, 1999	40,000,000	40,000,000.00	None	None	None	None
8-1/8% Series due 1999	8-1/8%	June 1 & Dec. 1	30	June 1, 1999	40,000,000	40,000,000.00	None	None	None	None
9% Series due 2000	9%	Mar. 1 & Sep. 1	30	Mar. 1, 2000	50,000,000	50,000,000.00	None	None	None	None
6% Series due 2000	6%	June 1 & Dec. 1	7	June 1, 2000	125,000,000	125,000,000.00	None	None	None	None
7-1/4% Series due 2001	7-1/4%	Feb. 1 & Aug. 1	30	Feb. 1, 2001	60,000,000	60,000,000.00	None	None	None	None
7-5/8% Series due 2002	7-5/8%	Feb. 1 & Aug. 1	30	Feb. 1, 2002	75,000,000	75,000,000.00	None	None	None	None
7-3/4% Series due 2002	7-3/4%	May 1 & Nov. 1	10	May 1, 2002	150,000,000	150,000,000.00	None	None	None	None
7-1/2% Series due 2003	7-1/2%	Jan. 1 & July 1	30	Jan. 1, 2003	80,000,000	80,000,000.00	None	None	None	None
6-7/8% Series due 2003	6-7/8%	Feb. 1 & Aug. 1	10	Feb. 1, 2003	100,000,000	100,000,000.00	None	None	None	None
6-1/2% Series due 2005	6-1/2%	April 1 & Oct. 1	12	Apr. 1, 2005	125,000,000	125,000,000.00	None	None	None	None
8-1/4% Series due 2008	8-1/4%	June 1 & Dec. 1	30	Dec. 1, 2008	150,000,000	150,000,000.00	None	None	None	None
8-1/2% Series due 2007	8-1/2%	June 1 & Dec. 1	30	Dec. 1, 2007	100,000,000	100,000,000.00	None	None	None	None
10% Series due 2018	10%	Jan. 1 & July 1	30	Jan. 1, 2018	125,000,000	125,000,000.00	None	None	None	None
9-1/4% Series due 2019	9-1/4%	Apr. 1 & Oct. 1	30	Oct. 1, 2019	250,000,000	250,000,000.00	None	None	None	None
9-3/8% Series due 2021	9-3/8%	Jan. 1 & July 1	30	July 1, 2021	150,000,000	150,000,000.00	None	None	None	None
8-1/2% Series due 2022	8-1/2%	May 1 & Nov. 1	30	May 1, 2022	150,000,000	150,000,000.00	None	None	None	None
7-7/8% Series due 2023	7-7/8%	Feb. 1 & Aug. 1	30	Feb. 1, 2023	200,000,000	200,000,000.00	None	None	None	None
6-3/4% Series due 2023	6-3/4%	April 1 & Oct. 1	30	Oct. 1, 2023	150,000,000	150,000,000.00	None	None	None	None

(1) First Mortgage Bonds
(2) Public Utility

PENNSYLVANIA POWER & LIGHT COMPANY

STATEMENT SHOWING THE STATUS OF OUTSTANDING CAPITAL STOCK

AS OF DECEMBER 31, 1993

Designation of Kind and Class (a)	Number of Shares Authorized (b)	Par Value Per Share (c)	Amount Authorized (d)	Total Par Value, or Number of Shares if Without Par Value Held by the Public Utility			Pledged (g)	In Sinking or Other Funds (h)	Stated Book Value of Outstanding Stock Having No Par Value As of Date of Balance Sheet (i)
				Amount Outstanding (Not Held by the Public Utility) (e)	Resacquired and Held in Treasury (f)				
Preferred Stock, \$100 par, cumulative									
4-1/2% Series	629,938	\$100	\$ 62,993,600.00	\$ 53,016,900.00	None	None	None	None	
3.35%	10,000,000	\$100	\$1,000,000,000.00	\$ 4,178,300.00	None	None	None	None	
4.40%				22,877,300.00	None	None	None	None	
4.60%				6,300,000.00	None	None	None	None	
8.125%				115,000,000.00	None	None	None	None	
6.33%				100,000,000.00	None	None	None	None	
6.75%				65,000,000.00	None	None	None	None	
6.875%				40,000,000.00	None	None	None	None	
7.00%(1)				80,000,000.00	None	None	None	None	
				\$508,374,500.00					
Preference Stock, no par, cumulative	5,000,000		5,000,000 shares	0 shares	None	None	None	None	\$ 0.00
Common Stock, no par	170,000,000		170,000,000 shares	152,132,089 shares	None	None	None	None	\$1,370,762,933.49

(1) On January 1, 1994, the Company redeemed through sinking fund provisions 200,000 shares of the 7.00% Series Preferred Stock.

Exhibit (F)

1 of 3

PENNSYLVANIA POWER & LIGHT COMPANY
Five Largest Holders of Each Class of Capital Stock as of December 10, 1993

COMMON		Shares	4.40% SERIES PREFERRED		Shares
Cede & Co. -M- Box 20 Bowling Green Station New York, NY 10004	67,230,703	10,759	Cede & Co. -M- Box 20 Bowling Green Station New York, NY 10004	83,472	
PPBL Agent c/o John P. Kierzkowski Vice President and Treasurer Pennsylvania Power & Light Co. Two North Ninth Street Allentown, PA 18101	21,748,457	2,233	Philadep & Co. P. O. Box 8500 (S-1300) Philadelphia, PA 19178	12,278	
Trustee for Pennsylvania Power & Light Company Employee Stock Ownership Plan U/A DTD 1-1-87 c/o John P. Kierzkowski Vice President and Treasurer Pennsylvania Power & Light Co. Two North Ninth St Allentown, PA 18101	5,370,849	752	Kray & Co. Dividend Accounting Dept. One Financial Place 440 S. Lasalle St. Chicago, IL 60605	5,403	
Kray & Co. Dividend Accounting Dept One Financial Place 440 S. Lasalle St. Chicago, IL 60605	1,602,385	525	Pioneer Associates, Inc. c/o Williams Electric Co. Attn: J. S. Williams P. O. Box 2287 Shelby, NC 28151	2,500	
Philadep & Co. P. O. Box 8500 (S-1300) Philadelphia, PA 19178	470,369	500	Ralph H. Swanger & Charlotte E. Swanger as Joint Tenants 3431 Oakwood Trail Allentown, PA 18103	1,200	
4.50% PREFERRED		Shares	0.125% SERIES PREFERRED		Shares
Kray & Co. Dividend Accounting Dept. One Financial Place 440 S. Lasalle St. Chicago, IL 60605	64,397	20,748	Cede & Co. -M- Box 20 Bowling Green Station New York, NY 10004	1,065,000	
Cede & Co. Box 20 Bowling Green Station New York, NY 10004	42,397	1,381	Household Finance Corporation Attn: Ron Saba & Tom Claysa 2700 Sanders Road Prospect Heights, IL 60070	65,000	
Philadep & Co. P. O. Box 8500 (S-1300) Philadelphia, PA 19178	5,592	1,005			
MAC & Co. c/o Mellon Bank P. O. Box 360790M Pittsburgh, PA 15251	5,045	440			
Shearson Lehman Brothers Inc. c/o Smith Barney Shearson Inc. 366 Greenwich St. New York, NY 10013-2398	4,500	436			

NY
NJ
DE
PA
MD
VA

PENNSYLVANIA POWER & LIGHT COMPANY
 Five Largest Holders of Each Class of Capital Stock as of December 10, 1993

6.33% SERIES PREFERRED		0.75% SERIES PREFERRED		0.875% SERIES PREFERRED	
Code & Co. -M-	Shares	Code & Co. -M-	Shares	Code & Co. -M-	Shares
Box 20 Bowling Green Station New York, NY 10004	767,500	Box 20 Bowling Green Station New York, NY 10004	844,410	Box 20 Bowling Green Station New York, NY 10004	399,200
U.S. Leasing International Inc. c/o U.S. Corp. Financing Attn: George Butowick 615 Battery St., 2nd Fl. San Francisco, CA 94119	116,750	Furben & Co. P. O. Box 405 Schuylkill Haven, PA 17972-0405	1,700	First State Investment Co. Inc. Attn: Ira Woberman, President 4261 Rt 9 North Howell, NJ 07731	800
Household Finance Corporation c/o Household Commercial Attn: Ron Saba 2700 Sanders Road Prospect Hts. IL 60070	111,750	Harry E. Gochbauer 3001 Litz Pike P. O. Box 5093 Lancaster, PA 17608	1,000		
Century Surety Company c/o Independence Bank Cust 4401 Rockside Rd. Independence, OH 44131	2,000	William K. Erdman and Rachel M. Erdman Ten Ent 325 Market St Bloomsburg, PA 17815	400		
		Schuykill Haven Trust Co c/o Trust Dept Attn: Cathy Krause Box 405 Schuylkill Haven, PA 17972	350		

7.00% SERIES PREFERRED	
Code & Co. -M-	Shares
Box 20 Bowling Green Station New York, NY 10004	792,500
SEIDCO P.O. Box 54986 Terminal Annex Los Angeles, CA 90054	3,400
Phildrop & Co. P.O. Box 6500 (S-1300) Philadelphia, PA 19178	1,500
First State Investment Co., Inc. Attn: Ira Woberman, Pres. 4261 Rt 9 North Howell, NJ 07731	1,400
NBD N/O Pfeiffer Lincoln Mercury A/C #27000-935485-1 200 Ottawa Ave NW Grand Rapids, MI 49503	800

EX-10
 10
 10

_____, 1994

Securities and Exchange Commission
450 Fifth Street, N.W.
Judiciary Plaza
Washington, D.C. 20549

Re: Pennsylvania Public Utility Commission
Certification Pursuant to § 33(a) of the
Public Utility Holding Company Act of 1935

Dear Sir or Madam:

Pursuant to Section 33(a) of the Public Utility Holding Company Act of 1935 ("Holding Company Act"), the Pennsylvania Public Utility Commission ("PUC" or the "Commission") hereby certifies that, with regard to foreign business activities entered into by Pennsylvania Power & Light Company ("PP&L" or the "Company") and/or its affiliates, the PUC has the authority and resources to protect ratepayers subject to its jurisdiction and intends to exercise that authority.

PP&L is an investor-owned electric public utility incorporated in the Commonwealth of Pennsylvania. PP&L provides electric service to more than 1 million customers in a service territory of approximately 10,000 square miles located within 29 counties in central eastern Pennsylvania. All of PP&L's electric

utility operations are subject to regulation by the PUC pursuant to the Public Utility Code (Code), 66 Pa.C.S. § 101, et seq.

On March 18, 1994, PP&L filed an application with the Commission requesting approval of the establishment of a holding company structure. PP&L indicated that it would create a holding company (PP&L Resources, Inc.) to own PP&L and Power Markets Development Company, a newly-created corporation. Power Markets Development Company will pursue unregulated business opportunities both domestically and internationally. On _____, the PUC granted PP&L's application.

The Commission has ample authority to protect ratepayers subject to its jurisdiction. The Code grants the Commission pervasive powers to, inter alia: investigate public utilities (§ 331); adopt all regulations and orders necessary to carry out its statutory duties (§ 501(a)); supervise and regulate all public utilities (§ 501(b)); enforce its orders in the state courts (§ 502); obtain information required to value utility property (§ 505); inspect utility facilities and records (§ 506); hear and determine customer complaints against utilities (§ 701); approve the establishment and abandonment of service by public utilities (§§ 1102(a)(1)-(2)); approve the transfer of public utility property (§ 1102(a)(3)); approve the acquisition by a public utility of more than 5% of the voting stock of any

attorneys, rate analysts, auditors, economists, engineers and enforcement officers. PUC Annual Report 1991-92, at 4.

The Commission's recent activities demonstrate that it will exercise its authority to protect customers. For example, during the 1991-92 fiscal year, the Commission completed 72 fixed utility rate cases, 187 audits and 14 Management Audits, and responded to 7,522 consumer complaints, 13,221 mediation requests and more than 5,000 consumer inquiries. PUC Annual Report 1991-92, at 1.

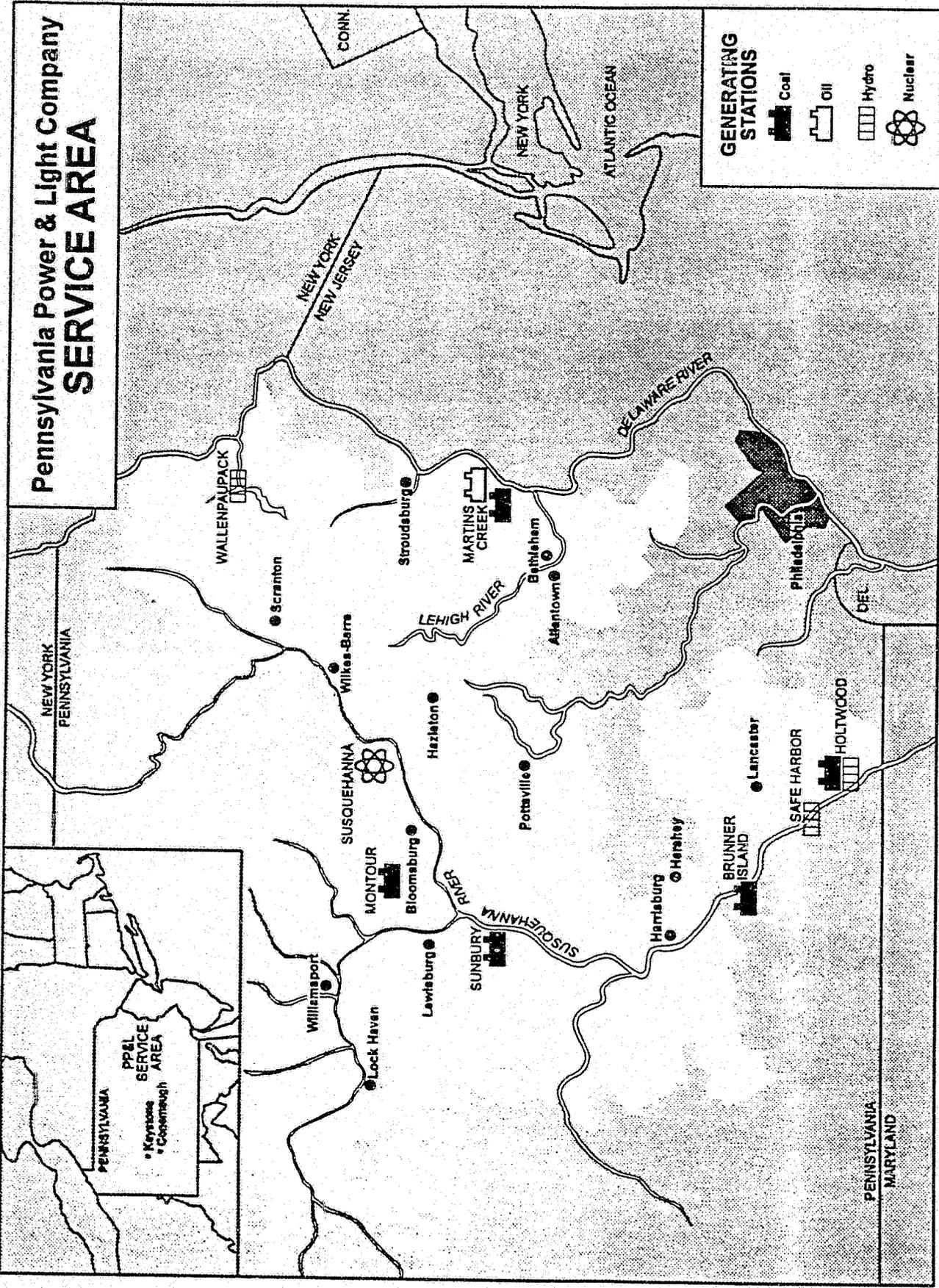
Moreover, the regulation of utilities which are part of a holding company structure is not new to the Commission. Most of the major utilities regulated by the Commission are part of holding companies. The Commission is well versed in dealing with holding companies and is fully capable of assuring that jurisdictional utility customers are protected against any cross-subsidization of costs or transfer of risk which might occur.

For all of the foregoing reasons, the Commission certifies that it has the authority, resources and experience to protect Pennsylvania ratepayers from any potential adverse

Pennsylvania Power & Light Company SERVICE AREA

GENERATING STATIONS

-  Coal
-  Oil
-  Hydro
-  Nuclear



PP&L SERVICE AREA

- Keystone
- Conemaugh

PENNSYLVANIA
MARYLAND

SAFE HARBOR WATER POWER CORPORATIONSTATEMENTS OF INCOME

(Dollars in thousands except per share amounts)

For The Year Ended December 31,

	<u>1993</u>	<u>1992</u>	<u>1991</u>
Operating revenues			
Baltimore Gas and Electric Company	\$19,721	\$18,829	\$18,626
Pennsylvania Power & Light Company	9,861	9,415	9,313
Other	<u>121</u>	<u>122</u>	<u>120</u>
Total operating revenues	<u>29,703</u>	<u>28,366</u>	<u>28,059</u>
Operating expenses			
Operations	7,936	6,668	6,459
Maintenance	2,519	2,423	2,268
Depreciation	3,578	3,343	3,326
Income taxes			
Current income taxes	2,869	2,678	2,527
Deferred income taxes	1,508	1,523	1,429
Amortization of investment tax credits	(256)	(245)	(245)
Taxes other than income	<u>1,455</u>	<u>1,444</u>	<u>1,415</u>
Total operating expenses	<u>19,609</u>	<u>17,834</u>	<u>17,179</u>
Operating income	10,094	10,532	10,880
Allowance for other funds used during construction	8	1	6
Other income and expenses - net	<u>153</u>	<u>234</u>	<u>391</u>
Income before interest charges	<u>10,255</u>	<u>10,767</u>	<u>11,277</u>
Interest charges			
Interest on long-term debt	3,876	4,344	4,675
Other interest charges	21	23	25
Allowance for borrowed funds used during construction	(6)	-	(5)
Net interest charges	<u>3,891</u>	<u>4,367</u>	<u>4,695</u>
Net income	<u>\$ 6,364</u>	<u>\$ 6,400</u>	<u>\$ 6,582</u>
Net income per share - 300,000 shares	<u>\$21.21</u>	<u>\$21.33</u>	<u>\$21.94</u>

The accompanying notes are an integral part of these financial statements.

SAFE HARBOR WATER POWER CORPORATIONSTATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands)

	<u>Class A</u> <u>Common Stock</u> <u>Non-voting</u>	<u>Class B</u> <u>Common Stock</u> <u>Voting</u>	<u>Paid-in</u> <u>Capital</u>	<u>Retained</u> <u>Earnings</u>
Balance at December 31, 1990	<u>\$ 3,000</u>	<u>\$ 6,000</u>	<u>\$18,000</u>	<u>\$24,363</u>
Net income				6,582
Cash dividends declared - \$22.00 per share	_____	_____	_____	(6,600)
Balance at December 31, 1991	3,000	6,000	18,000	24,345
Net income				6,400
Cash dividends declared - \$21.60 per share	_____	_____	_____	(6,480)
Balance at December 31, 1992	3,000	6,000	18,000	24,265
Net income				6,364
Cash dividends declared - \$21.40 per share	_____	_____	_____	(6,420)
Balance at December 31, 1993	<u>\$ 3,000</u>	<u>\$ 6,000</u>	<u>\$18,000</u>	<u>\$24,209</u>

The accompanying notes are an integral part of these financial statements.

