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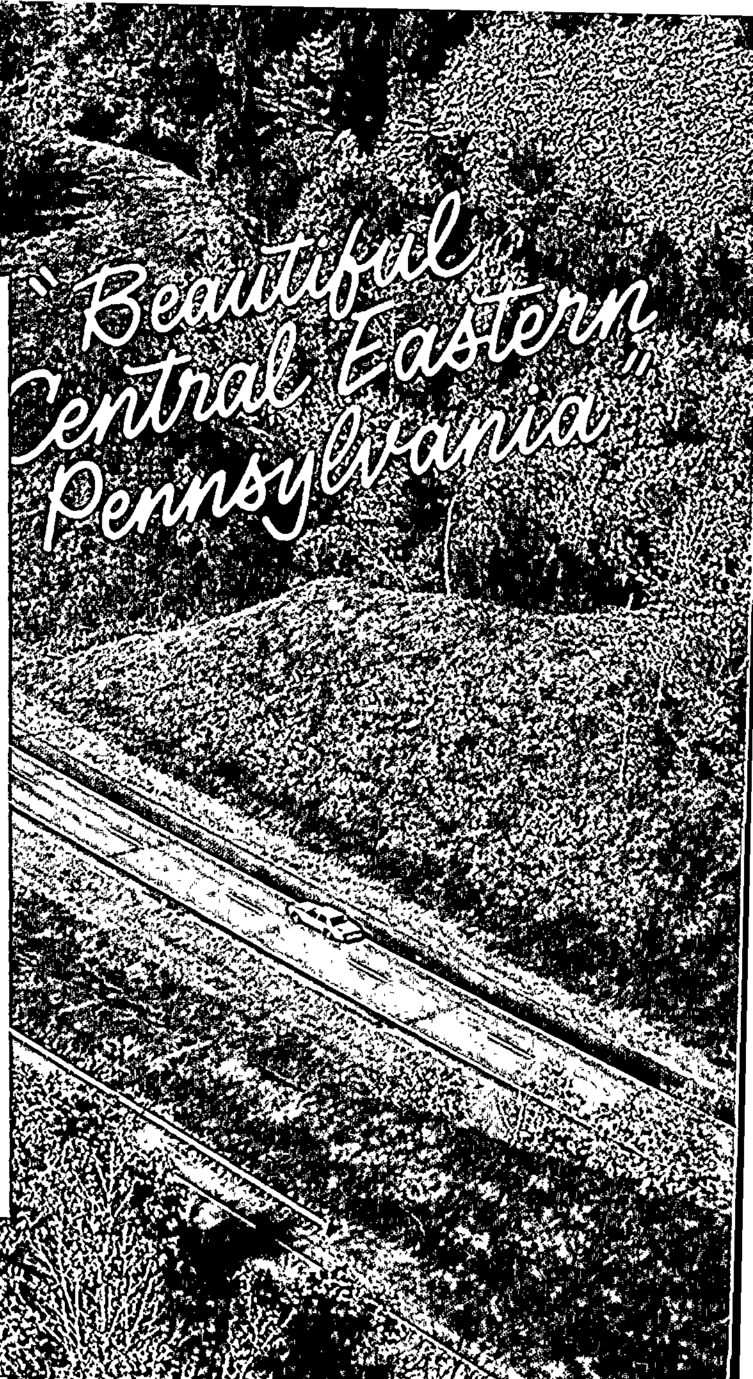

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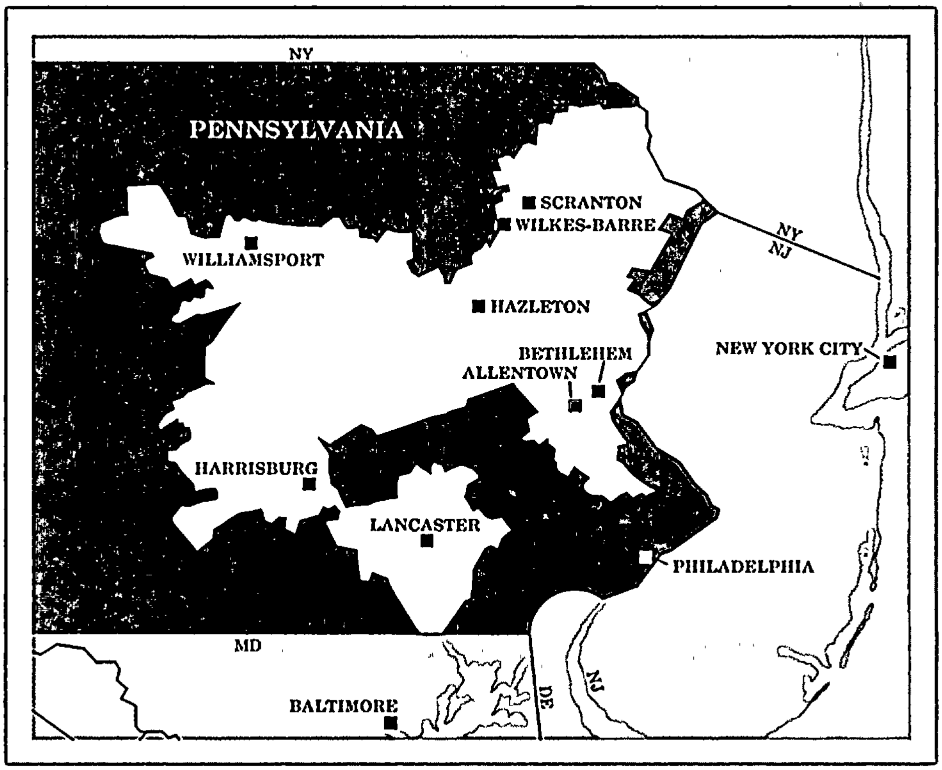


Cover

A PP&L line truck moves along Interstate Route 80 near Lock Haven, Pa. at the western border of PP&L's service territory—the area is just one of many examples of beautiful Central Eastern Pennsylvania. PP&L's service area has it all—good transportation, a conscientious work force, recreation opportunities in abundance, and excellent educational institutions. With a low-cost and reliable supply of electricity, available industrial and commercial sites, and attractive, agreeable lifestyle opportunities in a pleasant blend of urban and rural areas, Central Eastern Pennsylvania has all the qualities for business and personal development. You'll find examples throughout this report of why PP&L has so much pride in its service area. This is a great place to be!

Service Area

Pennsylvania Power & Light Company is based in Allentown. It provides electric service to more than a million homes and businesses throughout a 10,000-square-mile area in 29 counties of Central Eastern Pennsylvania. Principal cities in the PP&L service area are Allentown, Bethlehem, Harrisburg, Hazleton, Lancaster, Scranton, Williamsport and Wilkes-Barre.