SAFE HARBOR WATER POWER CORPORATIONBALANCE SHEETS
(Dollars in thousands)

	<u>December 31,</u>	
	<u>1993</u>	<u>1992</u>
<u>ASSETS</u>		
Utility plant - at original cost		
Electric plant in service	\$162,566	\$161,257
Construction work in progress	890	143
Total electric plant	<u>163,456</u>	<u>161,400</u>
Accumulated depreciation	(47,470)	(44,013)
Net utility plant	<u>115,986</u>	<u>117,387</u>
Nonutility property - net	<u>1</u>	<u>1</u>
Current assets		
Cash and cash equivalents	6,386	9,005
Accounts receivable		
Baltimore Gas and Electric Company	1,885	1,595
Pennsylvania Power & Light Company	945	799
Other	7	10
Materials and supplies, at average cost	615	586
Prepayments	<u>198</u>	<u>193</u>
Total current assets	<u>10,036</u>	<u>12,188</u>
Deferred debits		
Unamortized debt expense	77	98
Deferred income taxes	<u>453</u>	<u>383</u>
Total deferred debits	<u>530</u>	<u>481</u>
Total assets	<u>\$126,553</u>	<u>\$130,057</u>
<u>CAPITALIZATION AND LIABILITIES</u>		
<u>Capitalization</u>		
Common stock (without par value)		
Authorized and outstanding		
Non-voting Class A - 100,000 shares	\$ 3,000	\$ 3,000
Voting Class B - 200,000 shares	6,000	6,000
Paid-in capital	18,000	18,000
Retained earnings	<u>24,209</u>	<u>24,265</u>
	51,209	51,265
Long-term debt (Note 3)	<u>35,000</u>	<u>40,000</u>
Total capitalization	<u>86,209</u>	<u>91,265</u>
Current liabilities		
Currently maturing long-term debt (Note 3)	5,000	5,000
Accounts payable	429	78
Payroll costs accrued	143	117
Taxes accrued	73	75
Dividends payable	1,605	1,620
Interest accrued	779	877
Miscellaneous	<u>115</u>	<u>496</u>
Total current liabilities	<u>8,144</u>	<u>8,263</u>
Deferred credits and long-term liabilities		
Deferred investment tax credits	2,233	8,427
Deferred income taxes	24,394	22,102
Other postretirement benefit obligations	350	-
Deferred regulatory liabilities	<u>5,223</u>	<u>-</u>
Total deferred credits and long-term liab.	<u>32,200</u>	<u>30,529</u>
Commitments and contingencies (Note 7)	<u>-</u>	<u>-</u>
Total capitalization and liabilities	<u>\$126,553</u>	<u>\$130,057</u>

The accompanying notes are an integral part of these financial statements.

SAFE HARBOR WATER POWER CORPORATIONSTATEMENTS OF CASH FLOW
(Dollars in thousands)

	<u>For The Year Ended December 31,</u>		
	<u>1993</u>	<u>1992</u>	<u>1991</u>
Operating Activities			
Net income	\$ 6,364	\$ 6,400	\$ 6,582
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	3,578	3,343	3,326
Amortization of debt expense	21	24	25
Allowance for other than borrowed funds used during construction	(8)	-	(6)
Deferred income taxes - net	1,508	1,523	1,429
Investment tax credit deferred - net	(256)	(245)	(245)
Changes in certain assets and liabilities			
Accounts receivable	(433)	775	(1,139)
Accounts payable	351	39	(127)
Taxes accrued	(2)	(70)	(27)
Other postretirement benefit obligations	350	-	-
Other	(488)	(37)	(55)
Net cash provided by operating activities	<u>10,985</u>	<u>11,752</u>	<u>9,763</u>
Investing Activities			
Construction	(2,177)	(745)	(1,415)
Allowance for other than borrowed funds used during construction	8	-	6
Net cash used in investing activities	<u>(2,169)</u>	<u>(745)</u>	<u>(1,409)</u>
Financing Activities			
Dividends on common stock	(6,435)	(6,510)	(6,855)
Repayment of long-term debt	(5,000)	(5,000)	-
Net cash used in financing activities	<u>(11,435)</u>	<u>(11,510)</u>	<u>(6,855)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,619)	(503)	1,499
Cash and Cash Equivalents, Beginning of Year	<u>9,005</u>	<u>9,508</u>	<u>8,009</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,386</u>	<u>\$ 9,005</u>	<u>\$ 9,509</u>
Supplemental Information			
Cash paid during this period for:			
Interest	\$ 3,876	\$ 4,344	\$ 4,675
Income taxes	2,895	2,742	2,579

The accompanying notes are an integral part of these financial statements.

SAFE HARBOR WATER POWER CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - THE CORPORATION

Safe Harbor Water Power Corporation operates a hydroelectric generating facility under a license issued by the Federal Energy Regulatory Commission (FERC). The corporation's Voting Class B Common Stock is owned equally by Baltimore Gas and Electric Company (BG&E) and Pennsylvania Power & Light Company (PP&L). The Class A Non-voting Stock is owned entirely by BG&E. The Class A (Non-voting) and Class B (Voting) Common Stocks are not listed on any securities exchange.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. System of Accounts

The accounting records of the corporation are maintained in accordance with the Uniform System of Accounts prescribed by the FERC.

B. Utility Plant

Additions to utility plant and replacements of units of property are capitalized to utility plant accounts. The cost of utility plant includes labor, materials, an allowance for funds used during construction (AFUDC) and certain overhead items. The AFUDC, a non-cash item, represents the cost of funds used to finance construction. The accrual rates for such allowances were 10.0% during the period 1991 through 1993. The corporation uses the gross method of computing AFUDC.

The cost of depreciable property units retired plus removal costs less salvage is charged to accumulated depreciation. The costs of maintenance and repairs and of replacing items determined to be less than units of property are charged to operating expenses.

C. Depreciation

Depreciation is computed using the straight-line method based on the estimated lives of depreciable property. Annual depreciation provided in 1993 amounted to approximately 2.23% of its average depreciable property base, compared to approximately 2.09% and 2.10% in 1992 and 1991, respectively. The corporation utilizes accelerated methods of computing depreciation on post 1981 additions for tax reporting purposes. Tax depreciation on assets acquired prior to 1982 was determined using the straight-line method.

D. Income Taxes

Investment tax credits realized are deferred and amortized over the estimated useful lives of the respective assets. The corporation utilizes the normalization method of accounting for the tax effect of accelerated tax depreciation on post 1981 property additions. Deferred income taxes have also been provided on the temporary difference resulting from the capitalization of AFUDC on borrowed funds from 1982 through 1987.

Prior to 1993, deferred income taxes were provided on differences between the recognition of certain income and expenses for financial and income tax reporting purposes. Effective January 1, 1993, the corporation changed the method of accounting for income taxes by adopting Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes", which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

The provisions to the Tax Reform Act of 1986 (Act) reduced the federal income tax rate for the corporation from 46% in 1986 to the present 34%. As a result of this reduction, a significant portion of the deferred tax balance will not be needed to satisfy future tax obligations. The Act requires that such excess deferred tax balances resulting from tax depreciation, be restored for rate making purposes over the remaining lives of the assets using the average rate assumption method. Under this method, the excess tax reserves are, in effect, returned to customers in rates as the related temporary differences reverse. Therefore, the adoption of SFAS 109 does not have an impact on net income. The net decrease in deferred tax reserve balances on the corporation's books at January 1, 1993, at the current statutory rates, was \$5 million. The Act places no limitations on the reversal of excess deferred taxes which are not depreciation related.

During 1991, the Pennsylvania state corporate net income tax rate was increased from 8.5% to 12.25% for years beginning on or after January 1, 1991.

E. Cash and Cash Equivalents

The corporation considers all highly liquid debt instruments purchased with an original maturity of short duration to be cash equivalents. These investments are valued at cost plus accrued interest, which approximates market.

F. Other Postretirement Benefits

Effective January 1, 1993, the corporation adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", prospectively using the delayed recognition method. The Standard requires accrual of the expected cost of providing

postretirement benefits other than pensions (primarily health care benefits) to an employee and an employee's beneficiaries and covered dependents during the years that the employee provides service necessary to become eligible for such benefits. Prior to 1993, the cost of retiree health care and life insurance was expensed as premiums were paid.

NOTE 3 - DEBT

The corporation's only debt obligations are the \$40 million of 9.35% Serial Notes. Other than the guaranteed payment of the notes by BG&E and PP&L, there are no other restrictive covenants with the debt. These notes mature \$5 million per year through 2001.

The corporation maintains a no fee \$600,000 unsecured line of credit with a bank at .5% below prime rate. There were no borrowings under this line of credit in 1993.

NOTE 4 - INCOME TAXES

The components of the income tax provision for each of the three years ended December 31, are as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
	(Dollars in thousands)		
<u>1993</u>			
Current income taxes	\$2,012	\$857	\$2,869
Deferred income taxes	1,081	427	1,508
Investment tax credits realized, less amortization	(256)	-	(256)
<u>1992</u>			
Current income taxes	\$1,905	\$773	\$2,678
Deferred income taxes	1,065	458	1,523
Investment tax credits realized, less amortization	(245)	-	(245)
<u>1991</u>			
Current income taxes	\$1,829	\$698	\$2,527
Deferred income taxes	898	531	1,429
Investment tax credits realized, less amortization	(245)	-	(245)

Deferred income taxes result from temporary differences in the recognition of revenues and expenses for tax and financial reporting purposes. The primary source of these temporary differences is the tax over book depreciation which resulted in deferred tax liabilities of \$1,670,000 in 1993, \$1,706,000 in 1992 and \$1,819,000 in 1991.

A reconciliation of the corporation's effective tax rate and the Federal income tax statutory rate is as follows:

	<u>1993</u>	<u>1992</u>	<u>1991</u>
Federal income tax statutory rate	34.0%	34.0%	34.0%
State income taxes, net of federal income tax benefit	8.1	7.9	7.9
Investment tax credit - amortization	(2.4)	(2.4)	(2.4)
Interest on tax-exempt securities	(0.4)	(0.7)	(1.1)
Other	<u>0.1</u>	<u>(0.5)</u>	<u>(2.1)</u>
Effective tax rate	<u>39.4%</u>	<u>38.3%</u>	<u>36.3%</u>

Effective January 1, 1993, the corporation adopted SFAS No. 109. Prior to the adoption of the Standard, deferred taxes that were accrued for in prior years were provided on certain temporary differences at a higher-than-current tax rate. In 1993, regulatory liabilities of \$5,223,000 were recorded based on the provisions in the new Standard to reflect the corporation's obligation to pass through the benefit of the lower current tax rate to its customers. As a result, there is no effect on the corporation's 1993 net income.

The Tax Reform Act of 1986 enacted an alternative minimum tax (AMT) system for corporations. The AMT is imposed at a 20% rate on the corporation's AMT income, which is determined by making statutory adjustments to the corporation's regular taxable income. The corporation was subject to \$166,000 of AMT in excess of regular tax for 1991. This amount will be allowed as a credit against regular taxes in the future to the extent regular tax expenses exceed the AMT expenses. Deferred taxes have been provided because the AMT is generally attributable to temporary differences, which are primarily due to the adjusted current earnings provision in the above years. As a result, total income tax expenses were unaffected by these items. Additional income taxes on non-utility earnings amounting to \$20,000, \$14,000 and \$31,000 for 1993, 1992 and 1991, respectively, are included in the caption "Other income and expenses, net".

NOTE 5 - RELATED PARTY TRANSACTIONS

In accordance with a power sales agreement, the entire output of the Safe Harbor plant is sold to BG&E (two-thirds) and to PP&L (one-third). The agreement provides that the sales price shall be established to yield to the corporation a fair rate of return on its rate base, as prescribed or approved from time to time by an appropriate regulatory authority. The agreement also provides that the corporation will be reimbursed for all reasonable operating expenses, including maintenance and general expenses, taxes and depreciation.

NOTE 6 - EMPLOYEE BENEFIT PLANS

The corporation sponsors a non-contributory, defined benefit, trusted pension plan. Eligibility is based upon employees' years of service and age. The plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the corporation and compensation rates near retirement. The corporation's funding policy reflects pension expenses related to benefits attributed to employees' service to date, as well as their anticipated future service.

Components of 1993, 1992 and 1991 net pension expenses are as follows:

	<u>1993</u>	<u>1992</u>	<u>1991</u>
	(Dollars in thousands)		
Service costs - benefits earned during the period	\$ 285	\$ 251	\$ 196
Interest cost on the projected benefit obligation	710	664	576
Actual return on plan assets	(1,068)	(772)	(1,702)
Net amortization and deferred gain	<u>288</u>	<u>24</u>	<u>1,071</u>
	<u>\$ 215</u>	<u>\$ 167</u>	<u>\$ 141</u>

The funded status at December 31, 1993, 1992 and 1991 was as follows:

	<u>1993</u>	<u>1992</u>	<u>1991</u>
	(Dollars in thousands)		
Actuarial present value of benefit obligations:			
Vested benefit obligation	\$(7,764)	\$(6,999)	\$(6,173)
Nonvested benefit obligation	<u>(17)</u>	<u>(7)</u>	<u>(13)</u>
Accumulated benefit obligation	(7,781)	(7,006)	(6,186)
Effect of anticipated future compensation levels	<u>(2,432)</u>	<u>(1,893)</u>	<u>(1,504)</u>
Projected benefit obligation	(10,213)	(8,899)	(7,690)
Fair value of assets held in the plan	<u>9,646</u>	<u>8,879</u>	<u>8,602</u>
Plan assets over (under) projected benefit obligation	(567)	(20)	912
Unrecognized prior service cost	938	1,001	912
Net unrecognized (gain) loss from past experience different than assumed	450	(112)	(719)
Unrecognized asset at transition	<u>(840)</u>	<u>(911)</u>	<u>(980)</u>
Accrued pension cost	<u>\$ (19)</u>	<u>\$ (42)</u>	<u>\$ 125</u>

Determination of the projected benefit obligation was based on a weighted average discount rate of 7.25% for 1993, compared to 8.0% for 1992 and 1991, an increase in future compensation levels

of 5.0% and an expected long-term rate of return of 8.75% in 1993, 1992 and 1991, respectively. All the plan's assets are invested in an Immediate Participating Guaranty (IPG) contract managed by The Prudential Asset Management Group.

The corporation maintains health care and life insurance benefit plans covering all eligible retired employees. Substantially all of the corporation's employees may become eligible for these benefits if they reach normal retirement age while working for the corporation. These plans are unfunded. The benefits are provided by insurance contracts.

Effective January 1, 1993, the corporation implemented the new SFAS No. 106, "Employees' Accounting for Postretirement Benefits Other Than Pensions" (OPEB's). These benefits are now accrued over the period the employee provides services to the corporation. Prior to the change, insurance premium costs were charged to expense as incurred. The accounting change resulted in transitional liability being amortized over twenty years beginning on January 1, 1993.

Postretirement benefit expense was approximately \$504,000 in 1993 (including \$350,000 due to the application of the new rule). Costs were approximately \$127,000 and 105,000, in 1992 and 1991, respectively. The components of 1993 OPEB expenses are as follows:

	<u>1993</u>
	(Dollars in thousands)
Service cost - benefits earned during the period	\$ 60
Interest cost on the projected benefit obligation	272
Net amortization of transition obligation	<u>172</u>
Net postretirement benefit cost	<u>\$504</u>

The accumulated postretirement benefit obligation (APBO) at year-end was:

Retirees	\$2,203
Fully eligible active plan participants	773
Other active participants	<u>1,008</u>
Accumulated postretirement benefit obligation	3,984
Net unrecognized loss	(370)
Unrecognized liabilities at transition	<u>(3,264)</u>
Accrued OPEB cost	<u>\$ 350</u>

For measuring the liability and expense, a weighted-average discount of 7.25% was used. For measurement purposes, a 9% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1994; the rate was assumed to decrease gradually to 6% through 2011 and remain at that level thereafter. A 1% increase in the health care cost trend rate, holding all other assumptions constant, would increase the accumulated postretirement benefit obligation approximately \$410,000, the service cost \$14,000 and the interest cost \$31,000.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

In April 1985, the FERC approved a settlement agreement between the corporation and the fishery agencies relating to the program for restoration of anadromous fish to the Susquehanna River. Over the ten-year term of this agreement, the corporation will contribute approximately \$1.6 million for various studies and implementation of the restoration program. The corporation contributed approximately \$151,000, \$201,000 and \$159,000 in 1993, 1992 and 1991, respectively, bringing the total contributions, during the period 1985 through 1993, to approximately \$1,396,000. The corporation recognizes these costs in the year incurred.

In June 1993, the corporation signed an agreement, with environmental and government agencies, committing the corporation to design and construct a fish passage facility at the corporation's dam on the Susquehanna River. Stone and Webster Engineering Corporation was selected to be the architect/engineer for the project. The corporation's goal is to have this facility completed by the spring of 1996 at a cost of approximately \$12 million.

UNITED STATES OF AMERICA
BEFORE THE
SECURITIES AND EXCHANGE COMMISSION

PP&L Resources, Inc.)

File No. _____

NOTICE OF PROPOSED ACQUISITION

Take notice that on April __, 1994, PP&L Resources, Inc. ("Applicant"), Two North Ninth Street, Allentown, PA, 18101-1179, filed an application pursuant to Sections 9(a)(2) and 10 of the Public Utility Holding Company Act of 1935 (the "1935 Act"), requesting the Securities and Exchange Commission (the "Commission") to authorize the acquisition by Applicant of all of the outstanding shares of common stock of Pennsylvania Power & Light Company, a Pennsylvania corporation and an electric utility company ("PP&L"), and, through such acquisition, Applicant's indirect acquisition of one-third of the outstanding capital stock (which represents one-half of the outstanding voting stock) of Safe Harbor Water Power Corporation, a Pennsylvania corporation and an electric utility company ("Safe Harbor"). In its application, Applicant also requested an order pursuant to Section 3(a)(1) of the 1935 Act exempting it, and each of its subsidiary companies as such, from all provisions of the 1935 Act (except for Section 9(a)(2) thereof).

Applicant's proposed acquisition of the common stock of PP&L and Safe Harbor (the "Acquisition") is part of a planned corporate restructuring in which Applicant will become a holding company over PP&L. PP&L supplies electric light, heat and power service to the public in twenty-nine counties in central eastern Pennsylvania. Safe Harbor owns and operates a hydroelectric plant used to generate electricity for sale to PP&L and Safe Harbor's other owner, Baltimore Gas & Electric Company ("BG&E"). By virtue of its ownership of one-third of the outstanding capital stock (which represents one-half of the outstanding voting stock) of Safe Harbor, PP&L is a holding company under the 1935 Act. However, because it is predominantly a public utility company whose operations as such do not extend beyond Pennsylvania, PP&L is currently exempt by order from the provisions of the 1935 Act (except for Section 9(a)(2) thereof) pursuant to Section 3(a)(2) of the 1935 Act.

Applicant was incorporated in Pennsylvania on March 15, 1994 for the purpose of carrying out the proposed restructuring. Pursuant to the terms of a subscription agreement dated March 16, 1994 and upon receipt of appropriate regulatory approval, Applicant will become a direct wholly-owned subsidiary of PP&L. Thereafter, upon receiving shareholder approval and appropriate regulatory approvals, Applicant will become the parent of PP&L. Applicant does not own any utility assets and currently is not a "holding company" under the 1935 Act.

Applicant proposes to acquire all of the outstanding shares of common stock of PP&L (the "PP&L Stock") pursuant to an Agreement and Plan of Exchange (the "Plan of Exchange"). Under the terms of the Plan of Exchange, all of the shares of the common stock of Applicant, which will then be owned by PP&L, will be cancelled and all of the PP&L Stock will be exchanged on a share-for-share basis for common stock of Applicant (the "Exchange"). Upon consummation of the Exchange, each person that owned PP&L Stock immediately prior to the Exchange will own a corresponding number of the outstanding shares of common stock of Applicant, and Applicant will own all of the PP&L Stock. Additionally, following the Exchange, PP&L will continue to own one-half of the outstanding voting stock of Safe Harbor.

Applicant intends to apply to have its common stock listed on the New York and Philadelphia Stock Exchanges prior to the Exchange. Applicant anticipates that its common stock will be listed and traded on those Stock Exchanges upon consummation of the restructuring, whereupon Applicant will be required to file reports with the Commission pursuant to Section 13(a) of the Securities Exchange Act of 1934. The PP&L Stock will cease to be listed on the New York and Philadelphia Stock Exchanges following the restructuring.

Applicant states that effectuation of the Exchange will have no significant effect on the holders of PP&L Stock and that their interest and investment in the business of PP&L will be changed only in form and not in substance. All indebtedness of PP&L outstanding immediately prior to the Exchange will continue to be outstanding indebtedness of PP&L after the Exchange. The shares of PP&L's preferred stock issued and outstanding immediately before the Exchange will not be converted or otherwise affected by the Exchange but will continue as outstanding shares of PP&L preferred stock.