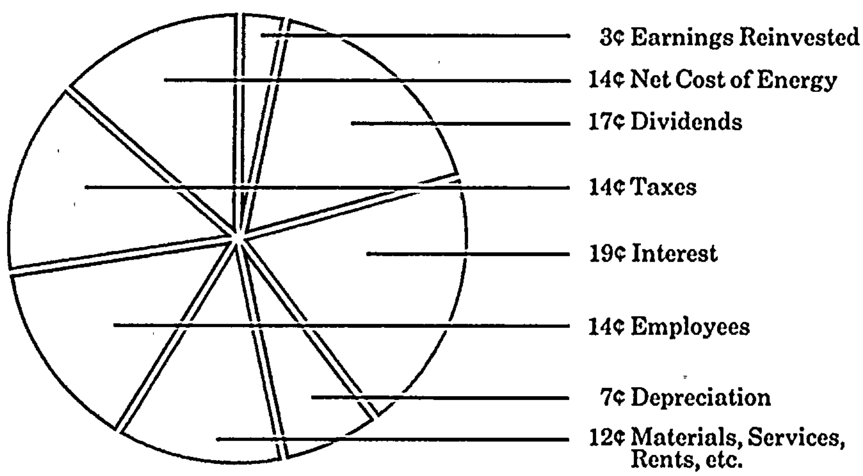
Highlights

	1983	1982
Customers (a)	1,026,144	1,013,623
Common Shareowners (a)	169,142	169,127
Kilowatt-hours of Electric Energy Sales		
Customers	23.1 Billion	22.3 Billion
Interchange Power	16.4 Billion	6.9 Billion
Kilowatt-hours of Electricity Generated	37.7 Billion	29.6 Billion
Operating Revenues	$1.2 Billion	$1.2 Billion
Capital Provided by Investors (a)	$5.3 Billion	$5.0 Billion
Utility Plant (a)		
Net Plant in Service	$3.8 Billion	$2.1 Billion
Construction Work in Progress	$1.7 Billion	$2.9 Billion
Common Stock Data		
Return on Average Common Equity	12.29%	13.60%
Earnings Per Share	$3.06	$3.35
Dividends Declared Per Share	$2.40	$2.32
Book Value Per Share (a)	$25.12	$24.71
Times Interest Earned Before Income Taxes	2.34	2.08

(a) At year-end.

Where the PP&L Income Dollar Went in 1983

Income includes revenues, other income and the allowance for funds used during construction.



President's Letter

Following a very successful startup testing program, the first of PP&L's two Susquehanna nuclear generating units was put into commercial operation on June 8, 1983. This event highlighted a year of significant achievement in several areas, achievements vital to meeting our commitments to customers and shareowners.

The timely completion and the safe and efficient operation of these new generating units continues to be the focus of the company's priorities. By the end of 1984, when both nuclear units are expected to be in commercial operation, the company will have met its construction needs for major new generating capacity for at least the balance of this century. PP&L's exceptionally favorable capacity outlook, based on a good mix of coal and uranium fuels, further strengthens the company's position as a supplier of reliable and competitively priced electric energy.

The company's strategy for the balance of the '80s is to market the effective use of this strong generating capability in a way that will help spark renewed economic prosperity in central eastern Pennsylvania.

Since the financial health of the company is directly linked to the prosperity of the communities we serve, an economic turnaround in our service area is vital for achieving a reversal of the company's relatively stagnant sales growth of recent years.

PP&L's commitment to superior customer service provides an important foundation for promoting uses of electricity in those many applications where its value to customers far exceeds its cost. Our programs are aimed at achieving an average annual increase in kilowatt-hour sales of about 3 percent over the next decade or more.

After rates are increased to recognize the commercial operation of Susquehanna Unit 2, requests for future base rate increases can be largely or entirely offset by revenue from increased customer usage. A sales growth of about 3 percent per year, therefore, supports the financial health of the company in an expanding and more prosperous service area while also reducing the need for future rate increases.

Susquehanna

Since Susquehanna Unit 1 was placed in commercial operation last June until it was shut down in December to permit the tie-in of Unit 2 systems, Unit 1 generated nearly 3.2 billion kilowatt-hours, about 27 percent of the electricity PP&L customers used during that period.

This outstanding record for its first six months of commercial operation demonstrates Susquehanna's value in serving the energy needs of our customers. By operating at an average of nearly 79 percent of its capacity, Susquehanna made an essential contribution to PP&L's record 1983 energy savings. These energy savings permitted the company to reduce our customers' energy charge in January of this year.

Progress toward completing construction of Susquehanna Unit 2 continues to proceed on schedule for commercial operation in the fourth quarter of 1984. When both units are on line, an average of about one-third of our customers' electricity needs will be supplied by lower-cost nuclear fuel.

The company's significant progress at Susquehanna again in 1983 is due to the uncompromising commitment to excellence of PP&L people in all aspects of our nuclear operations.

Financing and Earnings

As construction of Susquehanna winds down this year, the company's needs for outside financing will continue to decrease. After Unit 2 is in commercial operation, most of the company's future needs for new funds should be met by internal cash generation.

And because of the company's relatively small future construction and financing requirements after both Susquehanna units are on line, we do not expect to sell any new shares of common stock after 1984.

The company's 1983 earnings of $3.06 per share were down 29 cents per share from 1982. The main reasons for the earnings decline were the lingering effects of the recession on our service area economy, an increase in the number of common shares outstanding and the disallowance of about $90 million in the company's request for higher rates. Future earnings will depend on the outcome of the rate-increase request the company plans to file in the second quarter of 1984 for

Susquehanna Unit 2 and on achieving higher sales levels as a result of an improving economy and our stepped-up marketing efforts.

Benefits of PP&L's Capacity Mix

Although excess generating capacity was the reason given for over half of the disallowance in the company's last base rate filing, the fact remains that all of our generating capacity is necessary to assure reliable and economic electric service. From the viewpoint of overall system economies, PP&L has no excess capacity. Without our existing and planned capacity mix, long-term reliability and cost of service would be adversely affected.

It was specifically because of PP&L's favorable capacity position that the company was able to sell 16.4 billion kilowatt-hours to neighboring utilities last year, which resulted in benefits for our customers of about $219 million. These energy savings, by far the largest in the company's history, were made possible by the effective operation of all of our generating plants.

For example, by using lower-cost nuclear fuel for PP&L service area customers, Susquehanna frees more of the company's coal-fired generation for sale to neighboring utilities. This, combined with the continued outstanding performance of PP&L's other generating units, resulted in achieving the very significant levels of energy savings experienced in 1983.

The benefits derived from PP&L's generating capacity are the result of a good mix of low-cost coal and uranium fuels, efficient base-load operation and the fact that the company's capacity is greater today than needed to meet current minimum reliability requirements.

Having both Susquehanna units in service will further strengthen those advantages. And by selling power to other utilities, the company uses its strong generating capacity to keep PP&L's electric rates below the average charged both regionally and nationally. Those power sales also provide a measure of the enormous long-term advantage of the company's capacity mix for meeting the growth and economic development objectives of the communities we serve.

Managed Load Growth

Another important objective of PP&L's strategy for the '80s is to expand electricity usage without experiencing corresponding increases in peak load growth. Promoting the wise use of electricity to accomplish our customers' objectives is fully compatible with managing relatively small increases in peak load growth.

However, moderating the level of load growth that normally accompanies increases in kilowatt-hour sales requires that we offer meaningful economic incentives for customers to shift more of their electricity usage to times when system peak demands do not occur. By using the company's generating capacity in this more efficient manner, additional off-peak sales result in significant savings for customers and shareowners.

PP&L's recently approved residential off-peak electric rates are an important step in meeting the company's objective to increase total kilowatt-hour sales without significantly increasing residential usage of electricity during on-peak hours. These new rates offer residential customers a wide choice of options and economic incentives to shift more of their electric usage to off-peak hours.

Since a basic objective of our marketing strategy is to attract and hold job-producing businesses, the company also is actively developing a variety of economic incentive rates for business customers to expand their operations and usage of electricity. However, because business uses of electricity generally stimulate economic development whether used on or off-peak, load growth considerations for these applications are secondary to encouraging the productive business uses of electricity for achieving economic prosperity in the company's service area.

Susquehanna Unit 2 Rate Filing

The company plans to file for an increase in base rates in the second quarter of 1984 to recognize the commercial operation of Susquehanna Unit 2. These higher rates, however, are not expected to become effective until 1985 following extensive investigation and hearings before the Pennsylvania PUC.