Applicant states that the purpose of the restructuring is to establish a more appropriate corporate structure for the conduct of unregulated business activities. Applicant and PP&L believe that the establishment of a broad base of income generation will enhance the overall financial strength of the enterprise. Applicant states that a holding company structure will enable it to participate in unregulated businesses in a timely manner consistent with regulatory requirements, will permit the use of financing techniques that are more directly suited to the particular requirements, characteristics and risks of unregulated and non-utility operations without affecting the capital structure or creditworthiness of PP&L, and will increase financial flexibility by allowing the design and implementation of capitalization ratios appropriate for the risk of each subsidiary. In addition, Applicant states that the holding company structure more fully separates the operations of regulated and unregulated businesses, thereby providing a better structure for regulators to assure that there is no cross-subsidization of costs or transfer of business risk from

unregulated to regulated lines of business. In short, Applicant believes the holding company structure is a highly desirable form of conducting regulated and unregulated businesses within the same corporate group.

Applicant states that the proposed restructuring will require the approval of the Pennsylvania Public Utility Commission and the Federal Energy Regulatory Commission. In addition, Applicant states that the Nuclear Regulatory Commission will be requested to consent to the de jure transfer of Nuclear Regulatory Commission licenses. Finally, consummation of the restructuring will be subject to the approval of a majority of the shareholder votes cast at a meeting of PP&L's shareholders.

Applicant has requested that the Commission enter an order granting and permitting Applicant's application to become effective on or before September 30, 1994.

Applicant's application and any amendments thereto are available for public inspection through the Commission's Office of Public Reference. Interested persons wishing to comment or request a hearing should submit their views in writing by _____, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549, and serve a copy on Applicant at the address specified above. Proof of service (by affidavit or, in case of attorney at law, by certificate), should be filed with the request. Any request for a hearing must identify specifically the issues of fact or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in this matter. After said date, the application, as filed or as it may be amended, may be authorized.

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE
1425 Strawberry Square
Harrisburg, Pennsylvania 17120

IRWIN A. POPOWSKY
Consumer Advocate

May 16, 1994

(717) 783-5048

John G. Alford, Secretary
PA Public Utility Commission
Room G-23, North Office Bldg.
Harrisburg, PA 17120

Re: Application of Pennsylvania Power &
Light Company for: Pennsylvania Public
Utility Commission Approval, Pursuant to
Chapters 11, 19 and 21 of the Pennsylvania
Public Utility Code, of Certain
Transactions and Agreements to Be
Undertaken in connection with the
Establishment of a Holding Company
Structure; and (2) Pennsylvania Public
Utility Commission Certification to the
Securities and Exchange Commission
Pursuant to Section 33(a) of the Public
Utility Holding Company Act of 1935
Docket Nos. A-110500F206, G-00940388 &
M-00940535

**DOCUMENT
FOLDER**

Dear Secretary Alford:

Enclosed please find for filing an original and three (3)
copies of the Office of Consumer Advocate's Protest in the
above-captioned proceeding.

Copies have been served upon all parties of record as
shown on the attached Certificate of Service.

Sincerely,

A handwritten signature in cursive script that reads "Tanya J. McCloskey".

Tanya J. McCloskey
Assistant Consumer Advocate

Enclosures
cc: All parties of record

CERTIFICATE OF SERVICE

Re: Application of Pennsylvania Power & Light Company for:
Pennsylvania Public Utility Commission Approval, Pursuant
to Chapters 11, 19 and 21 of the Pennsylvania Public Utility
Code, of Certain Transactions and Agreements to Be Undertaken
in Connection with the Establishment of a Holding Company
Structure; and (2) Pennsylvania Public Utility Commission
Certification to the Securities and Exchange Commission
Pursuant to Section 33(a) of the Public Utility Holding
Company Act of 1935
Docket Nos. A-110500F206, G-00940388 & M-00940535

I hereby certify that I have this day served a true copy
of the foregoing document, Office of Consumer Advocate's Protest,
upon parties of record in this proceeding in accordance with the
requirements of 52 Pa. Code § 1.54 (relating to service by a
participant), in the manner and upon the persons listed below:

Dated this 16th day of May, 1994.

SERVICE IN PERSON

Charles F. Hoffman, Director
Office of Trial Staff
PA Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17120

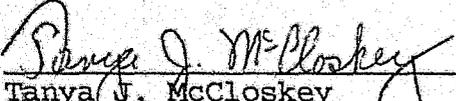
SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

Paul E. Russell, Esq.
Pennsylvania Power & Light
Company
Two North Ninth Street
Allentown, PA 18101-1179

David M. Kleppinger, Esq.
McNees, Wallace & Nurick
P. O. Box 1166
100 Pine Street
Harrisburg, PA 17108-1166

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MAY 17 1994
OFFICE OF CONSUMER ADVOCATE
HARRISBURG, PA

Bernard A. Ryan, Jr., Esq.
Office of Small Business Adv.
Suite 1102, Commerce Bldg.
300 North Second Street
Harrisburg, PA 17101

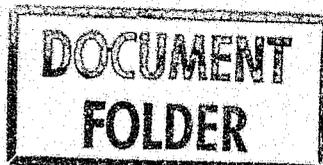

Tanya J. McCloskey
Assistant Consumer Advocate

Counsel for
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120
(717) 783-5048

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Pennsylvania
Power & Light Company for:
Pennsylvania Public Utility
Commission Approval, Pursuant to
Chapters 11, 19 and 21 of the
Pennsylvania Public Utility Code,
of Certain Transactions and
Agreements to Be Undertaken in
Connection with the Establishment
of a Holding Company Structure;
and (2) Pennsylvania Public
Utility Commission Certification
to the Securities and Exchange
Commission Pursuant to
Section 33(a) of the Public
Utility Holding Company Act
of 1935

Docket Nos. A-110500F206,
G-00940388
M-00940535



PROTEST OF THE
OFFICE OF CONSUMER ADVOCATE

DOCKETED

MAY 18 1994 Pursuant to 52 Pa. Code §§ 5.51 et seq., the Office of Consumer Advocate (OCA) files this Protest to the above-captioned Application of Pennsylvania Power & Light Company (PP&L or Company). In support of this Protest, the OCA provides the following information:

1. The Protestant is:

Irwin A. Popowsky, Consumer Advocate
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120
Telephone: (717) 783-5048

Throughout this Protest, the Protestant will be referred to as the Office of Consumer Advocate or OCA.

2. The OCA's attorney is:

Tanya J. McCloskey
Assistant Consumer Advocate
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120
Telephone: (717) 783-5048
Telecopier: (717) 783-7152

3. The OCA is authorized by law to represent the interests of Pennsylvania's utility consumers in all matters before the Pennsylvania Public Utility Commission (PUC or Commission). 71 Pa. Stat. Ann. §§ 309-1, et seq. (Purdons 1990).

4. In the above-captioned dockets, consolidated by Commission Order entered April 18, 1994, PP&L filed a series of documents and requested the Commission to take four separate actions as part of a corporate restructuring centered upon the establishment of a holding company. The four separate actions requested are: (1) issue certificates of public convenience pursuant to Chapter 11 of the Public Utility Code (Code); (2) register a securities certificate pursuant to Chapter 19 of the Code; (3) approve affiliated interest agreements pursuant to Chapter 21 of the Code; and (4) issue a certification to the Securities and Exchange Commission pursuant to Section 33(a) of the Public Utility Holding Company Act of 1935.

5. The OCA protests the granting of the Application as presented to the Commission without further investigation of the numerous issues of first impression presented by this Application. Importantly, the OCA seeks to determine what conditions, if any,

are necessary to the granting of the Application to protect ratepayers.

6. The Application by PP&L represents the first of its kind by an electric utility in Pennsylvania under the new provisions of the Energy Policy Act of 1992 (EPAAct). The EPAAct represents a far-reaching national change in the structure of both the electric and gas industries. Some of these changes will remove restrictions on utility corporate structure and other consumer protections contained in the Public Utility Holding Company Act of 1935 (PUHCA). In certain crucial areas, such as foreign investments, however, Congress explicitly recognized that state commissions must be in a position to provide the protections to ratepayers that were formerly provided by PUHCA. Significantly, Congress stated that state commissions must certify, on a case by case basis, that they have the authority and the resources, to protect ratepayers from the costs and risks of foreign diversification. 15 U.S.C.A. § 792-5b(2) (1992).

7. The OCA submits that several issues and concerns must be addressed by the Commission prior to approval of this Application. Among the issues and concerns that the Commission should address prior to approval of the Application are:

- (a) Potential increased business risk from the risks of diversified activity, particularly foreign diversification: Since diversified business may carry greater risk than the utility business, the Commission should examine whether it is necessary and appropriate to attach conditions to protect ratepayers from increases in the cost of capital or changes in the capital structure. In addition, the Commission must examine whether conditions are necessary to ensure that the nonutility business is

not receiving unfair advantage or subsidization from the credit standing of PP&L.

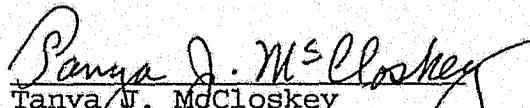
- (b) Potential for inappropriate cross-subsidies and cost shifting: Since there is the potential for substantial overlap in personnel and resources, the Commission must examine at the outset how costs are to be allocated between the utility and the diversified businesses. It is also particularly necessary to ensure that prices and terms of inter-affiliate transactions are appropriate.
- (c) Potential for diversion of management and staff: The potential exists for experienced utility staff to be diverted to the unregulated affiliates or distracted by the diversified investment program. The Commission should examine whether conditions are necessary to prevent adverse effect to the utility from such potential.
- (d) Potential for impairment of regulation: A restructuring may move direct costs out of the utility and into the holding company only to return as affiliated transactions. The Commission should examine whether procedures are necessary to ensure that review is not impaired by lack of access to essential information such as the books and records of the holding company or affiliates, or the officers and employees of the non-regulated subsidiary.
- (e) Potential for Asset Transfer: The holding company structure contemplates the formation of Exempt Wholesale Generators (EWGs). If PP&L pursues EWG opportunities in this region, the potential exists for asset transfers as an inexpensive means of entering the generation business. The Commission should examine whether conditions or mechanisms are necessary and appropriate to protect ratepayers.
- (f) Potential for Unfair Competition and Self-Dealing: The potential exists for an unregulated affiliate to gain an unfair competitive advantage from its affiliation with a utility. The Commission should examine whether this potential exists and should be protected against. Prohibition against, or conditions regarding self-dealing should be considered.

The OCA submits that the Commission must carefully analyze PP&L's requests to determine the effect on ratepayers and

what conditions, if any, are necessary to protect the interests of PP&L's ratepayers.

WHEREFORE, the Office of Consumer Advocate respectfully requests that the Commission thoroughly investigate PP&L's requests prior to the approval of its Application, and take such other action as it may deem appropriate, and impose such conditions on the Application as are found appropriate under the circumstances.

Respectfully submitted,


Tanya J. McCloskey
Assistant Consumer Advocate

Counsel for:
Irwin A. Popowsky
Consumer Advocate

Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120
(717) 783-5048

Dated: May 16, 1994

PUBLIC STATEMENT OF THE CONSUMER ADVOCATE ISSUED IN ACCORDANCE WITH SECTION 904-(e) OF ACT OF APRIL 9, 1929 (P.L. 177, NO. 175), KNOWN AS "THE ADMINISTRATIVE CODE OF 1929", AS AMENDED BY ACT 161 OF 1976 (APPROVED JULY 9, 1976)

Act 161 of the Pennsylvania General Assembly, 71 P.S. § 309-2, as enacted July 9, 1976, authorizes the Consumer Advocate to represent the interests of consumers before the Pennsylvania Public Utility Commission (PUC or Commission). In accordance with Act 161, and for the following reasons, the Consumer Advocate determined to file a Protest and participate in proceedings before the Commission involving the Application by Pennsylvania Power & Light Company (PP&L) for various approvals pursuant to Chapters 11, 19 and 21 of the Pennsylvania Public Utility Code and Section 33(a) of the Public Utility Holding Company Act of 1935.

PP&L is a public utility providing electric service in twenty-nine counties in the central eastern regions of Pennsylvania. PP&L serves approximately 1.2 million customers. On March 18, 1994, PP&L filed with the Commission a series of documents requesting the Commission to take certain actions as part of PP&L's corporate restructuring centered upon the establishment of a holding company.

The Consumer Advocate has determined to file a Protest in this proceeding in order to ensure that the interests of ratepayers are protected. Importantly, this Application presents issues of first impression for the Commission, and is the first of its kind by an electric utility in Pennsylvania under the new provisions of the Energy Policy Act of 1992. The OCA submits that certain conditions may need to be attached to the approval of this

Application in order to protect ratepayers. For these reasons, the Consumer Advocate determined to file a Protest and participate in the proceedings before the Pennsylvania Public Utility Commission.

KJR

MORGAN, LEWIS & BOCKIUS

COUNSELORS AT LAW

2000 ONE LOGAN SQUARE

PHILADELPHIA, PENNSYLVANIA 19103-6993

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HARRISBURG

LONDON

FRANKFURT

TOKYO

DAVID B. MACGREGOR

DIAL DIRECT (215) 963-5448

January 9, 1995

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JAN 09 1995

PUBLIC UTILITY COMMISSION
SECRETARY BUREAU

BY FEDERAL EXPRESS

John G. Alford, Secretary
Pennsylvania Public Utility Commission
North Office Building, Room G-23
Commonwealth & North Streets
Harrisburg, PA 17120

Re: In Re: Application of Pennsylvania Power & Light Company for (1) Pennsylvania Public Utility Commission Approval, Pursuant to Chapters 11, 19 And 21 of the Pennsylvania Public Utility Code, of Certain Transactions and Agreements to be Undertaken in Connection with the Establishment of a Holding Company Structure, and (2) Pennsylvania Public Utility Commission Certification to the Securities and Exchange Commission Pursuant to Section 33(a) of the Public Utility Holding Company Act of 1935; Docket Nos. A-110500F206, G-00940388 & M-00940535

Dear Secretary Alford

On March 18, 1994, Pennsylvania Power & Light Company ("PP&L" or the "Company") filed the above-referenced Application. At the time the Application was filed with the Commission, certain documents and information were not available. PP&L stated in the Application that it would supply such information and documents when available. In accordance with that commitment, please find enclosed copies of the following documents.

1. Form U-1, Application for Declaration Under the Public Utility Holding Company Act of 1935, filed with the Securities and Exchange Commission;
2. Agreement and Plan of Exchange between PP&L and PP&L Resources, Inc;
3. PP&L Amended and Restated Articles of Incorporation;

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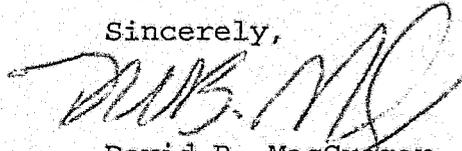
MORGAN, LEWIS & BOCKIUS

John G. Alford, Secretary
January 9, 1995
Page 2

4. A certified copy of the Resolution of PP&L's Board of Directors approving the proposed Agreement and Plan of Exchange.

Also enclosed for the Commission's information are copies of recent orders from the Federal Energy Regulatory Commission and Nuclear Regulatory Commission approving PP&L's creation of a holding company.

Sincerely,



David B. MacGregor
Counsel for Pennsylvania Power
& Light Company

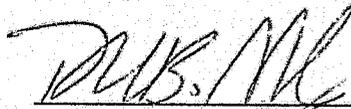
DBM\jta
Enclosures
cc: Douglas T. Beebe
Tanya J. McCloskey, Esq.

CERTIFICATE OF SERVICE

I hereby certify that I have this 9th day of January, 1995, served a true and correct copy of the foregoing document upon the following persons and in the manner indicated:

Tanya J. McCloskey, Esquire
Assistant Consumer Advocate
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Dated: January 9, 1995



David B. MacGregor
Counsel for Pennsylvania
Power & Light Company

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JAN 09 1995
PUBLIC UTILITY COMMISSION
SECRETARY BUREAU

I, DIANE M. KOCH, Assistant Secretary of Pennsylvania Power & Light Company, do hereby CERTIFY that the following is a true and correct copy of certain resolutions duly adopted by the Board of Directors of the Company at a meeting held on September 28, 1994, and that said resolutions have not been altered, amended or repealed and are in full force and effect:

RESOLVED, That the Agreement and Plan of Exchange between this Company and PP&L Resources, Inc. ("Resources") in substantially the form set forth in Exhibit C to this meeting (the "Plan") be and it is hereby approved; and further

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JAN 09 1995

PUBLIC UTILITY COMMISSION
SECRETARY BUREAU

* * * * *

RESOLVED, That the proper officers of this Company are hereby authorized, empowered and directed to do all such acts and things, to execute and deliver (with such execution by said officers constituting conclusive evidence, of his, her or their approval and of the approval of the Board of Directors of the terms thereof) all such documents (including documents to be executed and delivered on behalf of this Company in its capacity as the future sole shareholder of Resources), and to pay all such fees and expenses as may be necessary or desirable in order to carry out and comply with the terms and provisions of the above-referenced documents and by the foregoing resolutions; and further

RESOLVED, That all of the acts of the officers of this Company, whether heretofore or hereafter taken or done, which are in conformity with the purposes and intent of these resolutions, are hereby in all respects ratified, approved and confirmed; and further

* * * * *

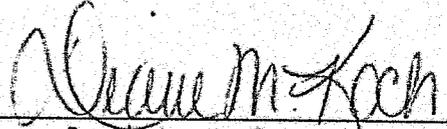
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RESOLVED, That the proper officers of this Company be and they are hereby authorized and directed to take all such other actions as may be necessary or, in their judgment, desirable to carry out the purposes and intent of the foregoing resolutions.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Company this 9th day of January, 1995.


Assistant Secretary

69 FERC ¶ 62, 267

A-116300F206
6-940388
M 940535

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Pennsylvania Power & Light Company

Docket No. EC94-26-000

ORDER AUTHORIZING DISPOSITION OF JURISDICTIONAL
FACILITIES AND CORPORATE REORGANIZATION

RECEIVED

(Issued December 30, 1994)

JAN 09 1995

On August 31, 1994, Pennsylvania Power & Light Company (Pennsylvania Power) filed an application pursuant to section 1/ of the Federal Power Act for Commission authorization to implement a plan of corporate restructuring which will result in the formation of a holding company. As a result of the proposed restructuring, Pennsylvania Power will become a wholly-owned subsidiary of a holding company, PP&L Resources, Inc. (Resources).

PUBLIC UTILITY COMMISSION
SECTION 263 BUREAU

Description of Pennsylvania Power's Current Corporate Structure

Pennsylvania Power is a public utility within the meaning of the Federal Power Act 2/ and owns and operates jurisdictional facilities in central-eastern Pennsylvania. Pennsylvania Power also is part-owner of Safe Harbor Water Power Corporation (Safe Harbor), which is a public utility that owns and operates a hydroelectric plant and related transmission facilities and sells electricity from the plant to Pennsylvania Power and Safe Harbor's other owner, Baltimore Gas & Electric Company (Baltimore Gas). Pennsylvania Power has several other wholly-owned, direct and indirect, non-utility subsidiary companies that are engaged in holding coal reserves, coal mining-related activities, oil pipeline operations, and passive investments.

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1/ 16 U.S.C. § 824b (1988).

2/ See 16 U.S.C. § 824(e) (1988).

3/ Pennsylvania Power's non-utility subsidiary include: (1) Interstate Energy Company, which operates oil pipeline facilities that supply fuel to a Pennsylvania Power generation station; (2) Pennsylvania Coal Resources Corporation and its subsidiaries, Pennsylvania Mines Corporation and Rushton Mining Company, which are completing Pennsylvania Power's phase-out of its coal operations; (3) Realty Company of Pennsylvania and BDW Corporation, which own real estate related to Pennsylvania Power's electric stations; (4) Greene Hill Coal Company and Green Manor Coal Company, which own undeveloped bituminous coal reserves; (5) Lady Jane Collieries, Inc., which purchases and cleans bituminous coal from non-affiliated suppliers; and (6) CEP Group, Inc., which holds passive investments, and its wholly-owned subsidiary, Power Markets Development Company, which was formed to conduct Pennsylvania Power's unregulated

Pennsylvania Power & Light Company -- Docket No. EC94-26-000

Description of the Proposed Restructuring

In order to facilitate the restructuring into a holding company system, Pennsylvania Power has organized Resources as a wholly-owned subsidiary. 4/ Under the terms of an Agreement and Plan of Exchange, which is subject to shareholder and regulatory approvals, 5/ all common stock of Resources (which is currently owned by Pennsylvania Power) will be cancelled and all outstanding common stock of Pennsylvania Power will be exchanged on a share-for-share basis into common stock of Resources. Following consummation of the share exchange, each person owning Pennsylvania Power common stock immediately prior to the share exchange will own a corresponding number of outstanding shares of Resources common stock, and Resources will own all of the Pennsylvania Power common stock. 6/

As part of Pennsylvania Power's corporate restructuring, CEP Group, Inc. and Power Markets Development Company will become wholly-owned subsidiaries of Resources (and affiliates of Pennsylvania Power). Pennsylvania Power's other subsidiaries will remain subsidiaries of Pennsylvania Power after the restructuring.