Consistent with our long-term objective to hold increases in the price of electric service at or below the rate of inflation, we are considering requesting that this rate increase be phased in over more than one year to moderate the impact on customers.

Notwithstanding the rapidly rising fuel and capital costs experienced over the past decade or so, PP&L's average price of electric service is still only slightly above the Consumer Price Index as measured from the CPI base year of 1967. Maintaining or improving on this record is important in achieving our marketing objectives.

The continued support from you, our shareowners, and the dedication and talent of PP&L's employees gives us confidence that we will successfully meet these challenges ahead. We will be doing all we can to bring jobs and prosperity to central eastern Pennsylvania—and vigorous financial health to your company.

Respectfully submitted,

Robert K. Campbell
February 29, 1984


PLACE
STAMP
HERE
1983 — Central Eastern Pennsylv
This is a great place! Wish you were here.

Year in Review

Operations

Earnings for 1983 were $3.06 per share of common stock, compared to $3.35 for 1982. Earnings were adversely affected by higher costs, by a Pennsylvania Public Utility Commission (PUC) decision that is not allowing the company to earn a return on 12.6 percent of its investment in generating facilities, by the lingering effects of the recession during early 1983, and by an increase in the number of common shares outstanding. An in-depth analysis of the year's financial results begins on page 22.

Dividend Increased

PP&L's quarterly common stock dividend was increased 2 cents per share to 60 cents beginning with the April 1, 1983 dividend. The quarterly rate had been 58 cents per share since April 1, 1982.

Revenues and Sales

Operating revenues of $1.25 billion were up slightly from $1.22 billion a year earlier. Lower revenues associated with a decrease in the net cost of energy essentially offset the effects of higher base rates granted by the PUC in August, and the effects of an overall increase in energy sales for the year.

Kilowatt-hour sales to PP&L's residential customers were up slightly over a year earlier. After lower sales in the first six months of 1983, reflecting the effects of the business recession, industrial and commercial electric energy sales showed strong gains in the second half of the year with overall increases of 4.1 percent and 2.9 percent, respectively. As a result, total sales to PP&L customers were up about 2.7 percent over 1982.

Sales to other regional utilities, including other member companies in the Pennsylvania-New Jersey-Maryland (PJM) Interconnection, increased by 9.5 billion kilowatt-hours, or 138 percent more than a year earlier. Total energy generated by the company was up 28 percent in 1983 over 1982.

New Peak Demands Recorded

A late-season spell of warm weather produced a new summertime peak demand record for both PP&L customers and customers of the PJM Interconnection. PP&L's peak summer demand of 4.03 million kilowatts occurred Sept. 6, 1983. The previous record was 4.01 million kilowatts set earlier in the season on July 18, 1983 which exceeded the old mark of 3.95 million kilowatts set in September 1980.

PP&L, unlike most PJM companies, is a winter-peaking company. The winter peak-use record is 5.2 million kilowatts, set in January 1982, during severe cold weather.

PJM maximum demand reached a new mark of 34.7 million kilowatts on Sept. 6 also, up from a 34.4 million kilowatt record reached in July 1980.

Kutztown Is New Customer

The borough of Kutztown, Pa., became the 16th PP&L resale customer on Sept. 11. The Berks County municipality had been purchasing electricity for its 1,830 customers from Metropolitan Edison Co.

In becoming a PP&L resale customer, Kutztown joined 14 other municipalities and one investor-owned utility that purchase bulk power from PP&L and distribute it through their own systems. Kutztown will increase company sales by about 40 million kilowatt-hours a year and add a system demand of about 12,000 kilowatts.

Atlantic City Buys Power

Difficulties developed in early 1983 regarding a 1979 contract calling for Atlantic City Electric Co. to purchase 125,000 kilowatts, or 6.6 percent, of the capacity and energy of PP&L's share of the Susquehanna nuclear units until 1991.

The agreement was accepted by the Federal Energy Regulatory Commission (FERC) which has jurisdiction in the matter. However, the New Jersey Board of Public Utilities had ruled that Atlantic City would not be allowed to include in its rates any costs related to the pact.

In an effort to avoid extended and costly litigation, PP&L and Atlantic City in June signed an additional agreement which calls for Atlantic City to purchase about 125,000 kilowatts of PP&L's coal-fired capacity from 1991 to the year 2000.

The New Jersey board in October reversed its earlier decision and approved Atlantic City's participation in both contracts. The second contract has been submitted to the FERC for approval. Atlantic City Electric Co. serves nearly 400,000 customers in southern New Jersey and is also a member of the PJM Interconnection.

Construction Expenditures

As construction of the company's Susquehanna nuclear plant near Berwick, Pa., nears completion, capital expenditures are dropping dramatically. In fact, combined budget figures of $474 million for 1984 and $214 million for 1985 are only slightly more than the $649 million spent for construction in 1983 alone.

PP&L anticipates spending about $255 million in 1984 and 1985 to complete Susquehanna. Another $185 million during the two years will go toward additions,

"Central Eastern Pennsylvania - A Great Place to..."

replacements and improvements to transmission and distribution facilities, $23 million for projects to minimize the effects of PP&L's operations on the environment, and $225 million for other expenditures, including modifications under a program to extend the life of existing generating units. Additionally, about $112 million of nuclear fuel will be purchased during the two-year period.

PP&L owns 90 percent of the 2.1-million-kilowatt Susquehanna plant. Allegheny Electric Cooperative Inc. of Harrisburg owns a 10 percent share. PP&L's share of the estimated $4.1 billion total plant cost will be about $3.7 billion.

Rate Activities

The PUC allowed the company to increase its electric rates by about $203 million a year effective Aug. 22, 1983. An additional $17 million a year increase in the state tax surcharge also went into effect at the same time.

The PUC decision came after many days of public hearings and a nine-month investigation by the commission of a $315 million rate increase request made by PP&L on Nov. 22, 1982. The company's request included about $296 million in increased rate revenues, and about $19 million for increases in the state tax surcharge.

About two-thirds of the company's rate increase request was related to the recognition of Susquehanna Unit 1's inclusion in the company's rate base. The other third was to reflect increased costs of doing business. While the PUC permitted Unit 1 to be included in the rate base, it ruled that 945,000 kilowatts (or 12.6 percent of PP&L's system) is excess generating capacity on which the company should not earn an investment return. At the same time the commission trimmed the company's allowed return on common equity to 15.5 percent from the 16.3 percent the company requested.

The company does not agree with this ruling. The request filed was conservative and fully justified. The generating capacity adjustment fails to recognize that Unit 1 and all of PP&L's other generating facilities are operated for the benefit of the company's customers.

These units are currently providing reliable and economic service to the company's ratepayers and are making energy available for economic sales to other utilities. Such operation is producing substantial energy cost savings which benefit all customers because the savings flow directly through to ratepayers.

Indeed, at the beginning of 1984, PP&L reduced its Energy Cost Rate from zero to minus 0.162 cents per kilowatt-hour and customers began to see the savings as a credit item on their bills. This was made possible by the better-than-expected performance of PP&L's generating units, the large volume of transactions with power systems outside the PJM Interconnection, and the high rates received for sales to the interconnection.

Even after the August rate increase, PP&L customers were paying prices lower than the state

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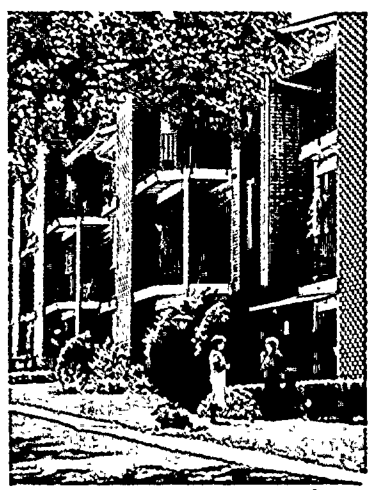
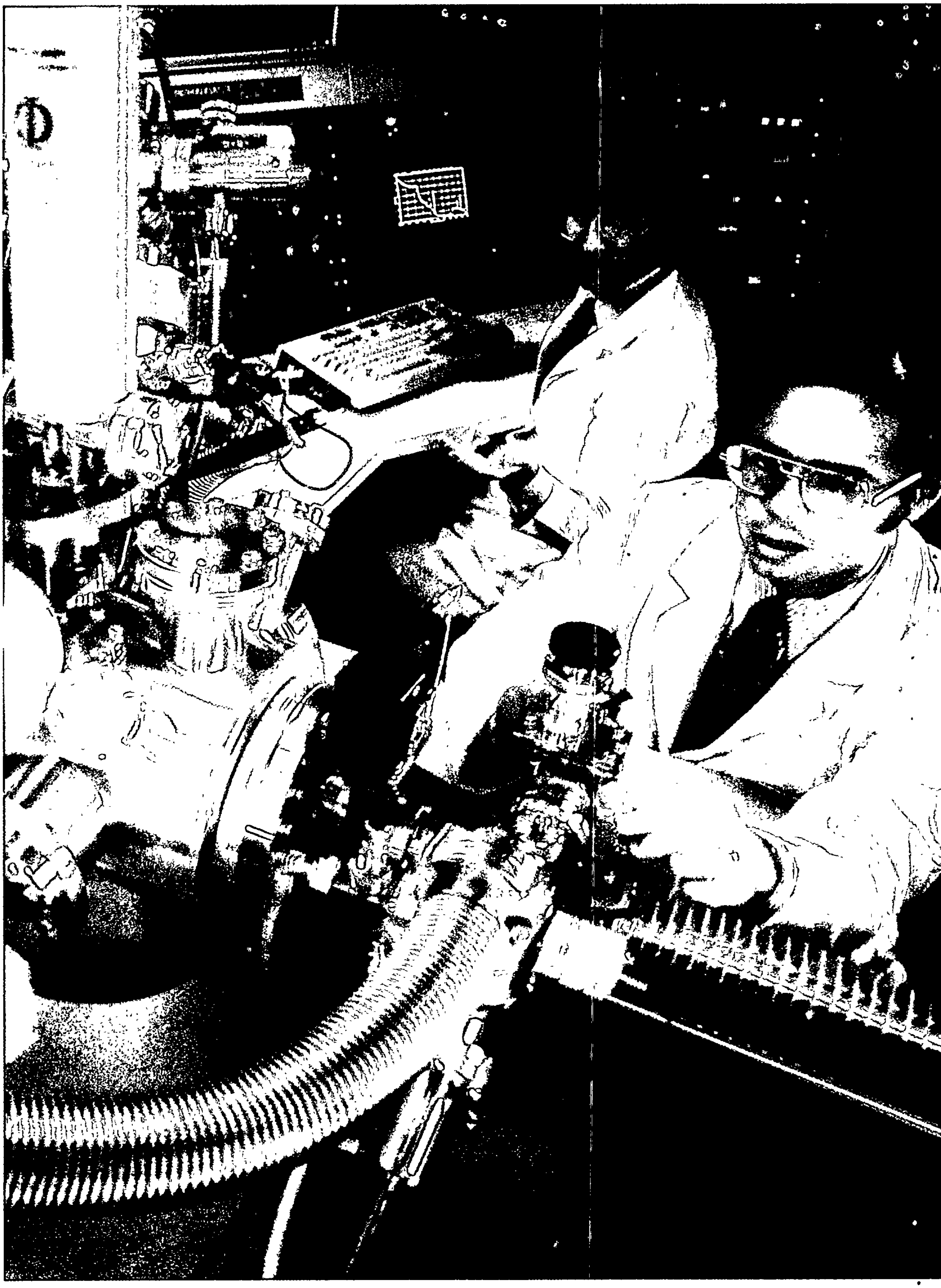
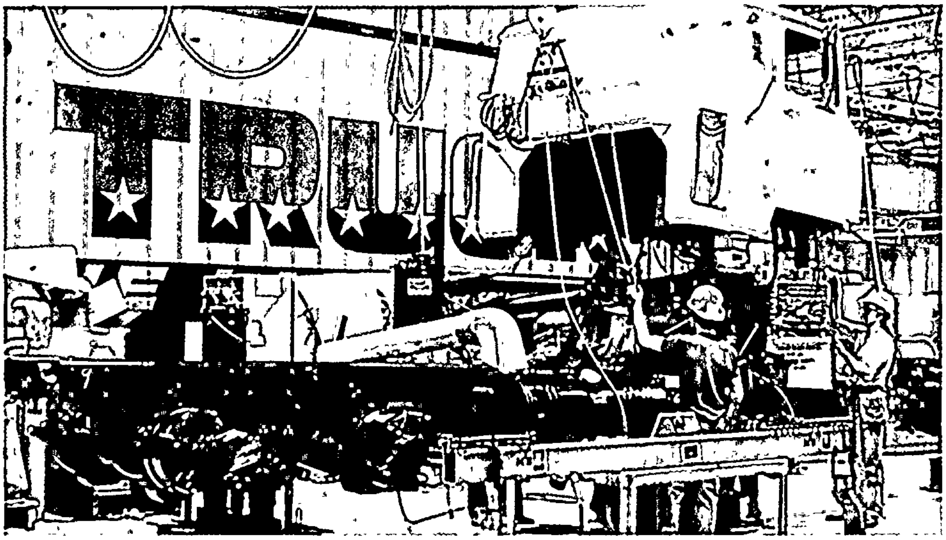
Live...

The 10,000-square-miles of Central Eastern Pennsylvania provide an agreeable blend of urban and rural areas to fit practically any life-style. Whether it's the all-American dream of the single-family home, or an attractive apartment complex, condominium, or a restored townhouse, such as the ones shown at the right in restored Old Town Lancaster—you'll find it all in PP&L's service area.







Work...

Whether it's advanced-technology research and development, the assembly of trucks to be used around the world, the garment industry or any of the diverse commercial and industrial concerns located in Central Eastern Pennsylvania... the worker is the key. People provide the vital extra element and are the state's greatest resource. Their varied backgrounds, many with old-world ties, provide a rich heritage of conscientious, dependable employees.

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and regional averages. One of the company's long-term objectives is to keep the price of electricity to its customers below those averages.

Wholesale Rates

A request to increase rates to the company's resale customers by about 20 percent was filed with the FERC on Nov. 14, 1983.

The request affects only the 15 boroughs and one investor-owned utility that buy power from PP&L for resale to their customers.

The increase would recognize higher costs experienced by PP&L since the previous increase for wholesale customers in July 1982. If allowed by the FERC, the new rates would raise PP&L annual revenues by about $4 million.

On Jan. 6, 1984, PP&L submitted to the FERC, for its approval, a settlement agreement between the company and its resale customers. Under the terms of the agreement, the company's request would be granted in full, but the effective date of the increase would be delayed for 50 days, until March 4, 1984.

Phase-In Concept

The company expects later in 1984 to file a request for higher rates that would recognize commercial operation of Susquehanna Unit 2. The unit is expected to go into service during the fourth quarter of 1984 and the new rates would be requested to become effective shortly thereafter.