According to Pennsylvania Power, the proposed restructuring: (1) will allow the reorganized company to meet new business opportunities in a changing business environment; (2) provide latitude in responding to growing competition in the energy industry; and (3) facilitate selective diversification into non-utility business. Moreover, Pennsylvania Power states the holding company structure will: (1) better insulate Pennsylvania Power's utility ratepayers from the risks and costs associated with

business activities. Application at Exhibit G, application before the Securities and Exchange Commission, pp. 10-11.

- 4/ Pursuant to the terms of a March 16, 1994, subscription agreement, Resources has issued shares of common stock, which Pennsylvania Power has purchased. Thus, prior to the restructuring, Resources is a subsidiary of Pennsylvania Power.
- 5/ Pennsylvania Power also has submitted applications to the Pennsylvania Public Utility Commission (Pennsylvania Commission), the Securities and Exchange Commission, and the Nuclear Regulatory Commission.
- 6/ The outstanding preferred stock of Pennsylvania Power will be unaffected by the share exchange.

Pennsylvania Power & Light Company -- Docket No. EC94-26-000

business activities of unregulated subsidiaries; (2) enhance managerial accountability for separate business activities; and (3) permit the use of financing techniques that are more directly suited to the particular requirements, characteristics and risks of unregulated and non-utility operations without affecting the capital structure or credit worthiness of Pennsylvania Power.

Pennsylvania Power states that the proposed transaction is in the public interest because: (1) the proposed reorganization will have no effect on Pennsylvania Power's operating cost or its rate level; (2) Pennsylvania Power's accounting treatment of the transaction will be appropriate; (3) the proposed reorganization does not involve the actual sale of facilities, but rather entails the conversion of each share of Pennsylvania Power common stock into common stock of Resources; (4) no party has been coerced into participating in the reorganization; (5) the proposed reorganization will have no adverse effect on competition; (6) the proposed reorganization will not impair government regulation of Pennsylvania Power.

Notice of the application was published in the Federal Register with comments due on or before September 20, 1994. No comments were received.

Discussion

In Central Vermont Public Service Corporation (Central Vermont), ^{7/} the Commission concluded that the transfer of ownership and control of jurisdictional facilities, through a transfer of a public utility's common stock from existing shareholders to a newly created holding company, constitutes a disposition of jurisdictional facilities requiring prior Commission approval under section 203. Consistent with the Commission's holding in Central Vermont, because Pennsylvania Power's proposed restructuring would entail the transfer of ownership of its common stock from existing shareholders to Resources, the restructuring is subject to the requirements of section 203.

It is determined that Pennsylvania Power's proposed restructuring will be consistent with the public interest. As noted above, Pennsylvania Power has stated that the restructuring will not adversely affect its customers or its ability to supply energy at reasonable prices. Pennsylvania Power claims that the restructuring will, among other things, allow the reorganized company to meet new business opportunities in a changing business environment and provide latitude in responding to growing

^{7/} 39 FERC ¶ 61,295 (1987).

Pennsylvania Power & Light Company -- Docket No. EC94-26-000

competition in the energy industry and facilitate selective diversification into non-utility business.

After the reorganization, Pennsylvania Power will continue to be subject to retail rate regulation by the Pennsylvania Commission and this Commission will maintain its regulatory authority to consider any and all wholesale rate-related issues arising from the reorganization.

As noted above, the proposed restructuring involves the conversion of each share of Pennsylvania Power common stock into a share of Resources common stock. Therefore, the proportion of each shareholder's ownership will remain unchanged.

While Resources is not proposing to merge with another holding company at this time, it is possible that in the future such a merger may take place. In an order approving a similar holding company formation by Illinois Power Company, the Commission clarified its jurisdiction under section 203 regarding the effect that mergers of public utility holding companies have on their public utility subsidiaries. ^{8/} While noting that it does not have jurisdiction over public holding company mergers or consolidations, the Commission concluded that, ordinarily when public utility holding companies merge, an indirect merger involving their public utility subsidiaries also takes place, and that Commission approval under section 203 would be required. Consequently, the Commission stated:

We therefore will presume, subject to rebuttal, that mergers between public utility holding companies also accomplish an indirect merger of their public utility subsidiaries. If the public utilities can rebut the presumption, we will find that jurisdiction will not attach until such time as the public utility subsidiaries formally merge or consolidate their facilities. If the public utilities cannot rebut the presumption, section 203 approval of the indirect merger of the public utilities will be required. (footnote omitted)
[^{9/}]

Accordingly, Pennsylvania Power is advised that in the event Resources should seek to merge with another public utility holding

^{8/} Illinois Power Company, 67 FERC ¶ 61,136 (1994).

^{9/} 67 FERC at 61,354-55.

Pennsylvania Power & Light Company -- Docket No. EC94-26-000

company, Pennsylvania Power and any other affected public utility are required to file under section 203 evidence to rebut the presumption that such a merger would not also result in an indirect merger of the public utility subsidiaries, or alternatively for approval of an indirect merger of the public utilities.

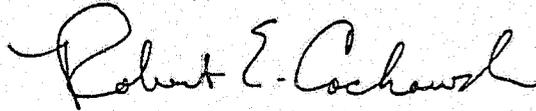
Based on the foregoing analysis and in the absence of opposition to the application, it is concluded that the disposition of jurisdictional facilities of Pennsylvania Power in the above-described corporate restructuring is consistent with the public interest and is hereby authorized, subject to the following conditions:

- (1) The proposed transaction is authorized upon the terms and conditions and for the purposes set forth in the application;
- (2) The Commission retains authority under section 203(b) of the FPA to issue supplemental orders as appropriate;
- (3) The foregoing authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates or determinations of cost or any other matter whatsoever now pending or which may come before the Commission;
- (4) Nothing in this order shall be construed to imply acquiescence in any estimate or determination of cost or any valuation of property claimed or asserted;
- (5) Pennsylvania Power shall account for the restructuring in accordance with the provisions of the Commission's Uniform System of Accounts Prescribed for Public Utilities and Licensees; in particular Pennsylvania Power shall (1) eliminate its investment in CEP Group, Inc. from Account 123.1, Investment in Subsidiary Companies; (2) eliminate its equity in the undistributed earnings of CEP Group, Inc. from Account 216.1, Unappropriated Undistributed Subsidiary Earnings; (3) record the dividend distribution as a debit to Account 438, Dividends Declared - Common Stock; and (4) record all costs incurred in the formation of the holding company structure, including the proxy-related costs, in Account 426.5, Other Deductions; and
- (6) In the event Resources should seek to merge with another public utility holding company, the public utilities of those companies are required to file under section 203 of

Pennsylvania Power & Light Company -- Docket No. EC94-26-000

the FPA evidence to rebut a presumption that a merger of the holding companies would not also result in an indirect merger of the public utility subsidiaries, or alternatively for approval of an indirect merger of the public utilities.

Authority to act on this matter is delegated to the Director, Division of Opinions and Systems Analysis, pursuant to 18 C.F.R. § 375.308. This order constitutes final agency action. Requests for rehearing by the Commission may be filed within thirty (30) days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713.



Robert E. Cackowski
Director, Division of Opinions
and Systems Analysis

**Conditions to Approval of PP&L's
Application for Holding Company Structure**

Following are the conditions to Pennsylvania Power & Light Company's (PP&L) application for a holding company structure that have been agreed to by PP&L and the Office of Consumer Advocate (OCA).

Bidding for Generating Capacity Resources

1. Neither Power Markets Development Company, nor any other non-regulated PP&L affiliate, will participate in any future competitive procurement for generating capacity resources conducted by PP&L. This prohibition does not affect the sale of power to PP&L, to the extent otherwise permitted under state and federal law, from the following sources existing at the time this Agreement is signed: PP&L's generating units; Safe Harbor Water Power Corporation; or non-utility generators that have contracted to sell output to PP&L.

Access to Records and Personnel

2. Upon request, PP&L will provide to the Commission and the OCA access to the books, records, officials and staff of affiliated companies involved in diversified business activities.

PP&L will accept service in Allentown, Pennsylvania, of any requests made pursuant to this provision. Further, in responding to such requests, PP&L will produce records and personnel in the Commonwealth of Pennsylvania.

PP&L does not waive its right to raise traditional discovery objections to any requests under this provision including, but not limited to, relevance and privilege. Furthermore, before responding to any requests under this provision, PP&L may require whatever protection it deems necessary to prohibit disclosure of proprietary or confidential information.

Financial Statements and Reports

3. PP&L will provide the Commission and the OCA with quarterly and annual financial statements of affiliated companies involved in diversified business activities (except that no quarterly financial statements shall be required with respect to the fourth quarter because fourth quarter financials are consolidated into the annual report), annual statements of intercompany transactions, and all financial reports filed with the Securities and Exchange Commission.

Before providing any information under this provision, PP&L may require whatever protection it deems necessary to prohibit disclosure of proprietary, confidential or non-public information.

Investments in Diversified Businesses

4. The total amount of PP&L's investments in diversified businesses other than the energy business and ancillary activities will not exceed 7.5% of the total assets of the holding company and its consolidated subsidiaries without prior Commission approval.

The total amount of PP&L's investments in all diversified businesses will not exceed 15% of the total assets of the holding company and its consolidated subsidiaries without prior Commission approval.

Cost of Capital and Rate of Return

5. PP&L's cost of capital for Pennsylvania jurisdictional ratemaking purposes will be calculated on a stand-alone "divisional" basis. This condition does not limit the Commission's authority and discretion to consider whatever evidence it deems relevant to establishing a fair rate of return in PP&L's retail base rate proceedings.

Transactions Between PP&L and its Affiliates

6. PP&L will set up accounting controls and other procedures for allocation of overhead and other costs of jointly-used assets or personnel. Such controls and procedures will be designed to assure that PP&L will not bear any costs associated with the diversified business activities of its affiliated companies. Follow-

ing approval of its holding company application, PP&L will submit these controls and procedures to the Commission and the OCA for comment.

7. PP&L will develop pricing protocols for determining transfer prices between utility operations and affiliated companies involved in diversified business activities. PP&L will provide for appropriate ratemaking recognition of all after-tax proceeds from the sale of utility assets that have been allowed in PP&L's retail base rates. Further, PP&L will provide for appropriate ratemaking recognition of royalties paid to PP&L by its affiliated companies involved in diversified business activities for programs, etc., that were developed at ratepayers' expense.

8. PP&L will develop an organization and staffing plan which provides for adequate, efficient staffing of the utility business. PP&L will report transfers of PP&L staff to any of its affiliated companies annually to the Commission.

Continued PUC Jurisdiction Over PP&L

9. The PUC's approval of PP&L's application to create a holding company structure does not affect PP&L's existing obligation to comply with all provisions of the Public Utility Code, including Chapter 11 (relating to PUC approval of transfer of utility assets) and Chapter 21 (relating to PUC approval of contracts between affiliated interests).



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

A-110500F206
G-940388
M-940535

December 29, 1994

Mr. Robert G. Byram
Senior Vice President-Nuclear
Pennsylvania Power and Light
Company
2 North Ninth Street
Allentown, PA 18101

SUBJECT: APPROVAL OF PROPOSED CORPORATE RESTRUCTURING OF PENNSYLVANIA POWER &
LIGHT COMPANY (TAC NOS. M90079 AND M90080)

Dear Mr. Byram:

Enclosed is the staff evaluation of the proposed corporate restructuring of Pennsylvania Power & Light Company as described in your letter dated July 25, 1994. The staff has reviewed the information included in your letter and that which was provided in the public meeting held in Rockville on June 16, 1994, and has found the restructuring to be acceptable. The findings of our antitrust review and financial analysis included in the evaluation provide the basis for our approval of the organizational and financial changes to Pennsylvania Power & Light Company under the provisions of 10 CFR 50.80. Accordingly, the Commission hereby consents to the proposed restructuring of Pennsylvania Power & Light Company.

If you have any questions regarding the staff's evaluation, please contact me at (301) 504-1402.

Sincerely,

Chester Poslansky, Project Manager
Project Directorate I-2
Division of Reactor Projects - I/11
Office of Nuclear Reactor Regulation

Docket Nos: 50-387/388
Enclosure: As stated
cc w/encl: See next page

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JAN 12 1995



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION

PROPOSED ORGANIZATIONAL AND FINANCIAL RESTRUCTURING

PENNSYLVANIA POWER AND LIGHT COMPANY

SUSQUEHANNA STEAM ELECTRIC STATION, UNITS 1 AND 2

DOCKET NUMBERS 50-387 AND 50-388

1.0 INTRODUCTION

On July 25, 1994, Pennsylvania Power & Light Company (PP&L), pursuant to 10 CFR 50.80, submitted to the Nuclear Regulatory Commission a letter describing a plan to implement a corporate restructuring to result in the creation of a new holding company, PP&L Resources, Inc. (Resources). The overall objective to the change is to improve PP&L's competitive position in the energy market and to increase the company's flexibility in its unregulated energy activities. Currently, PP&L is a co-owner, operator and holder of the NRC operating licenses for the Susquehanna Steam Electric Station Units 1 and 2 (Enclosure 1). After implementation of the proposed restructuring, Resources will be the owner of the outstanding common stock of PP&L and will also indirectly own, through its ownership of PP&L, the license for the nuclear units. However, PP&L will still be the licensee of record for these plants (Enclosure 2). Approval for the restructuring is being sought from the Pennsylvania Public Utility Commission, the Securities and Exchange Commission, the Federal Energy Regulatory Commission, and the Nuclear Regulatory Commission.

2.0 ANTITRUST REVIEW

The corporate restructuring outlined by PP&L in its amendment request dated July 25, 1994, does not appear to present any opportunity for the new owner of the Susquehanna Steam Electric Station (Susquehanna) to exert any undue market power over other power systems in the geographic area served by the Susquehanna facility. The new owner will be a holding company owned and controlled by the existing PP&L shareholders. PP&L stated in its July 25, 1994 letter, that

"At the time the restructuring becomes effective, Resources, a Pennsylvania corporation, will become the sole holder of PP&L's common stock, and the current holders of PP&L's common stock will become holders of the common stock of Resources on a share-for-share basis. Therefore, immediately following the restructuring, the common stock of Resources will be owned by the previous holders of PP&L's common stock in the same proportions in which they held PP&L's common stock."

Therefore, the staff finds that the restructuring, as proposed, will not materially affect the operation or control of Susquehanna nor the bulk power services market(s) served by the Susquehanna facility.

3.0 AVAILABLE FUNDS

The submittal states that the proposed restructuring will not reduce the funds available for PP&L to carry out activities under its operating licenses for its two nuclear plants. Specifically, the utility operations of PP&L will remain the primary source of revenue for PP&L and will constitute the majority of Resources' earning power. The Federal Energy Regulatory Commission will still regulate PP&L's wholesale electric rates, and the Pennsylvania Public Utility Commission will also maintain jurisdiction over the licensee's retail electric rates. In addition, the submittal states that the restructuring and any investments made by the new holding company in non-regulated activities "will not affect the ability to meet future capital requirements" for the Susquehanna units. It further states that "no change in the amount of revenues or the ability to obtain the funds necessary to operate Susquehanna will result from the restructuring."

Based on the above information and discussions with the licensee, the staff finds that there will be no change in the amount of revenues, the source of funds, or PP&L's ability to obtain funds necessary to operate and decommission its nuclear plants as a result of the proposed restructuring.

4.0 MANAGEMENT OF PP&L UTILITY OPERATIONS

PP&L stated in its application that the proposed restructuring will not change any responsibility for nuclear operations within PP&L and that holding company officer responsibilities will be primarily administrative and financial with no direct effect on the management of the Susquehanna units or PP&L. The staff therefore concludes that there will be no management or organizational changes as a result of the restructuring with regard to responsibility and operation of the Susquehanna site, and that the Senior Vice President Nuclear and his subordinate managers will retain the responsibility of the nuclear operations of the site. Based on the continuity of management described above, the staff finds that the proposed restructuring will not adversely affect the management of PP&L's nuclear plants.

5.0 FOREIGN OWNERSHIP, CONTROL, OR DOMINATION

The licensee indicated in its submittal that after restructuring is implemented, Resources, a Pennsylvania corporation, will be the sole holder of PP&L's common stock, and the present holders of PP&L's common stock will become the holders of Resources' common stock on a share-for-share basis. Thus, previous holders of PP&L common stock will own Resources common stock in the same proportion as PP&L common stock was held. Currently, only .36 percent of the total outstanding shares of PP&L are held in foreign accounts.

Based on the above discussion, the staff finds that the proposed restructuring will not result in PP&L being owned, controlled, or dominated by foreign interests.

6.0 FINANCIAL QUALIFICATIONS ANALYSIS

PP&L is the operator and 90 percent owner of the two-unit Susquehanna nuclear station. PP&L earned net income of over \$348 million on operating revenues of approximately \$2.7 billion in 1993. PP&L achieved similar results in 1992 and 1991. PP&L's common stockholder equity exceeded \$2.4 billion. This represented approximately 42.4 percent of total capitalization as compared to 48.7 percent capitalization from long-term debt. Such a capitalization ratio indicates reasonable financial health in that PP&L is not obligated to make overly burdensome interest payments on its debt. Similarly, PP&L's "times-interest-earned" ratio is a healthy 3.5, which indicates that it has an adequate cushion of pre-tax earnings to pay interest obligations. PP&L had total plant assets net of depreciation in 1993 of nearly \$7 billion. PP&L's latest rating in Value Line (June 17, 1994, p.187) indicates healthy "B++" financial strength. Similarly, the most recent rating by Moody's in its Public Utility News Reports (April 12, 1994) of PP&L's long-term bonds was "A2", which is a good rating indicating sound investment quality and protection for long-term bond investors. In summary, PP&L is financially sound. The proposed restructuring should not adversely affect PP&L's financial health, but rather should improve PP&L's ability to maintain its financial health in an increasingly competitive environment.

In its application to the NRC dated July 25, 1994, PP&L has indicated its commitment to "inform the Director, NRR, 60 days prior to a transfer (excluding grants of security interests or liens) from PP&L to [PP&L] Resources of facilities for the production, transmission or distribution of electric energy having a depreciated book value exceeding one percent (1%) of PP&L's consolidated net utility plant, as recorded on PP&L's books of account." The staff believes this commitment, together with PP&L's recent and projected strong financial performance, provides reasonable assurance that PP&L will continue to maintain adequate resources to operate and decommission its Susquehanna facility safely. Therefore, the staff concludes that PP&L's proposed restructuring will not adversely affect its financial qualifications with respect to the Susquehanna facility.

7.0 CONCLUSION

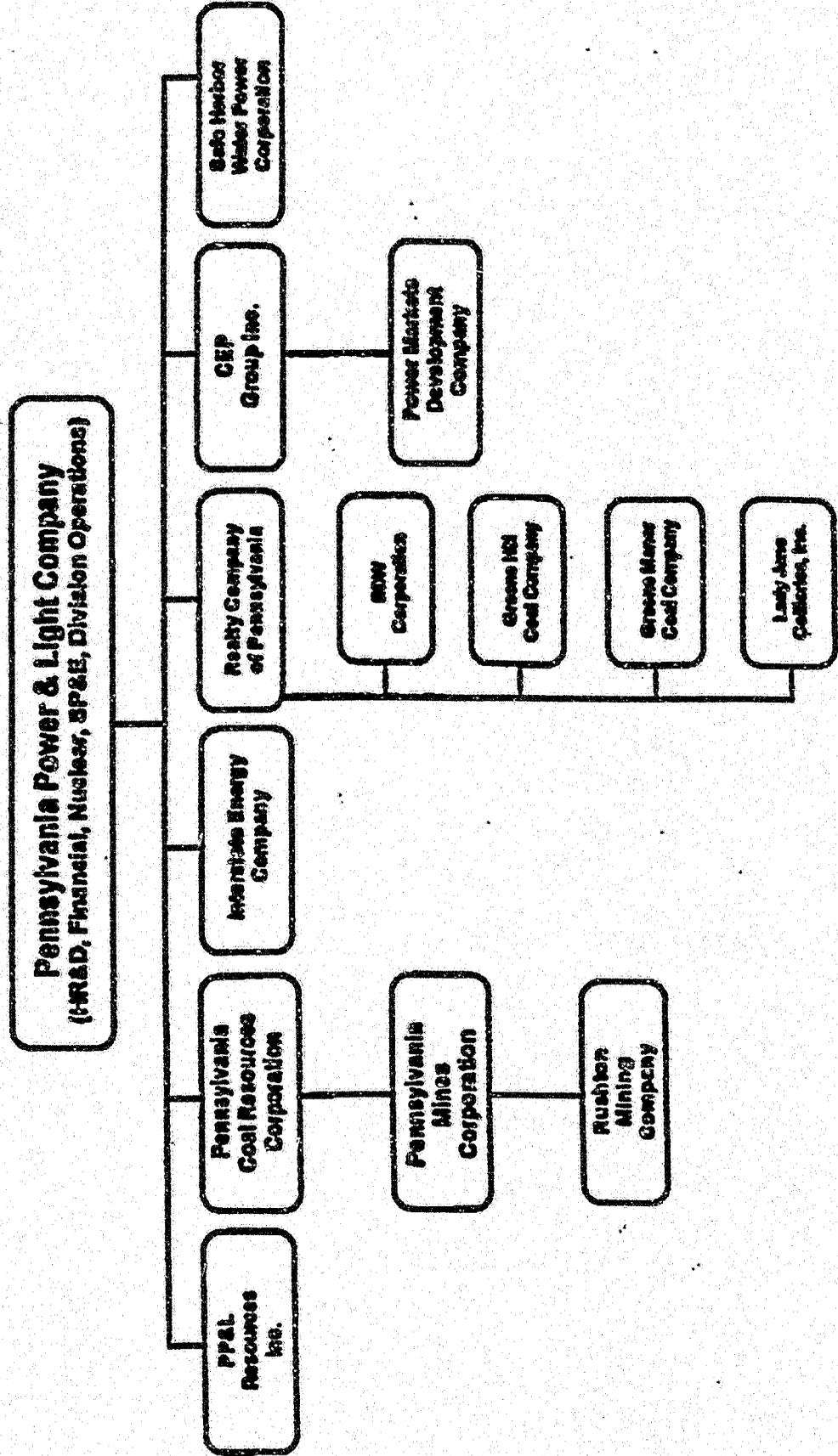
Based on the above determinations, the staff concludes:

1. that the proposed action will not affect the qualifications of PP&L as the holder of the licenses for Susquehanna Steam Electric Station Units 1 and 2 and;
2. that the proposed action is otherwise consistent with the applicable provisions of the law, regulations, and other requirements issued by the Commission pursuant thereto.

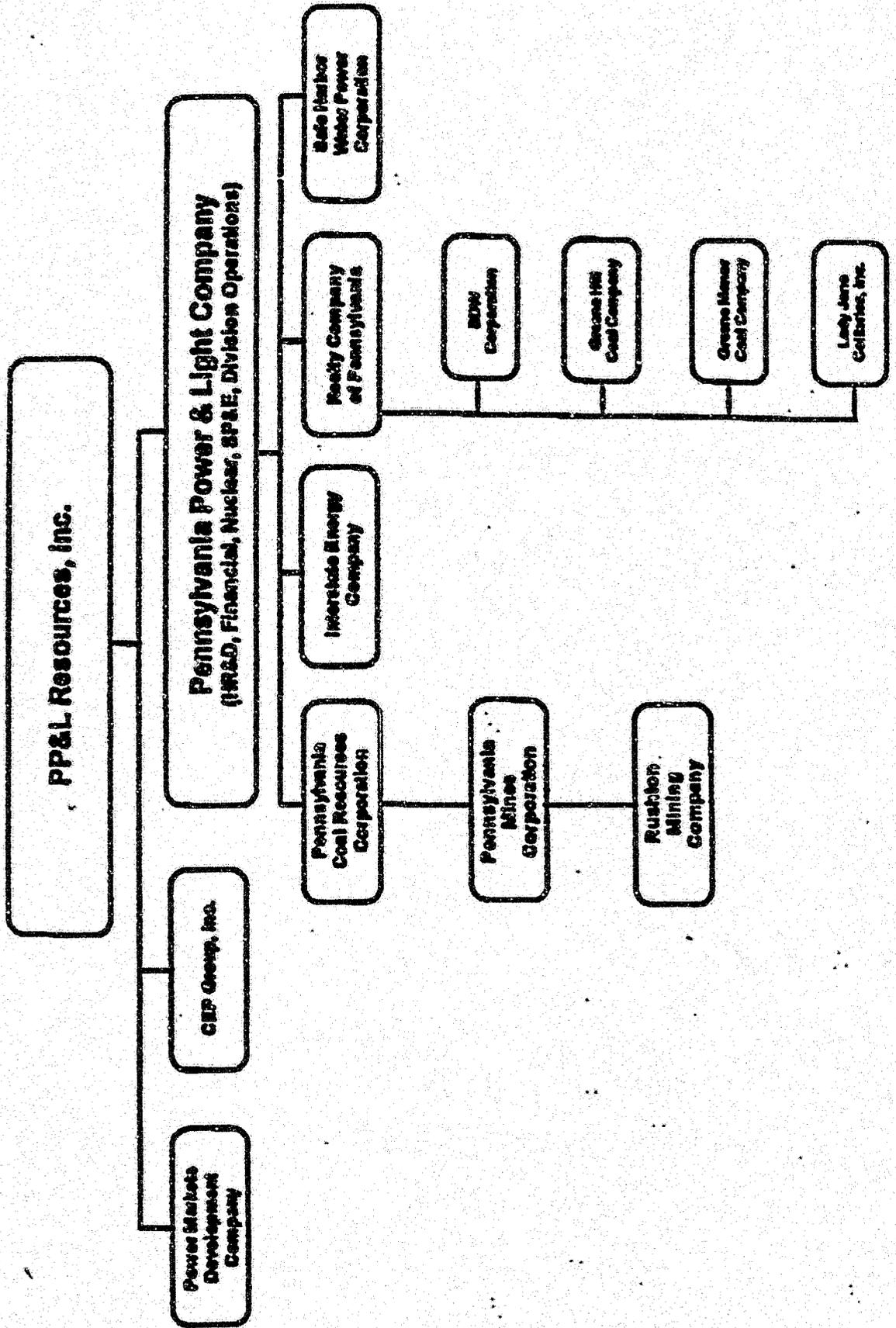
Principal Contributors: W. Lambe
R. Wood
C. Poslusny

Date: December 29, 1994

CURRENT CORPORATE STRUCTURE



HOLDING COMPANY STRUCTURE



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PENNSYLVANIA POWER & LIGHT COMPANY
AMENDED AND RESTATED ARTICLES OF INCORPORATION JAN 09 1995

PUBLIC UTILITY COMMISSION
SECRETARY BUREAU

ARTICLE I. The name of the Corporation is
PENNSYLVANIA POWER & LIGHT COMPANY

ARTICLE II. The location and post office address of the
registered office of the Corporation in this Commonwealth is

Two North Ninth Street
Allentown, Pennsylvania 18101

ARTICLE III. The purpose or purposes for which the Corporation
is incorporated under the Business Corporation Law of the
Commonwealth of Pennsylvania are to engage in, and do any lawful
act concerning, any or all lawful business for which a
corporation may be incorporated under said Business Corporation
Law, including but not limited to:

1. The supply of light, heat or power to the public by
means of electricity or by any other means.
2. The production, generation, manufacture, transmission,
storage, distribution or furnishing of artificial or natural gas,
electricity or steam or air conditioning or refrigerating
services, or any combination thereof to or for the public.
3. The diverting, pumping or impounding of water for the
development or furnishing of hydroelectric power to or for the
public.
4. The transportation of artificial or natural gas,
electricity, petroleum or petroleum products or water or any
combination of such substances for the public.
5. The diverting, developing, pumping, impounding,
distributing or furnishing of water from either surface or
subsurface sources to or for the public.
6. Manufacturing, processing, owning, using and dealing in
personal property of every class and description, engaging in
research and development, the furnishing of services, and
acquiring, owning, using and disposing of real property of every
nature whatsoever.

ARTICLE IV. The term for which the Corporation is to exist is
perpetual.

ARTICLE V. The aggregate number of shares which the Corporation
shall have authority to issue is 185,629,936 shares, divided into
629,936 shares of 4% Preferred Stock, par value \$100 per share;

10,000,000 shares of Series Preferred Stock, par value \$100 per share; 5,000,000 shares of Preference Stock, without nominal or par value; and 170,000,000 shares of Common Stock, without nominal or par value.

ARTICLE VI. The designations, preferences, qualifications, limitations, restrictions, and the special or relative rights in respect of the shares of each class shall be as follows:

Division A--4½% PREFERRED STOCK

Section 1. Dividend Rate. The 4½% Preferred Stock shall be entitled to dividends, as provided in Division C, at the rate of four and one-half percent (4½%) per annum, such dividends to be cumulative from the date of issuance thereof.

Section 2. Restrictions on Certain Corporate Action. (A) Upon the vote of a majority of all the Directors of the Corporation and of a majority of the total number of shares of stock then issued and outstanding and entitled to vote, the Corporation may from time to time create or authorize one or more other classes of stock with such designations, rights, privileges, limitations, preferences, voting powers, prohibitions, restrictions or qualifications of the voting and other rights and powers and terms as to redemption as may be determined by said vote, which may be the same or different from the designations, rights, privileges, limitations, preferences, voting powers, prohibitions, restrictions or qualifications of the classes of stock of the Corporation then authorized; provided, however, that no new class of stock shall hereafter be created or authorized which is entitled to dividends or shares in distribution of assets on a parity with or in priority to the 4½% Preferred Stock, nor shall there be created or authorized any securities convertible into shares of any such stock, unless the holders of record of not less than two-thirds of the number of shares of 4½% Preferred Stock then outstanding shall consent thereto in writing or by voting therefor in person or by proxy at the meeting of shareholders at which the creation or authorization of such new class of stock or such convertible securities is considered. Any such vote may authorize any shares of any class then authorized but unissued to be issued as shares of such new class or classes.

(B) The expressed rights, privileges, terms and conditions of the 4½% Preferred Stock then outstanding shall not be amended, altered, changed or repealed in a manner substantially prejudicial to the holders thereof unless the holders of record of not less than two-thirds of the number of shares of the 4½% Preferred Stock then outstanding shall consent thereto in writing or by voting therefor in person or by proxy at the meeting of shareholders at which such amendment, alteration, change or repeal is considered.

(C) So long as any shares of the 4½% Preferred Stock are outstanding, the Corporation shall not, without the consent (given by vote at a meeting held pursuant to notice containing a statement of such purpose) of the holders of a majority of the total number of shares of the 4½% Preferred Stock then outstanding:

(1) Increase in Authorized 4½% Preferred Stock.

Increase the total authorized amount of the 4½% Preferred Stock; or

(2) Merger or Consolidation. Merge or consolidate with or into any other corporation or corporations, unless such merger or consolidation (or the exchange, issuance or assumption of all securities to be issued or assumed in connection with any such merger or consolidation) shall have been ordered, approved or permitted by the Securities and Exchange Commission under the provisions of the Public Utility Holding Company Act of 1935 or by any successor commission or other regulatory authority of the United States of America having jurisdiction over the exchange, issuance or assumption of securities in connection with such merger or consolidation; provided that such consent shall not apply to a purchase or other acquisition by the Corporation of property or assets of another corporation in any manner which does not involve a merger or consolidation; and provided further that such consent of the holders of the 4½% Preferred Stock shall not be required if the net plant on the books of the company to be merged or consolidated shall amount to less than 2% of the then capitalization of the Corporation, including surplus; or

(3) Issuance of Senior Stock in Absence of Satisfaction of Certain Earnings Requirements. Issue any share of Senior Stock (the term "Senior Stock" whenever used in this Article VI shall include the 4½% Preferred Stock, the Series Preferred Stock and any other class of stock ranking prior to or on a parity with the 4½% Preferred Stock and the Series Preferred Stock as to the payment of dividends or distribution of assets) in addition to the shares of Senior Stock then outstanding, even though such stock has been authorized pursuant to the provisions of Section 2(A) of this Division A and the provisions of Section 2(A) of Division B; provided, however, that such consent of the holders of the 4½% Preferred Stock shall not be required for the issuance of such stock if the net income of the Corporation determined after provisions for depreciation and all taxes, and in accordance with generally accepted accounting practices, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the issuance, sale or disposition of such stock is at least equal to twice the annual dividend requirements on all outstanding shares of the Senior Stock, including the shares proposed to be

issued, and if the gross income of the Corporation for said period, determined in accordance with generally accepted accounting practices (but in any event after deducting the amount for said period charged by the Corporation on its books to depreciation expense and all taxes) to be available for the payment of interest shall have been at least one and one-half times the sum of:

(a) the annual interest charges on all interest-bearing indebtedness of the Corporation; and

(b) the annual dividend requirements on all outstanding shares of the Senior Stock, including the shares proposed to be issued.

There shall be excluded from the foregoing computation, interest charges on all indebtedness and dividends on all stock which are to be retired in connection with the issue of such additional shares of Senior Stock. Where such additional shares of Senior Stock are to be issued in connection with the acquisition of new property, the net earnings of the property to be so acquired may be included on a pro forma basis in the foregoing computation, computed on the same basis as the net earnings of the Corporation; or

(4) Issuance of Unsecured Indebtedness in Excess of Certain Limitations. Issue any unsecured notes, debentures or other securities representing unsecured indebtedness, or assume any such unsecured securities, for purposes other than:

(a) the refunding of outstanding unsecured securities, theretofore issued or assumed by the Corporation,

(b) the reacquisition, redemption or other retirement of any indebtedness, if such reacquisition, redemption or other retirement has been authorized by the Securities and Exchange Commission under the provisions of the Public Utility Holding Company Act of 1935 or by any successor commission or other regulatory authority of the United States of America having jurisdiction over the reacquisition, redemption or other retirement of such indebtedness, or

(c) the reacquisition, redemption or other retirement of any or all of the outstanding shares of the 4½% Preferred Stock;

if, immediately after such issue or assumption, the total principal amount of all unsecured securities then outstanding would exceed twenty per centum (20%) of

(i) the total principal amount of all bonds or other securities representing secured indebtedness issued or assumed by the Corporation and then to be outstanding, and

(ii) the capital and surplus of the Corporation as then to be stated on the books of account of the Corporation; or

(5) Issuance of 4½% Preferred Stock in Absence of Satisfaction of Certain Capital Requirements. Issue any shares of the 4½% Preferred Stock, in addition to the then outstanding shares of the 4½% Preferred Stock, unless at the time of the issuance thereof the amount of the capital of the Corporation applicable to the Common Stock shall exceed \$25,007,520 (exclusive of any common capital arising subsequent to the date of establishment of said amount in the Common Stock capital account from the transfer of earned surplus or payment of stock dividends payable in Common Stock) by an amount equal to the sum of the par value of the proposed issue of such additional 4½% Preferred Stock and the par value of any shares of 4½% Preferred Stock theretofore issued.

Division B--SERIES PREFERRED STOCK

Section 1. Division into Series. (A) All shares of Series Preferred Stock shall be identical except that the dividend rate, the amount to which such shares shall be entitled upon redemption and upon liquidation, the sinking fund, if any, as well as the provisions, if any, with respect to convertibility may vary between different series. The Series Preferred Stock may be divided into, and issued from time to time, in one or more series, each of such series to have such distinctive designation, terms, relative rights, privileges, limitations, preferences and voting powers and such prohibitions, restrictions, and qualifications of the voting and other rights and powers as are fixed and determined in this Article VI or in a resolution or resolutions providing for the issue of such series adopted by the Board of Directors as provided in this Division B.

(B) Authority is hereby expressly granted to the Board of Directors to establish one or more series of Series Preferred Stock and with respect to each series to fix and determine by resolution or resolutions providing for the issue of such series:

(1) the number of shares to constitute such series and the distinctive designation thereof to distinguish the shares thereof from the shares of all other series and classes;

(2) the dividend rate on the shares of such series, and the date or dates from which dividends shall be cumulative;

(3) the amount to which shares of such series shall be entitled upon redemption;

(4) the amount to which shares of such series shall be entitled upon liquidation;

(5) the amount of the sinking fund, if any, for the purchase or redemption of shares of such series; and

(6) the terms and conditions, if any, upon which the shares of such series may be converted into other securities of the Corporation.

Section 2. Restrictions on Certain Corporate Action. (A) Upon the vote of a majority of all of the Directors of the Corporation and of a majority of the total number of shares of stock then issued and outstanding and entitled to vote, the Corporation may from time to time create or authorize one or more classes of stock in addition to the Series Preferred Stock, the 4½% Preferred Stock, the Preference Stock and the Common Stock, with such designations, rights, privileges, limitations, preferences, voting powers, prohibitions, restrictions or qualifications of the voting and other rights and powers and terms as to redemption as may be determined by said vote, which may be the same or different from the designations, rights, privileges, limitations, preferences, voting powers, prohibitions, restrictions or qualifications of the classes of stock of the Corporation then authorized; provided, however, that no new class of stock shall hereafter be created or authorized which is entitled to dividends or shares in distribution of assets on a parity with or in priority to the Series Preferred Stock, nor shall there be created or authorized any securities convertible into shares of any such stock, unless the holders of record of not less than two-thirds of the number of shares of the Series Preferred Stock and the 4½% Preferred Stock then outstanding (consenting or voting as a single class separate from the holders of the Preference Stock and the Common Stock) shall consent thereto in writing or by voting therefor in person or by proxy at the meeting of shareholders at which the creation or authorization of such new class of stock or such convertible securities is considered. Any such vote may authorize any shares of any class then authorized but unissued to be issued as shares of such new class or classes.

(B) So long as any shares of the Series Preferred Stock are outstanding, the Corporation shall not, without the consent (given by vote at a meeting held pursuant to notice containing a statement of such purpose) of the holders of a majority of the total number of shares of the Series Preferred Stock and the 4½% Preferred Stock then outstanding (voting as a single class

separate from the holders of the Common Stock and the holders of any series of Preference Stock with voting rights):

(1) Increase to Authorized Series Preferred Stock. Increase the total authorized amount of the Series Preferred Stock; or

(2) Merger or Consolidation. Merge or consolidate with or into any other corporation or corporations, unless such merger or consolidation (or the exchange, issuance or assumption of all securities to be issued or assumed in connection with any such merger or consolidation) shall have been ordered, approved or permitted by the Securities and Exchange Commission under the provisions of the Public Utility Holding Company Act of 1935 or by any successor commission or other regulatory authority of the United States of America having jurisdiction over the exchange, issuance or assumption of securities in connection with such merger or consolidation; provided that such consent shall not apply to a purchase or other acquisition by the Corporation of property or assets of another corporation in any manner which does not involve a merger or consolidation; and provided further that such consent of the holders of the Series Preferred Stock and the 4½% Preferred Stock shall not be required if the net plant on the books of the company to be merged or consolidated shall amount to less than 2% of the then capitalization of the Corporation, including surplus; or

(3) Issuance of Senior Stock in Absence of Satisfaction of Certain Earnings Requirements. Issue any shares of the Senior Stock, in addition to the shares of Senior Stock, then outstanding, even though such stock has been authorized pursuant to the provisions of Section 2(A) of Division A and the provisions of Section 2(A) of this Division B; provided, however, that such consent of the Series Preferred Stock and the 4½% Preferred Stock shall not be required for the issuance of such stock if the net income of the Corporation, determined after provisions for depreciation and all taxes, and in accordance with generally accepted accounting practices for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the issuance, sale or disposition of such stock is at least equal to twice the annual dividend requirements on all outstanding shares of the Senior Stock, including the shares proposed to be issued, and if the gross income of the Corporation for said period, determined in accordance with generally accepted accounting practices (but in any event after deducting the amount for said period charged by the Corporation on its books to depreciation expense and all taxes) to be available for the payment of interest shall have been at least one and one-half times the sum of:

(a) the annual interest charges on all interest-bearing indebtedness of the Corporation; and

(b) the annual dividend requirements on all outstanding shares of the Senior Stock, including the shares proposed to be issued.