PP&L received assurances from the PUC in November that the company could ask for a possible phase-in of the rate increase associated with bringing Susquehanna Unit 2 into base rates, without fear of having the request rejected on procedural grounds.

Traditionally, new rates go into effect immediately after the PUC makes a final decision, and customers start paying those higher rates at that time. The company is considering a phase-in approach that would moderate the impact of higher rates by spreading the increase over several years.

"Window" Approved

The company again requested and was granted a "window in time" in which Susquehanna Unit 2 could go into operation without affecting the rate-setting process.

Under traditional rules, the company would have to predict closely the in-service date of Unit 2 more than nine months before it became operational. This would have been necessary so costs associated with the plant could be reflected in base rates at just the time the unit begins operation. This kind of precise foresight is virtually impossible with a unit as complex as Susquehanna Unit 2.

With the "window" neither the company nor its customers are penalized if the plant goes into operation either earlier or later than expected. The window concept

was followed in the rate request associated with Unit 1. At the state consumer advocate's request, the PUC has agreed to reconsider its decision to grant the "late" portion of the Unit 2 window.

Security Sales

During 1983, the company raised $363 million in the capital markets —down from the record $947 million of securities sold a year earlier. This reduction reflects the winding down of construction activities at the Susquehanna plant.

The company's dividend reinvestment plan permits holders of common, preferred and preference stocks to reinvest their dividends in common stock at a 5 percent discount from the market price, and to make optional cash payments of up to $15,000 per quarter for stock at the market price. During 1983, about $82 million was raised through this plan.

During the first four months of 1983, the company raised a total of $56 million through three private placements of preferred stock at dividend rates that range from 11 to 11.25 percent. Additionally, during February the company completed a private placement of $50 million of 12⅛ percent first mortgage bonds.

In May, $50 million of depositary preference shares were offered to the public by an underwriting group at $25 per share to yield 11.6 percent. Each depositary share represents one-quarter share of the company's $11.60 preference stock.

In November, the company offered $125 million of 13⅛ percent first mortgage bonds to the public through underwriters at 99.076 percent of face value to yield 13.25 percent.

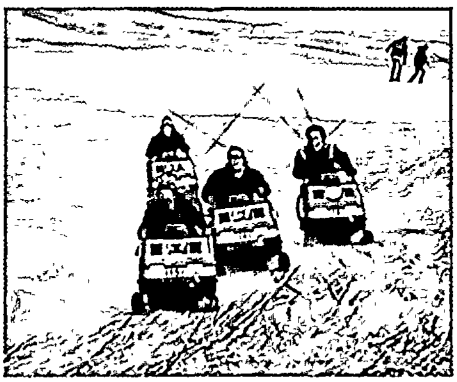
Susquehanna Project

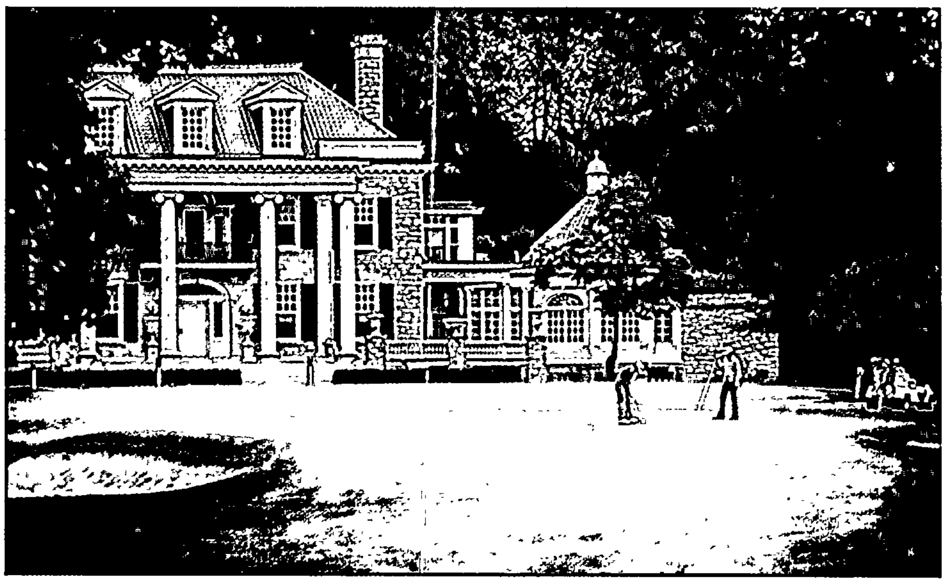
Unit 1 at PP&L's Susquehanna nuclear plant was put into commercial operation on June 8, 1983. PP&L's share of the 1,050,000-kilowatt unit is 945,000 kilowatts, making it the largest generating unit in the PP&L system.

Ground was broken at the Susquehanna site in Luzerne County in November 1973. The first nuclear fuel arrived at the plant in October 1981, and, after receipt of an operating license from the Nuclear Regulatory Commission, the first fuel was loaded into Unit 1's reactor in July 1982.

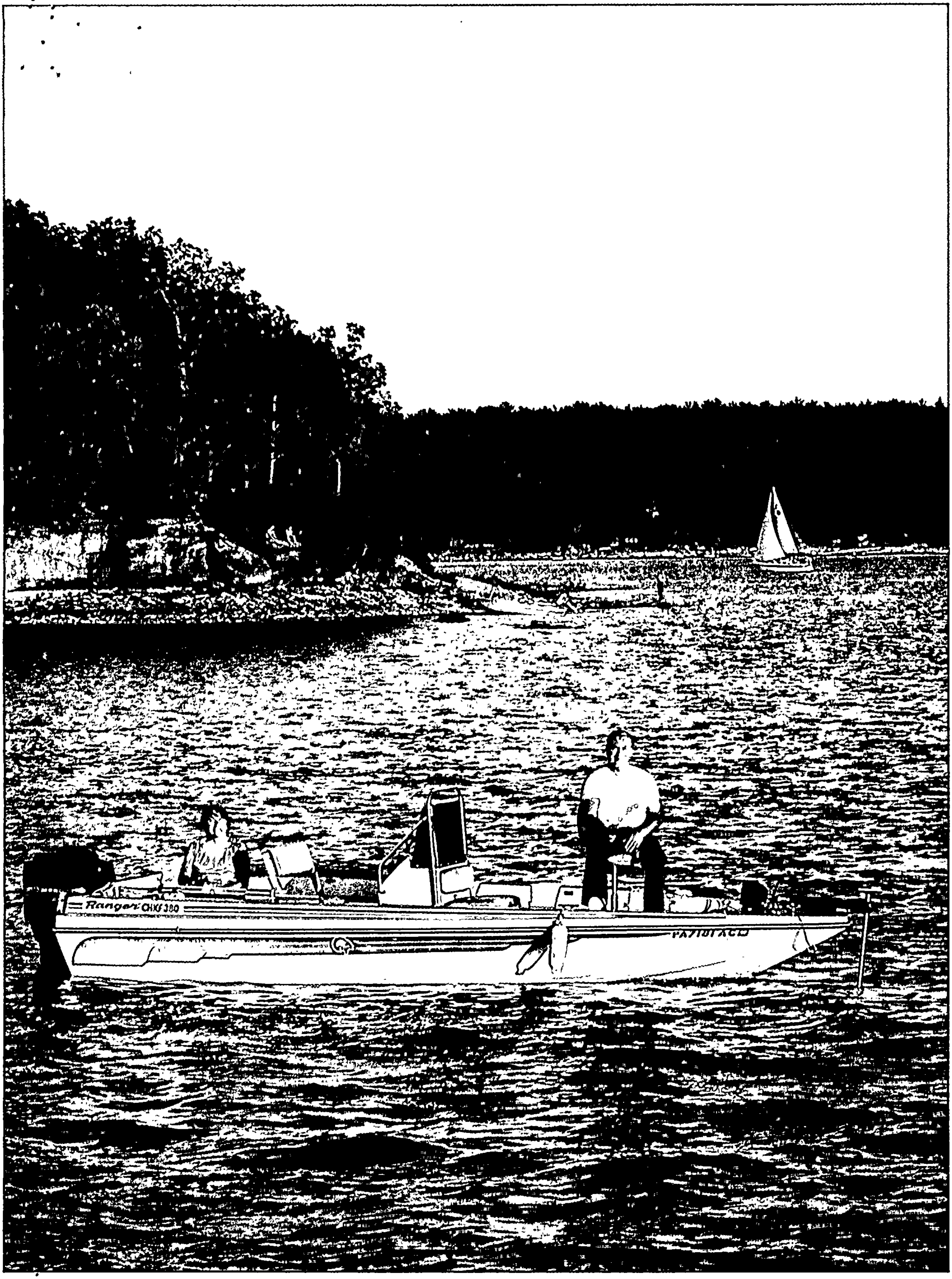
The unit began test operation in September 1982, and began generating electricity in November 1982. Unit 1 achieved 100 percent power for the first time in February 1983. During its start-up and testing period, it generated more than a billion kilowatt-hours of electricity for PP&L's customers.

Play...





PP&L's varied service area provides play and recreation areas for all seasons . . . for all reasons. Whether it's winter sports in the Pocono mountains, camping along a quiet, lazy stream, golfing on championship courses or boating or fishing on PP&L's 5,700-acre Lake Wallenpaupack—Central Eastern Pennsylvania provides tourist attractions and outdoor activities to suit every interest.

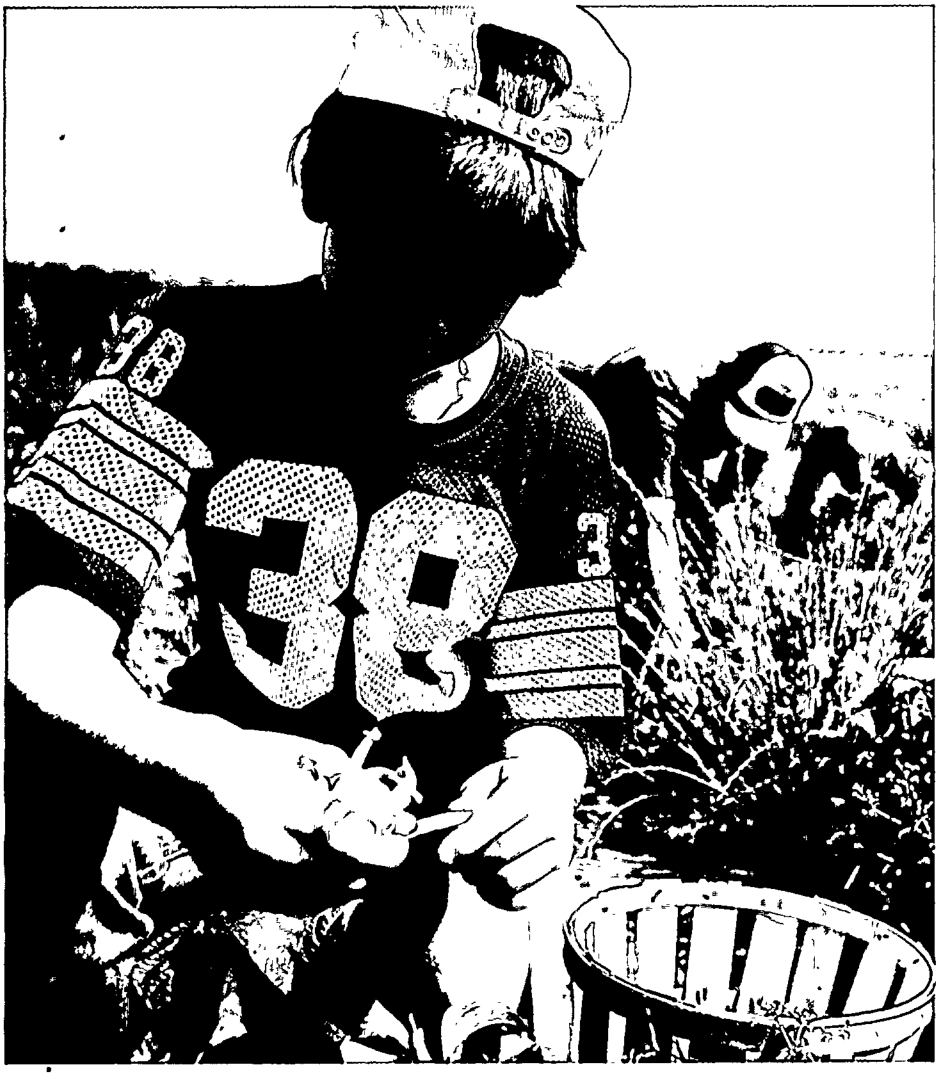

Ranger

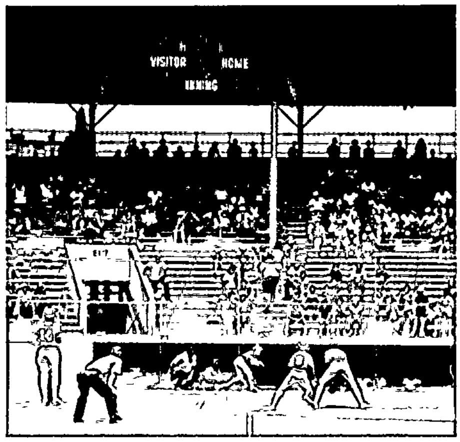

SCOUTS OF AMERICA
270

The unit performed extremely well during its start-up and testing program. The 10 most recent boiling water reactors placed in service before Susquehanna took an average of 330 days from the start of fuel loading to the end of 100 percent power testing. Susquehanna Unit 1 took 254 days. This outstanding performance is a tribute both to those who operate and maintain the plant and to those who built it.

There were a number of other significant events involving Susquehanna during 1983:

- The company received high marks for a full-scale drill to test the emergency preparedness and response capabilities for the plant. The March drill, which included the sounding of 110 emergency sirens within a 10-mile radius of the plant, also involved municipal, county, state, and federal emergency agencies.
- The NRC issued PP&L a license in April for the operation of its low-level radioactive waste holding facility at the plant. The shielded concrete warehouse is capable of holding four years' worth of such items as protective clothing and tools that become mildly contaminated with radioactivity during the course of normal plant operation, as well as material such as resins from filters used in the plant. The facility was built because of serious concern and uncertainty about the availability of licensed outside disposal facilities for this waste.
- In May, Herbert D. Woodeshick was named special assistant to President Robert K. Campbell and is serving as the company's primary representative to those who live in the area of the Susquehanna plant. Woodeshick succeeded John H. Saeger, who was named vice president of the company's Susquehanna Division.
- Unit 2 moved a step nearer to operation with completion of a fill-and-flush procedure that fills the 70-foot-high, 750-ton reactor vessel with water and flushes associated systems clean. A hydrostatic test that confirmed the reactor vessel's ability to withstand operating pressures followed in June.
- In July, the company and the U.S. Department of Energy





Grow . . .

The diversity of historical, cultural, educational, athletic, and recreational opportunities in Central Eastern Pennsylvania provide a pleasant, character-building quality of life throughout the area. It's a great place to raise children.