There shall be excluded, from the foregoing computation, interest charges on all indebtedness and dividends on all stock which are to be retired in connection with the issue of such additional shares of Senior Stock. Where such additional shares of Senior Stock are to be issued in connection with the acquisition of new property, the net earnings of the property to be so acquired may be included on a pro forma basis in the foregoing computation, computed on the same basis as the net earnings of the Corporation; or

(4) Issuance of Unsecured Indebtedness in Excess of Certain Limitations. Issue any unsecured notes, debentures or other securities representing unsecured indebtedness or assume any such unsecured securities, for purposes other than:

(a) the refunding of outstanding unsecured securities, theretofore issued or assumed by the Corporation,

(b) the reacquisition, redemption or other retirement of any indebtedness, if such reacquisition, redemption or other retirement has been authorized by the Securities and Exchange Commission under the provisions of the Public Utility Holding Company Act of 1935 or by any successor commission or other regulatory authority of the United States of America having jurisdiction over the reacquisition, redemption or other retirement of such indebtedness, or

(c) the reacquisition, redemption or other retirement of any or all of the outstanding shares of the Series Preferred Stock or the 4½% Preferred Stock;

if immediately after such issue or assumption, the total principal amount of all unsecured securities then outstanding would exceed twenty per centum (20%) of:

(i) the total principal amount of all bonds or other securities representing secured indebtedness issued or assumed by the Corporation and then to be outstanding, and

(ii) the capital and surplus of the Corporation as then to be stated on the books of account of the Corporation.

(C) The provisions of this Section 2 of this Division B requiring the approval of a specified percentage of the holders of the Series Preferred Stock and the 4½% Preferred Stock voting or consenting as a class shall be construed as in addition to and not in substitution for, any provisions of Division A of this Article VI requiring the approval of the holders of a specified percentage of the 4½% Preferred Stock.

(D) The expressed rights, privileges, terms and conditions of the Series Preferred Stock then outstanding, insofar as they are set forth in the foregoing subsections of this Section 2 shall not be amended, altered, changed or repealed in a manner substantially prejudicial to the holders thereof unless (1) the holders of record of not less than two-thirds of the number of shares of the Series Preferred Stock and the 4½% Preferred Stock then outstanding (consenting or voting as a single class separate from the holders of the Preference Stock and the Common Stock) shall consent thereto in writing or by voting therefor in person or by proxy at the meeting of shareholders at which such amendment, alteration, change or repeal is considered, and (2) the expressed rights, privileges, terms and conditions of the 4½% Preferred Stock, are, at the same time, similarly amended, altered, changed or repealed. The expressed rights, privileges, terms and conditions of the Series Preferred Stock then outstanding, other than those set forth in the foregoing subsections of this Section 2, shall not be amended, altered, changed or repealed in a manner substantially prejudicial to the holders thereof unless the holders of record of not less than two-thirds of the number of shares of the Series Preferred Stock then outstanding shall consent thereto in writing or by voting therefor in person or by proxy at the meeting of shareholders at which such amendment, alteration, change or repeal is considered.

Section 3. Variations Among Series of Series Preferred Stock.

(A) 4.60% Series Preferred Stock. The terms of the "4.60% Series Preferred Stock," in the respects in which the shares of such series may vary from shares of other series of the Series Preferred Stock shall be as follows: the dividend rate shall be 4.60% per annum, and dividends on each share of such series shall be cumulative from the date or dates of initial issue of shares of such series: the redemption price shall be \$103 per share at any time; \$103 per share shall be payable upon any voluntary liquidation, dissolution or winding up of the Corporation and \$100 per share shall be payable upon any involuntary liquidation, dissolution or winding up of the Corporation. The number of shares of this series authorized is 63,000 shares.

(B) 4.40% Series Preferred Stock. The terms of the "4.40% Series Preferred Stock" in the respects in which the shares of such series may vary from shares of other series of the Series Preferred Stock shall be as follows: the dividend rate shall be 4.40% per annum, and dividends on each share of such series shall be cumulative from the date or dates of the initial issue of shares of such series; the redemption price shall be \$102 per

share at any time; \$102 per share shall be payable upon any voluntary liquidation, dissolution or winding up of the Corporation and \$100 per share shall be payable upon any involuntary liquidation, dissolution or winding up of the Corporation. The number of shares of this series authorized is 229,214 shares.

(C) 3.35% Series Preferred Stock. The terms of the "3.35% Series Preferred Stock" in the respects in which the shares of such series may vary from shares of other series of the Series Preferred Stock shall be as follows: the dividend rate shall be 3.35% per annum and dividends on each share of such Series shall be cumulative from the date or dates of the initial issue of shares of such series; the redemption price shall be \$103.50 per share at any time; \$103.50 per share shall be payable upon any voluntary liquidation, dissolution or winding up of the Corporation and \$100 per share shall be payable upon any involuntary liquidation, dissolution or winding up of the Corporation. The number of shares of this series authorized is 53,248 shares.

(D) 6.75% Series Preferred Stock. The terms of the "6.75% Series Preferred Stock" in the respects in which the shares of such series may vary from shares of other series of the Series Preferred Stock shall be as follows:

(1) The dividend rate shall be 6.75% per annum and dividends on each share of such Series shall be cumulative from the date or dates of the initial issue of shares of such series;

(2) Shares of this Series are not redeemable prior to October 1, 2003. On an after October 1, 2003, the Corporation may, by resolution of the Board of Directors or the Executive Committee of the Board of Directors, redeem all, or from time to time, any part of the outstanding shares of this Series, at the following redemption prices per share:

If Redeemed During Twelve Month Period Ending September 30 -----	Redemption Prices -----
2004	103.38%
2005	103.04
2006	102.70
2007	102.36
2008	102.03
2009	101.69
2010	101.35
2011	101.01
2012	100.68
2013	100.34

and thereafter at \$100.00 per share. Any shares of this Series which are redeemed, repurchased or otherwise reacquired by the Corporation shall, until further action by the Board of Directors or the Executive Committee of the Board of Directors, have the status of authorized and unissued shares of Series Preferred Stock, without designation as to series.

(3) \$100.00 per share shall be payable upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation. The shares of this Series shall not be convertible into shares of any other class or classes or into any other securities of the Corporation. The number of shares of this series authorized is 850,000 shares.

(E) 6.125% Series Preferred Stock. The terms of the "6.125% Preferred Stock" in the respects in which the shares of such series may vary from shares of other series of the Series Preferred Stock shall be as follows:

(1) The dividend rate shall be 6.125% per share per annum and dividends on each share of such Series shall be cumulative from the date or dates of the initial issue of shares of such Series;

(2) So long as any shares of this Series remain outstanding, the Corporation, after full dividends on all outstanding shares of the 4½% Preferred Stock and the Series Preferred Stock, including this Series, for all past dividend periods shall have been paid or set aside, shall redeem as and for a sinking fund for the retirement of this Series (the "6.125% Sinking Fund"), out of funds legally available therefor, (i) annually on October 1 in each of the years 2003 through 2007, 57,500 shares of this Series, and (ii) on October 1, 2008, the remaining shares of this Series. The Corporation's obligation to make redemptions for the 6.125% Sinking Fund on any such October 1 as provided in this subparagraph (2) (such obligations on each such date being herein called the "6.125% Sinking Fund Obligation") shall be cumulative so that if on any such October 1 the funds of the Corporation legally available for the 6.125% Sinking Fund shall be insufficient to permit the Corporation to discharge its 6.125% Sinking Fund Obligation on such date, or if for any other reason such 6.125% Sinking Fund Obligation shall not have been discharged in full on such date, then such 6.125% Sinking Fund Obligation, to the extent not discharged, shall become an additional 6.125% Sinking Fund Obligation for each succeeding October 1 until fully discharged. The price at which shares of this Series shall be called for redemption through the 6.125% Sinking Fund shall be \$100 per share, plus an amount equal to accumulated and unpaid dividends to the date of such redemption computed as provided in Section 5 of Division C of Article VI of these Amended and Restated Articles of Incorporation. The Corporation's 6.125% Sinking Fund Obligation

may be discharged, in whole or part, by the application of any shares of this Series purchased or otherwise acquired by the Corporation on or before such date. If the Corporation shall for any reason fail to discharge in full its 6.125% Sinking Fund Obligation on any such October 1, the Corporation shall not thereafter, unless and until such 6.125% Sinking Fund Obligation and its 6.125% Sinking Fund Obligation for each and every prior October 1 shall have been discharged in full, declare or pay any dividend on, or make any other distribution of property with respect to, or purchase or otherwise acquire, any of its Common Stock.

(3) Shares of this Series are not redeemable prior to October 1, 2003. On and after October 1, 2003, the Corporation may, by resolution of the Board of Directors or the Executive Committee of the Board of Directors, redeem all, or from time to time, any part of the outstanding shares of this Series at \$100 per share. Any shares of this Series which are redeemed, repurchased or otherwise reacquired by the Corporation shall, until further action by the Board of Directors or the Executive Committee of the Board of Directors, have the status of authorized and unissued shares of Series Preferred Stock, without designation as to series.

(4) \$100.00 per share shall be payable upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation. The shares of this Series shall not be convertible into shares of any other class or classes or into any other securities of the Corporation. The number of shares of this series authorized is 1,150,000 shares.

(F) 6.33% Series Preferred Stock. The terms of the "6.33% Preferred Stock" in the respects in which the shares of such series may vary from shares of other series of the Series Preferred Stock shall be as follows:

(1) The dividend rate shall be 6.33% per share per annum and dividends on each share of such Series shall be cumulative from the date or dates of the initial issue of shares of such Series;

(2) So long as any shares of this Series remain outstanding, the Corporation, after full dividends on all outstanding shares of the 4½% Preferred Stock and the Series Preferred Stock, including this Series, for all past dividend periods shall have been paid or set aside, shall redeem as and for a sinking fund for the retirement of this Series (the "6.33% Sinking Fund"), out of funds legally available therefor, (i) annually on July 1 in each of the years 2003 through 2007, 50,000 shares of this Series, and (ii) on July 1, 2008, the remaining shares of this Series. The Corporation's obligation to make redemptions for the 6.33% Sinking Fund on any such July 1 as provided in this subparagraph (2) (such obligations on each such date being herein called the "6.33% Sinking Fund Obligation") shall be cumulative

so that if on any such July 1 the funds of the Corporation legally available for the 6.33% Sinking Fund shall be insufficient to permit the Corporation to discharge its 6.33% Sinking Fund obligation on such date, or if for any other reason such 6.33% Sinking Fund Obligation shall not have been discharged in full on such date, then such 6.33% Sinking Fund Obligation, to the extent not discharged, shall become an additional 6.33% Sinking Fund Obligation for each succeeding July 1 until fully discharged. The price at which shares of this Series shall be called for redemption through the 6.33% Sinking Fund shall be \$100 per share, plus an amount equal to accumulated and unpaid dividends to the date of such redemption computed as provided in Section 5 of Division C of Article VI of these Amended and Restated Articles of Incorporation. The Corporation's 6.33% Sinking Fund Obligation may be discharged, in whole or part, by the application of any shares of this Series purchased or otherwise acquired by the Corporation on or before such date. If the Corporation shall for any reason fail to discharge in full its 6.33% Sinking Fund Obligation on any such July 1, the Corporation shall not thereafter, unless and until such 6.33% Sinking Fund Obligation and its 6.33% Sinking Fund Obligation for each and every prior July 1 shall have been discharged in full, declare or pay any dividend on, or make any other distribution of property with respect to, or purchase or otherwise acquire, any of its Common Stock.

(3) Shares of this Series are not redeemable prior to October 1, 2003. On and after October 1, 2003, the Corporation may, by resolution of the Board of Directors or the Executive Committee of the Board of Directors, redeem all, or from time to time, any part of the outstanding shares of this Series at \$100 per share. Any shares of this Series which are redeemed, repurchased or otherwise reacquired by the Corporation shall, until further action by the Board of Directors or the Executive Committee of the Board of Directors, have the status of authorized and unissued shares of Series Preferred Stock, without designation as to series.

(4) \$100.00 per share shall be payable upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation. The shares of this Series shall not be convertible into shares of any other class or classes or into any other securities of the Corporation. The number of shares of this series authorized is 1,000,000 shares.

(G) 5.95% Series Preferred Stock. The terms of the "5.95% Preferred Stock" in the respects in which the shares of such series may vary from shares of other series of the Series Preferred Stock shall be as follows:

(1) The dividend rate shall be 5.95% per share per annum and dividends on each share of such Series shall be cumulative from the date or dates of the initial issue of shares of such Series;

(2) The Corporation, after full dividends on all outstanding shares of the 4½% Preferred Stock and the Series Preferred Stock including this Series, for all past dividend periods shall have been paid or set aside, shall redeem as and for a sinking fund for the retirement of this Series (the "5.95% Sinking Fund"), out of funds legally available therefor, on April 1, 2001, all of the outstanding shares of this Series. If on April 1, 2001, the required number of shares shall not be redeemed because of the lack of legally available funds, or for any other reason, the amount required to be redeemed shall be carried forward until such obligation is fully discharged. The price at which shares of this Series shall be called for redemption through the 5.95% Sinking Fund shall be \$100 per share, plus an amount equal to accumulated and unpaid dividends to the date of such redemption computed as provided in Section 5 of Division C of Article VI of these Amended and Restated Articles of Incorporation. If the Corporation shall for any reason fail to discharge in full its 5.95% Sinking Fund obligation on April 1, 2001, the Corporation shall not thereafter, unless and until such 5.95% Sinking Fund obligation shall have been discharged in full, declare or pay any dividend on, or make any other distribution of property with respect to, or purchase or otherwise acquire, any of its Common Stock. Any shares of this Series which are redeemed, repurchased or otherwise reacquired by the Corporation shall, until further action by the Board of Directors or the Executive Committee of the Board of Directors, have the status of authorized and unissued shares of Series Preferred Stock, without designation as to series.

(3) The amount per share for this Series payable to the holders thereof upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation shall be \$100. The shares of this Series shall not be convertible into shares of any other class or classes or into any other securities of the Corporation. The number of shares of this Series authorized is 300,000 shares.

(H) 6.05% Series Preferred Stock. The terms of the "6.05% Preferred Stock" in the respects in which the shares of such series may vary from shares of other series of the Series Preferred Stock shall be as follows:

(1) The dividend rate shall be 6.05% per share per annum and dividends on each share of such Series shall be cumulative from the date or dates of the initial issue of shares of such Series;

(2) The Corporation, after full dividends on all outstanding shares of the 4½% Preferred Stock and the Series Preferred Stock, including this Series, for all past dividend periods shall have been paid or set aside, shall redeem as and for a Sinking Fund for the retirement of this Series (the "6.05% Sinking Fund"), out of funds legally available therefor, on April

1, 2002, all of the outstanding shares of this Series. If on April 1, 2002, the required number of shares shall not be redeemed because of the lack of legally available funds, or for any other reason, the amount required to be redeemed shall be carried forward until such obligation is fully discharged. The price at which shares of this Series shall be called for redemption through the 6.05% Sinking Fund shall be \$100 per share, plus an amount equal to accumulated and unpaid dividends to the date of such redemption computed as provided in Section 5 of Division C of Article VI of these Amended and Restated Articles of Incorporation. If the Corporation shall for any reason fail to discharge in full its 6.05% Sinking Fund obligation on April 1, 2002, the Corporation shall not thereafter, unless and until such 6.05% Sinking Fund obligation shall have been discharged in full, declare or pay any dividend on, or make any other distribution of property with respect to, or purchase or otherwise acquire, any of its Common Stock. Any shares of this Series which are redeemed, repurchased or otherwise reacquired by the Corporation shall, until further action by the Board of Directors or the Executive Committee of the Board of Directors, have the status of authorized and unissued shares of Series Preferred Stock, without designation as to series.

(3) The amount per share for this Series payable to the holders thereof upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation shall be \$100. The shares of this Series shall not be convertible into shares of any other class or classes or into any other securities of the Corporation. The number of shares of this Series authorized is 250,000 shares.

(I) 6.15% Series Preferred Stock. The terms of the "6.15% Preferred Stock" in the respects in which the shares of such series may vary from shares of other series of the Series Preferred Stock shall be as follows:

(1) The dividend rate shall be 6.15% per share per annum and dividends on each share of such Series shall be cumulative from the date or dates of the initial issue of shares of such Series;

(2) The Corporation, after full dividends on all outstanding shares of the 4½% Preferred Stock and the Series Preferred Stock, including this Series, for all past dividend periods shall have been paid or set aside, shall redeem as and for a sinking fund for the retirement of this Series (the "6.15% Sinking Fund"), out of funds legally available therefor, on April 1, 2003, all of the outstanding shares of this Series. If on April 1, 2003, the required number of shares shall not be redeemed because of the lack of legally available funds, or for any other reason, the amount required to be redeemed shall be carried forward until such obligation is fully discharged. The price at which shares of this Series shall be called for redemption through the 6.15%

Sinking Fund shall be \$100 per share, plus an amount equal to accumulated and unpaid dividends to the date of such redemption computed as provided in Section 5 of Division C of Article VI of these Amended and Restated Articles of Incorporation. If the Corporation shall for any reason fail to discharge in full its 6.15% Sinking Fund obligation on April 1, 2003, the Corporation shall not thereafter, unless and until such 6.15% Sinking Fund obligation shall have been discharged in full, declare or pay any dividend on, or make any other distribution of property with respect to, or purchase or otherwise acquire, any of its Common Stock. Any shares of this Series which are redeemed, repurchased or otherwise reacquired by the Corporation shall, until further action by the Board of Directors or the Executive Committee of the Board of Directors, have the status of authorized and unissued shares of Series Preferred Stock, without designation as to series.

(3) The amount per share for this Series payable to the holders thereof upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation shall be \$100. The shares of this Series shall not be convertible into shares of any other class or classes or into any other securities of the Corporation. The number of shares of this Series authorized is 250,000 shares.

(J) For the purposes of the foregoing paragraphs (A) through (I), the terms "involuntary liquidation, dissolution or winding up" shall include, without being limited to, a liquidation, dissolution or winding up of the Corporation resulting in the distribution of all of the net proceeds of a sale, lease or conveyance of all or substantially all of the property or business of the Corporation to any governmental body including, without limitation, any municipal corporation or political subdivision or authority.

Division C--PROVISIONS APPLICABLE TO BOTH THE 4½%
PREFERRED STOCK AND THE SERIES PREFERRED STOCK

Section 1. General. The term "Preferred Stock" whenever used in this Article VI, shall be deemed to include the 4½% Preferred Stock, the Series Preferred Stock and any other class of stock entitled to dividends on a parity with the 4½% Preferred Stock and Series Preferred Stock.

Section 2. Dividends. (A) The shares of Preferred Stock shall be entitled to the payment of dividends on a parity with each other at the rate or rates established by or pursuant to the provisions of this Article VI and in preference to the Preference Stock and the Common Stock, but only when and as declared by the Board of Directors, out of funds legally available for the payment of dividends.

(B) Said dividends shall be payable quarterly on January 1, April 1, July 1 and October 1 of each year or otherwise as the

Board of Directors may determine, to shareholders of record as of a date not exceeding forty (40) days and not less than ten (10) days preceding such dividend payment dates, to be fixed by the Board of Directors. The holders of the Preferred Stock shall not be entitled to receive any dividends thereon out of net profits or surplus earnings other than dividends established by or pursuant to this Article VI.

Section 3. Preferences In Distribution. The shares of the 4½% Preferred Stock and the Series Preferred Stock shall be entitled to share on a parity with each other, and shall have a preference over the Preference Stock and the Common Stock, upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, or upon any distribution of assets, other than net profits or surplus earnings until there shall have been paid in respect of the shares of:

- (a) 4½% Preferred Stock--the full par value thereof,
or
(b) Series Preferred Stock--the liquidation price fixed as provided in Division B;

plus, in either case, an amount, if any, by which an amount equivalent to the annual dividend upon such shares from the date after which dividends thereon became cumulative to the date of liquidation exceeds the dividends actually paid thereon or declared and set apart for payment thereon from such date to the date of liquidation. The 4½% Preferred Stock and the Series Preferred Stock shall not receive any share in any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or in any distribution of assets in excess of the aggregate amount specified in this section.