(DOE) signed a contract for the disposal of spent nuclear fuel under provisions of the 1982 Nuclear Waste Policy Act. The contract provides for disposal services by the DOE beginning no later than January 1998 and continuing for the life of the plant. The material will be placed in a repository to be sited and built by the DOE. The company has the capacity to store spent fuel at the Susquehanna plant site until the scheduled operation of the first repository.

- Fuel for Unit 2 began arriving at the plant in August.

Economic Development/ Marketing

Largely because of Susquehanna, and because the company's other generating plants produce low-cost energy and are running well, PP&L is moving into the best position ever to provide an abundant, reliable and competitively priced supply of electric energy to help revitalize the economy of central eastern Pennsylvania.

Using the theme, "Electricity—The Right Choice at the Right Time," the company launched a major economic development/ marketing program in 1983 aimed at improving the economic health of its service territory and increasing energy sales that offer customer benefits.

In economic development, PP&L is increasing its efforts to attract new job-producing businesses and industries to its service area and to help existing ones expand. In marketing, the company is actively promoting efficient uses of electricity in selected applications. These would include areas where electricity offers greater efficiency or where there are cost advantages of using electricity over other energy sources.

Managing the growth rate of peak loads will also continue to be emphasized in the marketing effort so the company can get maximum productivity out of the capital dollars already invested in generating facilities. This will be accomplished by combining load-management programs with efforts to promote efficient uses of electricity. Through these marketing strategies, the company plans to "uncouple" increased sales of electricity, to the extent possible, from growth in the peak demand for electricity. By doing that—through such incentives as off-peak and interruptible rates—PP&L can use its plants more effectively and thus keep rates lower than they would be otherwise.

PP&L fully recognizes that its customers make an economic choice each time they flip a switch to operate a work-saving appliance, enjoy electronic entertainment, or improve productivity in the workplace. The company intends to see that this essential resource is ready and economically priced for industrial growth, jobs, economic progress, health care, education and personal comfort.

Rate Initiatives

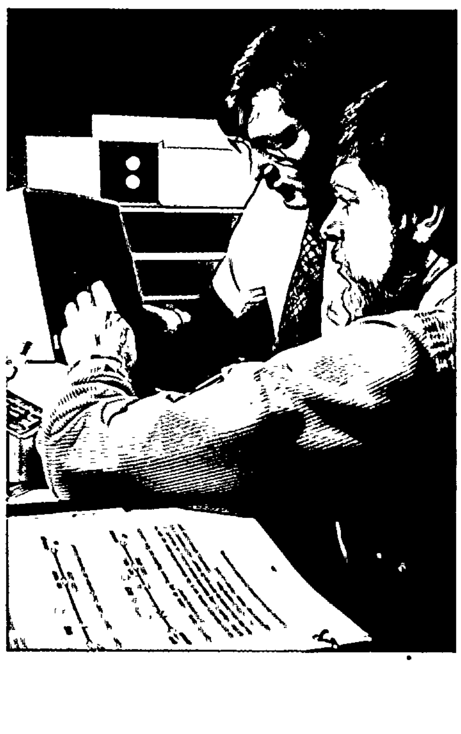
The company proposed rate schedule and tariff rule changes in December that it expects will stimulate the service area economy.

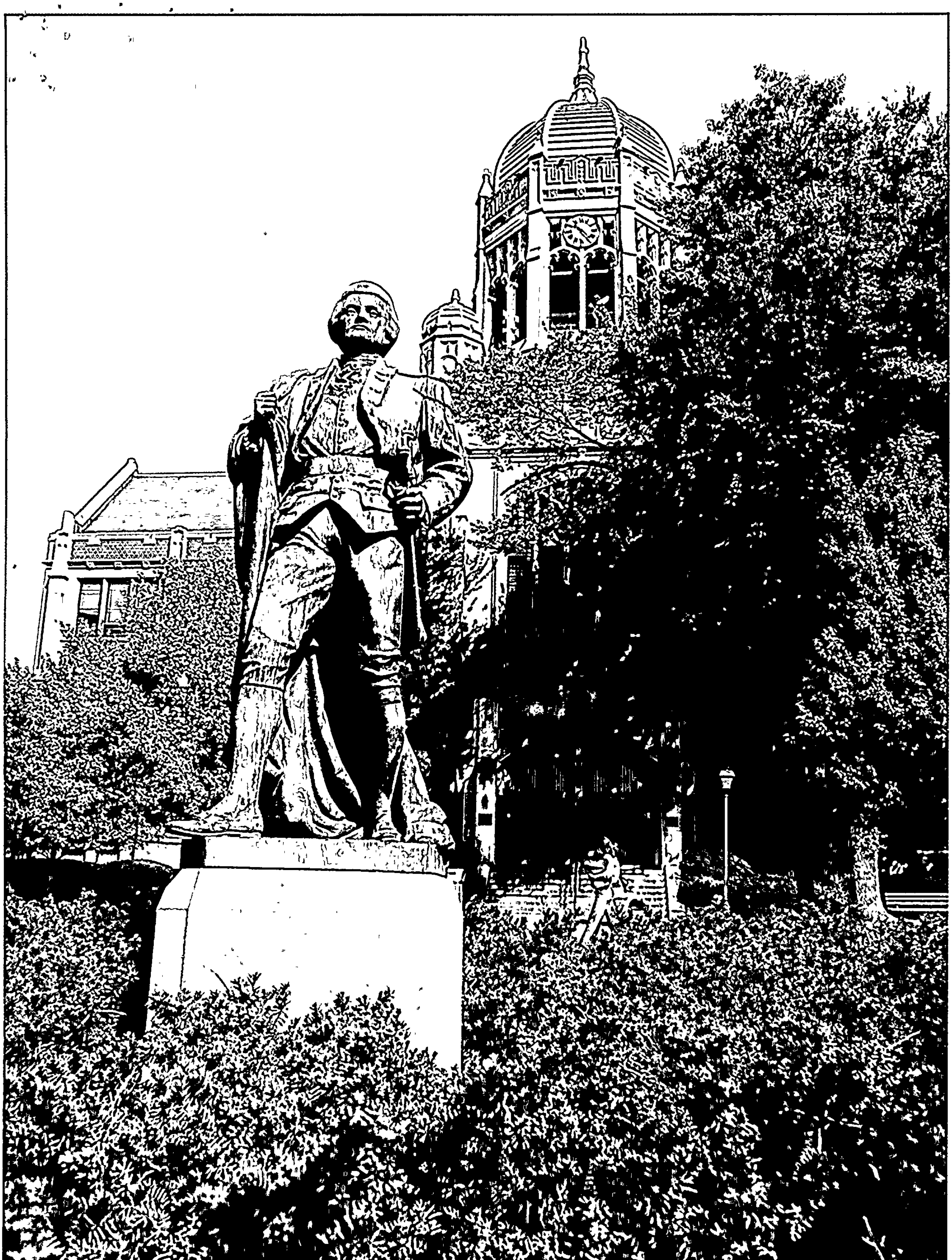
One revision would allow industrial and commercial customers who use time-of-day billing to save money by structuring their work schedules more effectively during the hours when electricity costs less. This would provide an incentive to increase production in PP&L's service area, rather than in another area, as second or third shifts are recalled in an expanding economy.

On-peak hours, the hours of highest overall electric use, now are 7 a.m. to 9 p.m., Mondays through Fridays—or 14 hours each day. The new proposal would reduce, for billing purposes, the number of daily on-peak hours to eight, and it would allow customers some flexibility in determining

Learn...