Section 4. Voting Rights. (A) Except as otherwise provided in these Amended and Restated Articles of Incorporation, each share of the 4½% Preferred Stock, the Series Preferred Stock, the Common Stock and (if, and to the extent, stated in the resolution or resolutions providing for the issue of a series of Preference Stock) the Preference Stock shall be equal in voting power and shall entitle the holder thereof to one vote upon any question presented to any shareholders meeting, it being hereby agreed and declared that a majority in number of shares regardless of the class to which such shares may belong is a majority in value or in interest within the meaning of any statute or law requiring the consent of stockholders holding a majority in interest or a greater amount in value of stock of the Corporation.

(B) If and when dividends payable on any shares of Preferred Stock shall be in default in an amount equivalent to the annual dividend, or more, per share, and thereafter until all dividends on the Preferred Stock (of all classes and series) in default shall have been paid, the holders of the Preferred Stock voting as a single class, separate from the holders of the Preference Stock and the Common Stock, shall be entitled to elect

the smallest number of directors necessary to constitute a majority of the full Board of Directors, and the holders of the Common Stock and the Preference Stock (if, and to the extent, stated in the resolution or resolutions providing for the issue of a series of Preference Stock), voting separately as a class, shall have the right to elect the remaining directors of the Corporation. The terms of office, as directors, of all persons who may be directors of the Corporation at the time shall terminate upon the election of a majority of the Board of Directors by the holders of the Preferred Stock, except that, if the holders of the Preference Stock and/or the Common Stock shall not have exercised their right to elect directors of the Corporation (either by voting together as a single class or by voting separately as two distinct classes, as the case may be) because of the lack of a quorum consisting of a majority of the required class, then such remaining directors shall be elected by the directors whose term of office is thus terminated and who have not been elected by the holders of the Preferred Stock as a class; and in that event, such elected directors shall hold office for the interim period, pending such time as a quorum of the requisite class shall be present at a meeting held for the election of directors.

(C) If and when all dividends then in default on the Preferred Stock, then outstanding, shall be paid (and such dividends shall be declared and paid out of any funds legally available therefor as soon as reasonably practicable), the holders of the Preferred Stock shall be divested of any special right with respect to the election of directors and the voting power of the holders of the Preferred Stock and the holders of the Common Stock and the Preference Stock (to the extent stated in the resolution or resolutions providing for the issue of a series of Preference Stock) shall revert to the status existing before the first dividend payment date on which dividends on any shares of the Preferred Stock were not paid in full; but always subject to the same provisions for vesting such special rights in the holders of the Preferred Stock in case of further like default or defaults on dividends thereon. Upon the termination of any such special voting right, the terms of office of all persons who may have been elected directors of the Corporation by vote of the holders of the Preferred Stock, as a class, pursuant to such special voting right shall forthwith terminate, and the resulting vacancies shall be filled by the vote of a majority of the remaining directors.

(D) In case of any vacancy in the office of a director occurring among the directors elected by the holders of the Preferred Stock, voting as a single class separate from the holders of the Common Stock and the holders of any series of Preference Stock with voting rights, the remaining directors elected by the holders of the Preferred Stock, by affirmative vote of a majority thereof, or the remaining director so elected if there be but one, may elect a successor or successors to hold

office for the unexpired terms of the director or directors whose place or places shall be vacant.

(E) In case of any vacancy in the office of a director occurring among the directors not elected by the holders of the Preferred Stock, the remaining directors not elected by the holders of the Preferred Stock, by affirmative vote of a majority thereof, or the remaining such director if there be but one, may elect a successor or successors to hold office for the unexpired term of the director or directors whose place or places shall be vacant.

(F) Whenever the right shall have accrued to the holders of the Preferred Stock to elect directors, voting as a single class separate from the holders of the Common Stock and the holders of any series of Preference Stock with voting rights, then upon request in writing signed by any holder of the Preferred Stock entitled to vote, delivered by registered mail or in person to the president, a vice president or secretary of the Corporation, it shall be the duty of such officer forthwith to cause notice to be given to the shareholders entitled to vote of a meeting to be held at such time as such officer may fix, not less than ten (10) nor more than sixty (60) days after the receipt of such request, for the purpose of electing directors. At all meetings of shareholders held for the purpose of electing directors during such time as the holders of a class or classes of stock shall have the special right, voting as a single class, separate from the holders of the other class or classes of stock (not entitled to such special right), to elect directors, the presence in person or by proxy of the holders of a majority of such other class or classes of stock (counted either separately as single classes or together as a single class, as the case may be) shall be required to constitute a quorum of such class or classes for the election of directors, and the presence in person or by proxy of the holders of a majority of the outstanding shares of the class or classes of stock entitled to such special right shall be required to constitute a quorum of such class or classes for the election of directors; provided, however, that the absence of a quorum of the holders of any such class or classes of stock shall not prevent the election at any such meeting or any adjournment thereof of directors by any other class or classes if the necessary quorum of the holders of stock of such other class or classes is present in person or by proxy at such meeting or adjournment thereof; and provided further that in the event a quorum of the holders of the Preferred Stock is not present, then the election of the directors elected by the holders of any other class or classes of stock shall not become effective and the directors so elected by such other class or classes of stock shall not assume their offices and duties until the holders of the Preferred Stock shall have elected the directors they shall be entitled to elect; and provided further, however, that in the absence of a quorum of the holders of stock of any class, a majority of the holders of the stock of such class who are present in person or by proxy shall have the power to adjourn the

election of the directors to be elected by such class from day to day or for such longer periods, not exceeding 15 days, each, as such majority shall direct without notice other than announcement at the meeting until the requisite number of holders of such class shall be present in person or by proxy.

Section 5. Redemption. (A) By a majority vote of the Board of Directors of the Corporation:

(1) the 4½% Preferred Stock may be redeemed in whole or in part at any time at One Hundred Ten Dollars (\$110.00) per share, or

(2) any series of Series Preferred Stock may be redeemed in whole or in part at any time at the redemption price fixed and determined as specified in Division B;

plus, in either case, an amount, if any, by which an amount equivalent to the annual dividend upon such shares from the date after which dividends thereon became cumulative to the date of redemption exceeds the dividends actually paid thereon or declared and set apart for payment thereon from such date to the date of redemption. If, pursuant to such vote, less than all of the shares of any class or series thereof of the Preferred Stock are to be redeemed, the shares to be redeemed shall be selected by lot, in such manner as the Board of Directors of the Corporation shall determine, by a bank or trust company chosen for that purpose by the Board of Directors of the Corporation.

(B) Nothing herein contained shall limit any right of the Corporation to purchase or otherwise acquire any shares of the Preferred Stock.

(C) Notice of the intention of the Corporation to redeem shares of the Preferred Stock or any thereof shall be mailed thirty (30) days before the date of redemption to each holder of record of the shares to be redeemed, at his last known post office address as shown by the records of the Corporation. At any time after such notice has been mailed as aforesaid, the Corporation may deposit the aggregate redemption price (or the portion thereof not already paid in the redemption of shares so to be redeemed) with any bank or trust company in the City of Philadelphia, Pennsylvania; City of Allentown, Pennsylvania; or in the City of New York, New York, named in such notice, payable in amounts aforesaid to the respective orders of the record holders of the shares so to be redeemed, on endorsement and surrender of their certificates, and thereupon said holders shall cease to be shareholders with respect to said shares and from and after the making of such deposit, said holders shall have no interest in or claim against the Corporation with respect to said shares, but shall be entitled only to receive said moneys from said bank or trust company with interest, if any, allowed by such bank or trust company on such moneys deposited as provided in

this subsection (C), on endorsement and surrender of their certificates as aforesaid.

(D) Any moneys so deposited, plus interest thereon, if any, and remaining unclaimed at the end of six years from the date fixed for redemption, if thereafter requested by resolution of the Board of Directors of the Corporation, shall be repaid to the Corporation and in the event of such repayment to the Corporation, such holders of record of the shares so redeemed as shall not have made claim against such moneys prior to such repayment to the Corporation shall be deemed to be unsecured creditors of the Corporation for an amount without interest equivalent to the amount deposited, plus interest thereon, if any, allowed by such bank or trust company, as above stated, for the redemption of such shares and so paid to the Corporation.

Division D--PREFERENCE STOCK

Section 1. General. To the extent permitted by these Amended and Restated Articles of Incorporation, the Board of Directors, by majority vote of a quorum, shall have the authority to issue shares of Preference Stock from time to time in one or more series, and to fix by resolution, at the time of issuance of each of such series, the distinctive designations, terms, relative rights, privileges, qualifications, limitations, options, conversion rights, preferences, and voting powers, and such prohibitions, restrictions and qualifications of voting or other rights and powers thereof except as they are fixed and determined in this Article VI. The dividend rate or rates, dividend payment dates or other terms of a series of Preference Stock may vary from time to time dependent upon facts ascertainable outside of these Amended and Restated Articles of Incorporation if the manner in which the facts will operate to fix or change such terms is set forth in the express terms of the series or upon terms incorporated by reference to an existing agreement between the Corporation and one or more other parties or to another document of independent significance or otherwise to the extent permitted by the Business Corporation Law of 1988.

Section 2. Dividends. Subject to the provisions of Section 2(A) of Division C, the holders of shares of each series of Preference Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any funds legally available for the purpose under 15 Pa.C.S. § 1551 (relating to distributions to shareholders) or any superseding provision of law subject to any additional limitations in the express terms of the series, cash dividends at the rate or rates and on the terms which shall have been fixed by or pursuant to the authority of the Board of Directors with respect to such series and no more, payable at such time or times as may be fixed by or pursuant to the authority of the Board of Directors. If and to the extent provided by the express terms of any series of Preference Stock, the holders of the series shall be entitled to receive such other dividends as may be declared by the Board of Directors.

Section 3. Liquidation of the Corporation. Subject to the provisions of Section 3 of Division C, in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Preference Stock shall be entitled to receive from the assets of the Corporation (whether capital or surplus), prior to any payment to the holders of shares of Common Stock or of any other class of stock of the Corporation ranking as to assets subordinate to the Preference Stock, the amount per share (which, in the case of an involuntary liquidation, dissolution or winding up, shall not be in excess of the original offering price per share (not including accrued dividends, if any) or \$100 per share, whichever is less) which shall have been fixed and determined by the Board of Directors with respect thereto, plus the accrued and unpaid dividends thereon computed to the date on which payment thereof is made available, whether or not earned or declared. For the purposes of this section, the terms "involuntary liquidation, dissolution or winding up" shall include, without being limited to, a liquidation, dissolution or winding up of the Corporation resulting in the distribution of all of the net proceeds of a sale, lease or conveyance of all or substantially all of the property or business of the Corporation to any governmental body including, without limitation, any municipal corporation or political subdivision or authority.

Section 4. Conversion Privileges. In the event any series of the Preference Stock is issued with the privilege of conversion, such stock may be converted, at the option of the record holder thereof, at any time or from time to time, as determined by the Board of Directors, in the manner and upon the terms and conditions stated in the resolution establishing and designating the series and fixing and determining the relative rights and preferences thereof.

Section 5. Redemption. The Corporation, at its option to be exercised by its Board of Directors, may redeem the whole or any part of the Preference Stock or of any series thereof at such time or times as may be fixed by the Board, at the applicable price for each share, and upon the terms and conditions which shall have been fixed and determined by the Board with respect thereto.

Section 6. Voting Rights. Each holder of record of shares of a series of Preference Stock shall have full voting rights of one vote per share or such other limited, multiple, fractional or conditional or no voting rights as shall be stated in the resolution or resolutions of the Board of Directors providing for the issue of the shares of such series. Unless provided in such resolution or resolutions, no holder of shares of Preference Stock shall have cumulative voting rights.

Division E--COMMON STOCK

Section 1. Dividends And Shares In Distribution On Common Stock.

(A) Subject to the rights of the holders of the Senior Stock, and the Preference Stock and subordinate thereto, the Common Stock alone shall receive all further dividends and shares upon liquidation, dissolution, winding up or distribution.

(B) A consolidation or merger of the Corporation with or into any other corporation or corporations shall not be deemed a distribution of assets of the Corporation within the meaning of any provision of this Article VI.

(C) So long as any shares of the 4½% Preferred Stock and the Series Preferred Stock are outstanding, no dividends on or distributions, purchases or acquisitions of Common Stock shall be paid or made, aggregating an amount in excess of 75% of the current year's earnings otherwise available for Common Stock, if after such payment, distribution, purchase or acquisition, the ratio of the aggregate of capital for Common Stock and surplus to the total capitalization, including surplus, will be less than 25%, and no dividends on or distributions, purchases or acquisitions of Common Stock shall be paid or made, aggregating an amount in excess of 50% of the current year's earnings otherwise available for Common Stock, if after such payment, distribution, purchase or acquisition, the ratio of the aggregate of capital for Common Stock and surplus to the total capitalization, including surplus will be less than 20%.

Section 2. Voting Rights. Except as otherwise provided in these Amended and Restated Articles of Incorporation, each share of the 4½% Preferred Stock, the Series Preferred Stock and the Common Stock shall be equal in voting power and shall entitle the holder thereof to one vote upon any question presented to any shareholders' meeting, it being hereby agreed and declared that a majority in number of shares (including, if and to the extent provided pursuant to Division D, shares of Preference Stock) regardless of the class to which such shares may belong is a majority in value or in interest within the meaning of any statute or law requiring the consent of stockholders holding a majority in interest or a greater amount in value of stock of the Corporation.

Division F--GENERAL

PRE-EMPTIVE RIGHTS. The Corporation may issue or sell shares, option rights, or securities having conversion or option rights for money or otherwise without first offering them to shareholders of any class or classes.

REDEMPTION. Any shares of the 4½% Preferred Stock, the Series Preferred Stock, the Preference Stock and the Common Stock which are redeemed, repurchased or otherwise reacquired by the Corporation shall, until further action by the Board of Directors or the Executive Committee of the Board of Directors, have the

status of authorized and unissued shares, without, in the case of the Series Preferred Stock, designation as to series.

CONVERTIBILITY. Unless otherwise provided in the terms of a series of Series Preferred Stock or Preference Stock or otherwise in these Amended and Restated Articles of Incorporation, the shares of each of the 4½% Preferred Stock, the Series Preferred Stock, the Preference Stock and the Common Stock, respectively, shall not be convertible into shares of any other class or classes or into any other securities of the Corporation.

ARTICLE VII. A majority of the directors may amend, alter or repeal the Bylaws, subject to the power of the shareholders to change such action; provided, however, that any amendment, alteration or repeal of, or the adoption of any provision inconsistent with, Sections 3.01, 3.01.1, 3.04, 3.05, or 3.13 of the Bylaws, if by action of the shareholders, shall be only upon the affirmative vote of the shareholders entitled to cast at least two-thirds of the votes which all shareholders are entitled to cast, and if by action of the directors, shall be only upon the approval of two-thirds of the directors.

ARTICLE VIII. These Amended and Restated Articles of Incorporation may be amended in the manner from time to time prescribed by statute and all rights conferred upon shareholders herein are granted subject to this reservation; provided, however, that, notwithstanding the foregoing (and in addition to any vote that may be required by law, these Amended and Restated Articles of Incorporation or the Bylaws), the affirmative vote of the shareholders entitled to cast at least two-thirds of the votes which all shareholders are entitled to cast shall be required to amend, alter or repeal, or to adopt any provision inconsistent with, Articles VII or VIII of these Amended and Restated Articles of Incorporation.

ARTICLE IX. The following provisions of the Business Corporation Law of 1988 shall not be applicable to the Corporation: 15 Pa.C.S. § 2538 (relating to approval of transactions with interested shareholders) and 15 Pa.C.S. Subchapter E (relating to control transactions).

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AGREEMENT AND PLAN OF EXCHANGE

between

PENNSYLVANIA POWER &
LIGHT COMPANY
(a Pennsylvania corporation)

and

PP&L RESOURCES, INC.
(a Pennsylvania corporation)

RECEIVED

JAN 09 1995

PUBLIC UTILITY COMMISSION
SECRETARY BIRFALL

RECITALS

A. PENNSYLVANIA POWER & LIGHT COMPANY (the "Exchanging Corporation") is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania, which is authorized to issue 170,000,000 shares of Common Stock, no par value ("PP&L Common Stock"), of which _____ shares are issued and outstanding.

B. PP&L RESOURCES, INC. (the "Acquiring Person"), a wholly owned subsidiary of the Exchanging Corporation, is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania, which is authorized to issue 100 shares of Common Stock, par value \$.01 per share ("Resources Common Stock"), and which, at the time of the share exchange contemplated hereby (the "Exchange"), will be authorized to issue [390,000,000] shares of Resources Common Stock, of which _____ shares are issued and outstanding and held of record by the Exchanging Corporation.

C. * The Board of Directors of the Exchanging Corporation has adopted resolutions approving this Agreement and Plan of Exchange (the "Agreement") in accordance with the Pennsylvania Business Corporation Law of 1988 (the "BCL") and directing that it be submitted to the shareholders of the Exchanging Corporation for adoption.

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ARTICLE I

General

DOCUMENT
FOLDER

1.01. Parties to Exchange. The Exchanging Corporation and the Acquiring Person shall effect the Exchange in accordance with and subject to the terms of this Agreement.

1.02. Effectiveness. Articles of Exchange, and such other documents and instruments as are required by, and complying in all respects with, the BCL shall be delivered to the appropriate state officials for filing. The Exchange shall

become effective at the later of 12:01 A.M. on _____, 1995 or the filing of Articles of Exchange in the Department of State of the Commonwealth of Pennsylvania (the "Effective Time").

1.03. *Termination.* Notwithstanding shareholder approval of this Agreement, this Agreement may be terminated at any time prior to the Effective Time by either the Acquiring Person by written notice to the Exchanging Corporation at least ___ days prior to the Effective Time or by the Exchanging Corporation at any time prior to the Effective Time by resolution approved by its Board of Directors.

1.04. *Amendment.* This Agreement may be amended by the written agreement of the Exchanging Corporation and the Acquiring Person at any time prior to submission of the Agreement to the shareholders of the Exchanging Corporation for approval and, to the extent permitted by law, at any time thereafter prior to the Effective Time.

ARTICLE II

Capital Stock

2.01. *Exchange.* At the Effective Time each share of PP&L Common Stock issued and outstanding immediately prior to the Effective Time shall, by virtue of the Exchange and without any action on the part of the holder thereof, be converted and exchanged into one share of Resources Common Stock and the Acquiring Person shall thereupon have acquired and be the holder of each share of PP&L Common Stock covered and exchanged in the Exchange. No shares of PP&L Common Stock shall cease to exist by reason of such conversion and exchange. No other shares of capital stock of the Exchanging Corporation shall be exchanged pursuant to the Exchange.

2.02. *Certificates.* Following the Effective Time, each holder of an outstanding certificate or certificates theretofore representing shares of PP&L Common Stock may, but shall not be required to, surrender the same to the Acquiring Person for reissuance of a new certificate or certificates in holders' name or for transfer, and each such holder or transferee will be entitled to receive a certificate or certificates representing the same number of shares of the Acquiring Person. Without any further action on the part of the Exchanging Corporation or the Acquiring Person, each outstanding certificate which, immediately before the Effective Time, represented PP&L Common Stock, shall be deemed and treated for all corporate purposes to represent the ownership of the same number of shares of Resources Common Stock as though a surrender or transfer and exchange had taken place.

2.03. *Cancellation of Resources Common Stock Held by the Exchanging Corporation.* Immediately prior to the Effective

Time, each share of Resources Common Stock issued and outstanding immediately before the Effective Time shall be cancelled and thereupon shall constitute an authorized but unissued share, and all rights in respect thereof shall cease. The Exchanging Corporation, as the sole holder of such Resources Common Stock, consents to such cancellation.

ARTICLE III

3.01. *Articles of Incorporation of the Exchanging Corporation.* At the Effective Time, the Restated Articles of Incorporation of the Exchanging Corporation shall be amended and restated as set forth on Exhibit A hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement and Plan of Exchange as of _____, 1994.

PENNSYLVANIA POWER & LIGHT COMPANY

By: _____
 Name:
 Title:

PP&L RESOURCES, INC.

By: _____
 Name:
 Title:

EXHIBIT A

Amended and restated Articles of
Pennsylvania Power & Light Company

[Set forth at Tab C of this Report]

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

FORM U-1

APPLICATION OR DECLARATION

UNDER THE

PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

PP&L RESOURCES, INC.
Two North Ninth Street,
Allentown, Pennsylvania 18101-1179
(Name of company or companies filing this statement and
address of principal executive offices)

PP&L Resources, Inc.
c/o Michael A. McGrail, Esq.
Pennsylvania Power & Light Company
Two North Ninth Street,
Allentown, Pennsylvania 18101-1179
Telephone: (610) 774-5151
(Names and addresses of agents for service)

Copy to:
Vincent Pagano, Jr.
Simpson Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017
Telephone: (212) 455-3125

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PUBLIC UTILITY COMMISSION
SECRETARY BUREAU

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Item 1. Description of Proposed Transaction.

Introduction

Pursuant to Sections 9(a)(2) and 10 of the Public Utility Holding Company Act of 1935 (the "1935 Act"), PP&L Resources, Inc., a Pennsylvania corporation ("Holding Company"), hereby applies for the approval of the Securities and Exchange Commission (the "Commission") for Holding Company (i) to acquire all of the outstanding shares of common stock of Pennsylvania Power & Light Company, a Pennsylvania corporation and an electric utility company ("PP&L"), and (ii) to acquire indirectly one-third of the outstanding capital stock (which represents one-half of the outstanding voting stock) of Safe Harbor Water Power Corporation, a Pennsylvania corporation and an electric utility company ("Safe Harbor"). Pursuant to Section 3(a)(1) of the 1935 Act, Holding Company also hereby applies for an order exempting Holding Company, and each of its subsidiary companies as such, from all provisions of the 1935 Act (except for Section 9(a)(2) thereof).

PP&L supplies electric light, heat and power service to the public in twenty-nine counties in central eastern Pennsylvania. In providing this service, PP&L is subject to the Pennsylvania Public Utility Code, 66 Pa. C.S. § 101 et seq., and regulation by the Pennsylvania Public Utility Commission ("PUC") thereunder. Safe Harbor owns and operates a hydroelectric plant used to generate electricity for sale to PP&L and Safe Harbor's other owner, Baltimore Gas & Electric Company ("BG&E"). By virtue of its ownership of one-third of the outstanding capital

stock (which represents one-half of the outstanding voting stock) of Safe Harbor, PP&L is a holding company under the 1935 Act. However, because it is predominantly a public utility company whose operations as such do not extend beyond Pennsylvania, PP&L is currently exempt by order from the provisions of the 1935 Act (except for Section 9(a)(2) thereof) pursuant to Section 3(a)(2) of the 1935 Act. See Pennsylvania Power & Light Company, Holding Co. Act Release No. 19725, 10 SEC Docket 814, 815 (1976).

Holding Company was incorporated in Pennsylvania on March 15, 1994 for the purpose of carrying out the proposed restructuring described below. Pursuant to the terms of a subscription agreement dated March 16, 1994 and upon receipt of appropriate PUC approval, Holding Company will become a direct wholly-owned subsidiary of PP&L. Thereafter, upon receiving shareholder approval and appropriate regulatory approvals, Holding Company will become the parent of PP&L. Holding Company does not own any utility assets and currently is not a "holding company" under the 1935 Act.

Proposed Restructuring

Holding Company proposes to acquire all of the outstanding shares of common stock of PP&L (the "PP&L Stock") pursuant to an Agreement and Plan of Exchange, the form of which is filed as Exhibit B-1 hereto (the "Plan of Exchange"). Under the terms of the Plan of Exchange, all of the shares of the common stock of Holding Company, which will then be owned by PP&L, will be cancelled and all of the PP&L Stock will be

exchanged on a share-for-share basis for common stock of Holding Company (the "Exchange"). Upon consummation of the Exchange, each person that owned PP&L Stock immediately prior to the Exchange will own a corresponding number of the outstanding shares of common stock of Holding Company, and Holding Company will own all of the PP&L Stock. Additionally, following the Exchange, PP&L will continue to own one-half of the outstanding voting stock of Safe Harbor.

Prior to the Exchange, Holding Company will apply to have its common stock listed on the New York and Philadelphia Stock Exchanges. It is anticipated that the common stock of Holding Company will be listed and traded on those Stock Exchanges upon consummation of the restructuring, whereupon Holding Company will be required to file reports with the Commission pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended (the "1934 Act"). The PP&L Stock will cease to be listed on the New York and Philadelphia Stock Exchanges following the restructuring.

Effectuation of the Exchange will have no significant effect on the holders of PP&L Stock. Their interest and investment in the business of PP&L will be changed only in form and not in substance.

As discussed below, the purpose of the proposed restructuring is to take advantage of business opportunities outside of PP&L's present power markets. Initially, these unregulated business activities will be conducted through Power Markets Development Company ("Power Markets"), a wholly-owned

subsidiary of CEP Group, Inc. ("CEP"), which is a wholly-owned subsidiary of PP&L. Following consummation of the Exchange, PP&L will transfer the common stock of CEP to Holding Company. CEP will then transfer the common stock of Power Markets to Holding Company. It is expected that these transfers will be made in the form of stock dividends.

All of PP&L's first mortgage bonds and other indebtedness of PP&L outstanding immediately prior to the Exchange will continue to be outstanding indebtedness of PP&L after the Exchange. The shares of PP&L's preferred stock issued and outstanding immediately before the Exchange will not be converted or otherwise affected by the Exchange but will continue as outstanding shares of PP&L preferred stock.

Consummation of the restructuring contemplated by the Plan of Exchange is subject to various conditions, including the approval of the Commission under Section 9(a)(2) of the 1935 Act and the other approvals described herein. The Plan of Exchange also will be subject to the approval of a majority of the shareholder votes cast at PP&L's 1995 annual meeting, currently scheduled for April 26, 1995.

Holding Company and PP&L intend to file with the Commission a Registration Statement on Form S-4 (the "Registration Statement") under the Securities Act of 1933, as amended, for the purpose of registering the shares of common stock of Holding Company to be issued in connection with the Exchange and for the purpose of complying with the requirements

of the 1934 Act, in connection with the solicitation of proxies of PP&L's shareholders.

Reasons for, and Anticipated Effect of, the Restructuring
Purpose

The purpose of the restructuring is to establish a more appropriate corporate structure for the conduct of unregulated business activities. As is more fully described below, Holding Company and PP&L believe that the establishment of a broad base of income generation will enhance the overall financial strength of the enterprise.

With the passage of the Public Utility Regulatory Policies Act of 1978 ("PURPA"), and the Energy Policy Act of 1992 ("Energy Act"), the electric utility industry in general, including PP&L, has experienced a significant increase in the level of competition in the market for the generation and sale of electricity. PP&L has already been required under PURPA to purchase substantial amounts of energy from non-utility generators. Further, the Energy Act reduces barriers to market entry for companies that wish to build, own and operate electric generating facilities, and it also promotes competition by authorizing the Federal Energy Regulatory Commission ("FERC") to require wheeling for wholesale power transactions. The clear intent of the Energy Act is to permit wholesale buyers of electricity to reach multiple sellers. The increased competition facing the electric utility industry has been well documented and is undoubtedly the most significant issue facing the industry today.

In order to respond effectively to this increased competition, PP&L, after extensive investigation and analysis, has determined that, in addition to responding to competition in its existing markets, it also must position itself to explore and take advantage of potential business opportunities outside of its present markets in central eastern Pennsylvania. Pursuit of these opportunities will play an important role in maintaining the long-term financial viability necessary for PP&L to continue to provide reliable service to its customers.

PP&L is currently investigating a variety of business opportunities, both in domestic and international markets. PP&L has not yet determined what specific investments it will pursue, but is currently focusing on those opportunities which relate to its present core business -- the generation, transmission and distribution of electric energy. PP&L's focus on geographic rather than product diversification will enable it to take full advantage of its extensive experience in owning and operating electric utility facilities.

Initially, these unregulated business activities will be conducted through Power Markets, currently a wholly-owned subsidiary of CEP, which in turn is a wholly-owned subsidiary of PP&L. Power Markets was formed on March 9, 1994, and was initially funded by a \$50 million capital contribution by PP&L from its internally generated funds, in order to take advantage of current business opportunities.

Effects

PP&L could continue to pursue unregulated business opportunities through Power Markets and other unregulated subsidiaries of PP&L. However, it is more desirable in the long run to conduct these unregulated activities through a holding company structure.

The holding company structure is a well-established form of organization for those companies conducting multiple lines of business. It is a common form of organization for unregulated companies and for those regulated companies, such as telephone utilities and water utilities, which are not subject to the 1935 Act. In addition, it is utilized by many electric companies which are involved in unregulated activities. In recognition of the increased competition in the electric utility industry, the Energy Act permits electric utilities to conduct certain business activities which were previously limited by the 1935 Act. PP&L wishes to take advantage of this opportunity, and desires to do so by utilizing the most efficient and effective corporate structure.

The benefits of a holding company structure are well established. The holding company structure will enable Holding Company to participate in unregulated businesses in a timely manner consistent with regulatory requirements. The new corporate structure also will permit the use of financing techniques that are more directly suited to the particular requirements, characteristics and risks of unregulated and non-utility operations without affecting the capital structure or

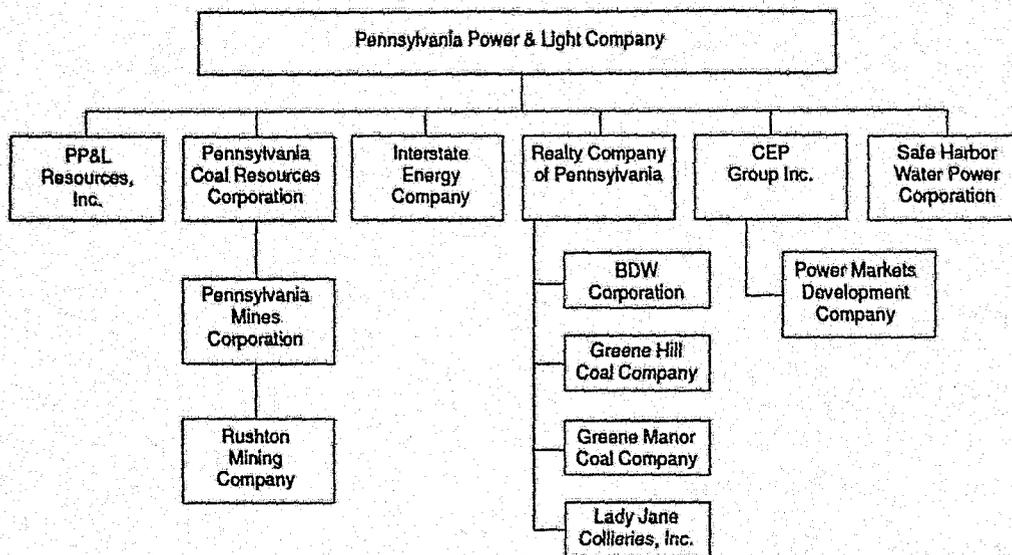
creditworthiness of PP&L, and will increase financial flexibility by allowing the design and implementation of capitalization ratios appropriate for the risk of each subsidiary.

The holding company structure more fully separates the operations of regulated and unregulated businesses. As a result, it provides a better structure for regulators to assure that there is no cross-subsidization of costs or transfer of business risk from unregulated to regulated lines of business. A holding company structure also is preferred by the investment community because it is easier to analyze and value individual lines of business. Moreover, the use of a holding company structure provides legal protection against the imposition of liability on regulated utilities for the results of unregulated business activities. In short, the holding company structure is a highly desirable form of conducting regulated and unregulated businesses within the same corporate group.

Business and Properties of the Parties

Holding Company has only nominal assets and has not engaged in any business operations.

PP&L's corporate structure immediately prior to the Exchange will be as follows:



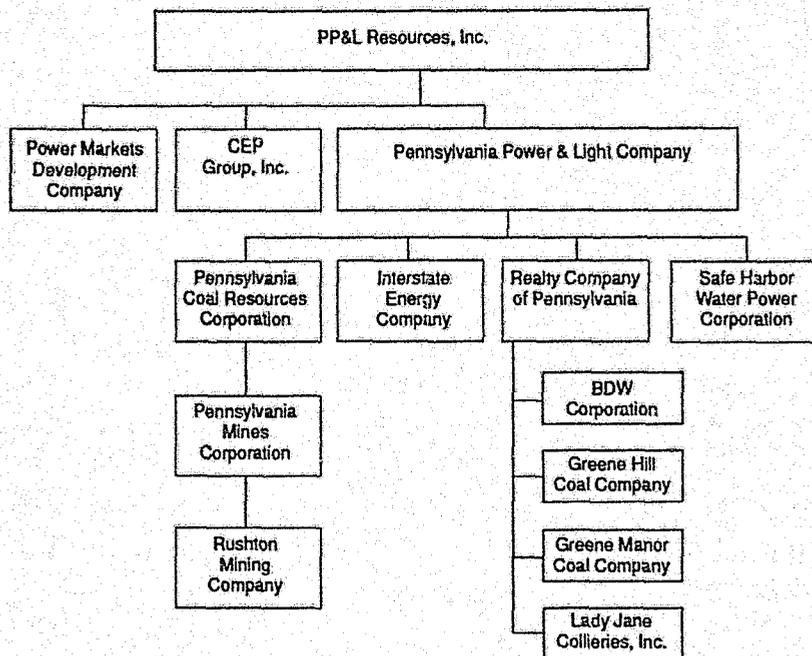
PP&L is an operating electric utility, incorporated under the laws of the Commonwealth of Pennsylvania in 1920. PP&L serves approximately 1.2 million customers in a 10,000 square mile territory in 29 counties of central eastern Pennsylvania, with a population of approximately 2.6 million persons. PP&L owns a 90% undivided interest in each of two nuclear-fueled generating units at its Susquehanna station, and Allegheny Electric Cooperative, Inc. owns a 10% undivided interest in each of those units. PP&L operates its generation and transmission facilities as part of the Pennsylvania-New Jersey-Maryland Interconnection Association (the "PJM"). The PJM, one of the world's largest power pools, includes 11 companies serving 21 million people in a 50,000 square mile territory covering all or part of Pennsylvania, New Jersey, Maryland, Delaware, Virginia and Washington, D.C.

Wholly-owned direct and indirect subsidiary companies of PP&L principally are engaged in holding coal reserves, coal

mining-related activities, oil pipeline operations, and passive investments. In particular, Interstate Energy Company operates oil pipeline facilities that supply fuel to a PP&L electric generation station. Pennsylvania Coal Resources Corporation and its subsidiaries are completing PP&L's phase-out of its coal operations which had been supplying fuel to PP&L's electric generation stations. Realty Company of Pennsylvania and BDW Corporation own real estate and other interests related to the operation of PP&L's electric generation stations. Greene Hill Coal Company and Green Manor Coal Company own undeveloped bituminous coal reserves and Lady Jane Collieries, Inc. purchases and cleans bituminous coal from non-affiliated suppliers. Finally, CEP holds passive investments.

Power Markets, temporarily a wholly-owned subsidiary of CEP, was formed to conduct PP&L's unregulated business activities. Upon consummation of the proposed restructuring, Power Markets will become a direct, wholly-owned subsidiary of Holding Company. Finally, as discussed above, PP&L also owns one-third of the outstanding capital stock (which represents one-half of the outstanding voting stock) of Safe Harbor, which operates a hydroelectric plant used to generate electricity for sale to PP&L and the other owner, BG&E.

The effectuation of the proposed restructuring will have no effect upon the electric utility business and operations of PP&L and Safe Harbor. Upon consummation of the Exchange, the corporate structure will be as follows:



Additional Information

No associate company or affiliate of Holding Company or any affiliate of any such associate company has any direct or indirect material interest in the proposed transaction except as stated herein.

For further information, reference is made to the financial statements and other information in Exhibits G-1 through G-3 hereto.

Item 2. Fees, Commissions and Expenses.

The estimated fees, commissions and expenses paid or incurred, or to be paid or incurred, directly or indirectly, in connection with the proposed restructuring, by the applicant or any associate company thereof, will be set forth in Exhibit I-1 hereto, to be filed by amendment.

Item 3. Applicable Statutory Provisions.

Statutory Provisions Applicable to the Restructuring

Holding Company considers Sections 9(a)(2) and 10 of the 1935 Act to be applicable to the proposed acquisition by Holding Company of the PP&L Stock and the indirect acquisition by Holding Company of one-third of the capital stock (which represents one-half of the voting stock) of Safe Harbor pursuant to the restructuring. After the Exchange has been consummated, Holding Company will qualify for an exemption from all of the provisions of the 1935 Act (except for Section 9(a)(2) thereof) under Section 3(a)(1) of the 1935 Act.

Because Safe Harbor owns and operates facilities used for the generation of electric energy for sale, Safe Harbor is an "electric utility company" within the meaning of Section 2(a)(3) of the 1935 Act. As a result, PP&L is a "holding company" under the 1935 Act, but is exempt pursuant to Section 3(a)(2) of the 1935 Act by order. See Pennsylvania Power & Light Company, supra, 10 SEC Docket at 815. Holding Company is not currently a "holding company" under the 1935 Act because it does not own, control, or hold with power to vote ten percent or more of the voting securities of a public utility company. However, the effectuation of the Exchange will result in Holding Company becoming a "holding company" under the 1935 Act, and PP&L and Safe Harbor, respectively, becoming direct and indirect subsidiary companies of Holding Company. PP&L will continue to be a "holding company" with respect to Safe Harbor.

Compliance with Applicable Statutory Provisions

For the reasons explained below, Holding Company believes that the Exchange complies with the applicable standards of Section 10 of the 1935 Act and that, after the Exchange has been consummated, Holding Company will qualify for an exemption from all of the provisions of the 1935 Act (except for Section 9(a)(2) thereof) under Section 3(a)(1) of the 1935 Act (i.e., because Holding Company and each electric utility subsidiary from which Holding Company will derive any material part of its income are predominantly intrastate in character and carry on their businesses in Pennsylvania, where all such companies are organized).

1. Section 10(b)

Section 10(b) of the 1935 Act requires the Commission to approve the Exchange unless the Commission finds that:

(1) such acquisition will tend towards interlocking relations or the concentration of control of public utility companies, of a kind or to an extent detrimental to the public interest or the interest of investors or consumers;

(2) in case of the acquisition of securities or utility assets, the consideration, including all fees, commissions, and other remuneration, to whomsoever paid, to be given, directly or indirectly, in connection with such acquisition is not reasonable or does not bear a fair relation to the sums invested in or the earning capacity of the utility assets to be acquired or the utility assets underlying the securities to be acquired; or

(3) such acquisition will unduly complicate the capital structure of the holding company system of the applicant or will be detrimental to the public interest or the interest of investors or consumers or the proper functioning of such holding company system.

a. Detrimental "Interlocking Relations" or "Concentration of Control"

The restructuring merely involves the formation of a holding company over PP&L and its subsidiaries and, therefore, will not "tend towards interlocking relations . . . of public utility companies, of a kind or to an extent detrimental to the public interest or the interest of investors or consumers." The relationship between PP&L and Safe Harbor will not be changed as a result of the Exchange, and both PP&L and Safe Harbor will continue their utility operations in essentially the same manner as prior to the restructuring.

Similarly, the restructuring will not tend toward any "concentration of control of public utility companies" that might be detrimental to the public interest, consumers, or investors. The proposed restructuring will not involve the acquisition of any utility assets not already owned, directly or indirectly, by PP&L and "will therefore have no effect on the concentration of control of public utility companies." Wisconsin Energy Corp., Holding Co. Act Release No. 24267, 37 SEC Docket 296, 300 (1986).

b. Fairness of Consideration and Fees

Section 10(b)(2) of the 1935 Act requires the Commission to determine whether the consideration in connection with a proposed acquisition of securities is reasonable and bears a fair relation to the investment in and earning capacity of the utility assets underlying the securities being acquired.

As discussed above, the proposed restructuring involves the conversion of each share of PP&L Stock into a share of