Outstanding educational facilities are another great strength of Central Eastern Pennsylvania. There are 33 universities and colleges, five community colleges and 24 vocational-technical schools in Central Eastern Pennsylvania. Public and private schools provide the latest in learning technology to help students meet the challenge of a rapidly changing society.





when their particular on-peak hours begin.

These proposals, being seen as positive steps by many businesses, need PUC approval.

Supplemental Energy Use

PP&L is working with a number of developers who are interested in making use of supplemental energy sources, or in generating energy in non-traditional ways.

Musser's Dam

The largest customer-owned supplemental energy project to begin operation in PP&L's service area in 1983 was the Musser's Dam hydroelectric plant on Middle Creek near Selinsgrove, Pa., in Snyder County.

Musser's Dam, built in the early 1900s, was in need of repairs, and the hydro turbine, which last turned in 1954, needed to be overhauled. American Hydro Power Co. of Villanova, Pa., repaired the dam, rebuilt the original turbine and installed a second one to increase plant efficiency.

The facility is capable of generating 340 kilowatts, enough power to serve about 35 residential customers. It is fully automated, using a programmable controller, and can be remotely operated by computer from American Hydro's headquarters.

Output from the facility is sold to PP&L under the company's Pioneer Rate program which was established in 1981 to encourage the use of renewable resources.

Eighteen Other Projects

Additionally, 18 PP&L customers are generating electricity for their own use or for sale to the PP&L system.

Four biomass-conversion projects—where waste materials such as manure or wood chips are converted into a gas to fuel electric generation—are now operating in the company's Lancaster Division.

A dozen PP&L customers are operating wind turbines ranging in capacity from 1 kilowatt to 55 kilowatts, and two other small-scale hydro projects of 10- and 50-kilowatt capability are in operation.

Pepperidge Farm Greenhouses

After successfully testing the concept of growing premium quality tomatoes in a 1-acre greenhouse using waste heat from PP&L's nearby Montour plant, Pepperidge Farm Inc. enlarged the facility to 6 acres in 1983.

A 20-inch-diameter underground pipeline carries warm water more than a mile from the coal-fired generating plant to the greenhouse where plastic pipes embedded in a porous concrete floor act as a heat exchanger to warm the greenhouse floor to about 70 degrees—an ideal temperature for growing plants all through the winter.

The tomatoes are grown and harvested year-round using a hydroponic method, where water and

Remember...

Central Eastern Pennsylvania is rich with fine museums, folk festivals, historic and cultural events unique in the country—and people that honor their heritage through colorful ceremonies and patriotic celebrations.

nutrients are circulated to the plant's roots.

Bryfogle's floral greenhouse, which was the initial project built on the site, also expanded its operations to 6 acres from the original 3. When combined with the Pepperidge Farm facility, the 12-acre site is the largest waste-heat greenhouse project in the United States, and the only one that has gone beyond a demonstration project into commercial operation.

Even with the present or planned facilities, only about 1 percent of the plant's waste heat is utilized.

Manpower Planning

In 1983, PP&L projected an increase in the number of employees from 8,208 at the end of 1982 to 8,644 at the end of 1983. As a result of a highly successful effort to limit the increase in manpower, PP&L had 8,160 employees at the end of 1983. Having fewer employees will stabilize wage and benefit costs.

Included in the manpower planning strategy was a voluntary early retirement incentive program. There were 365 people eligible. Of those, 251 or 69 percent elected to retire.

The key to the program has been limiting the employment of replacements. A strong effort has been made to realign functions and responsibilities with the aim of ultimately reducing the number of employees.

Appointment of a manpower broker and policies to secure other positions for displaced employees are among the programs under way to make the most effective use of the company's human resources.

Management Changes

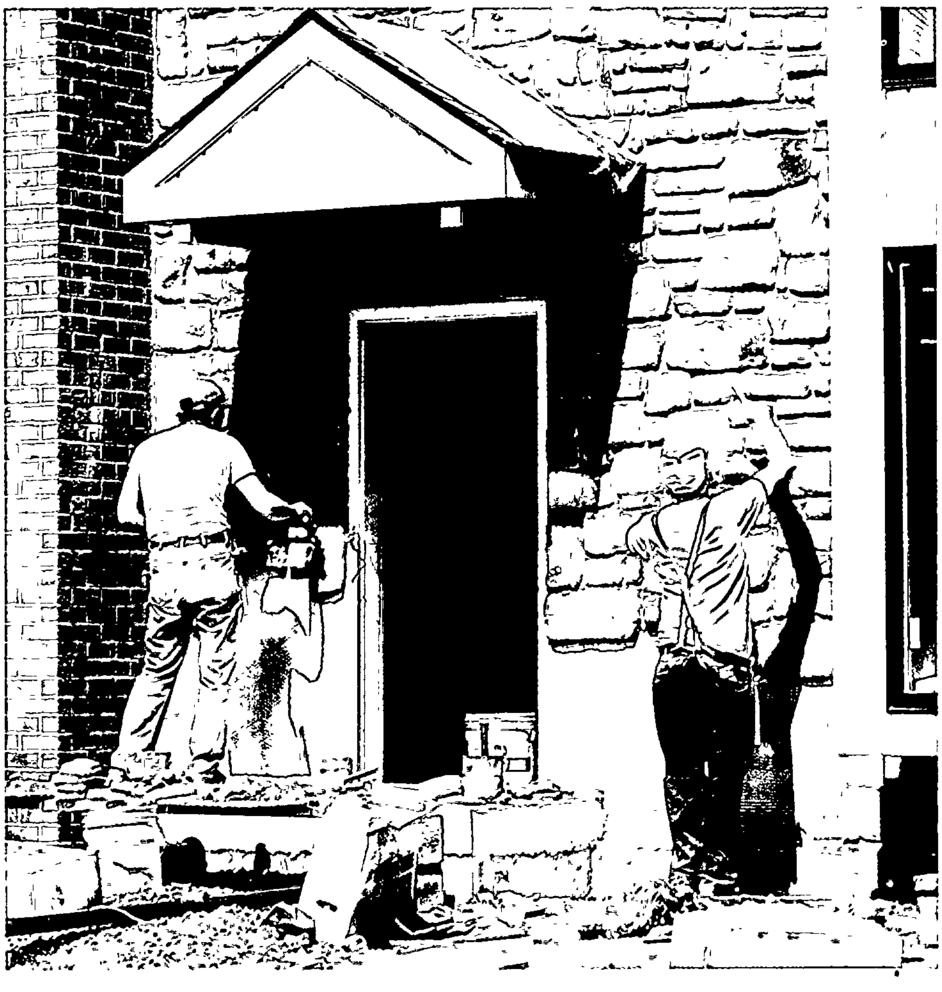
Harley L. Collins, senior vice president-System Power & Engineering, and a member of the company's corporate management committee, retired at the end of 1983.

Collins had been with the company since 1949 and worked in various engineering and system operating functions. In 1966 he became the company's representative on the management committee overseeing the operation of the PJM Interconnection. In 1978 he was named to direct the department responsible for operating PP&L's generating stations and transmission facilities, and the company's engineering and construction activities.

John H. Saeger was promoted to vice president of the company's Susquehanna Division on Aug. 1, 1983. Saeger joined PP&L as an engineer in 1960. He advanced through several engineering positions before being named manager of Bulk Power Engineering in 1978. In 1981, he became special

Build...

Skilled craftsmen abound in Central Eastern Pennsylvania—people who take pride in doing the best job, in whatever they build. Restoration of the proud old Lackawanna train station in Scranton (far right) by the Hilton hotel chain demonstrates faith in the economic well-being and promising future of urban areas within PP&L's service area.



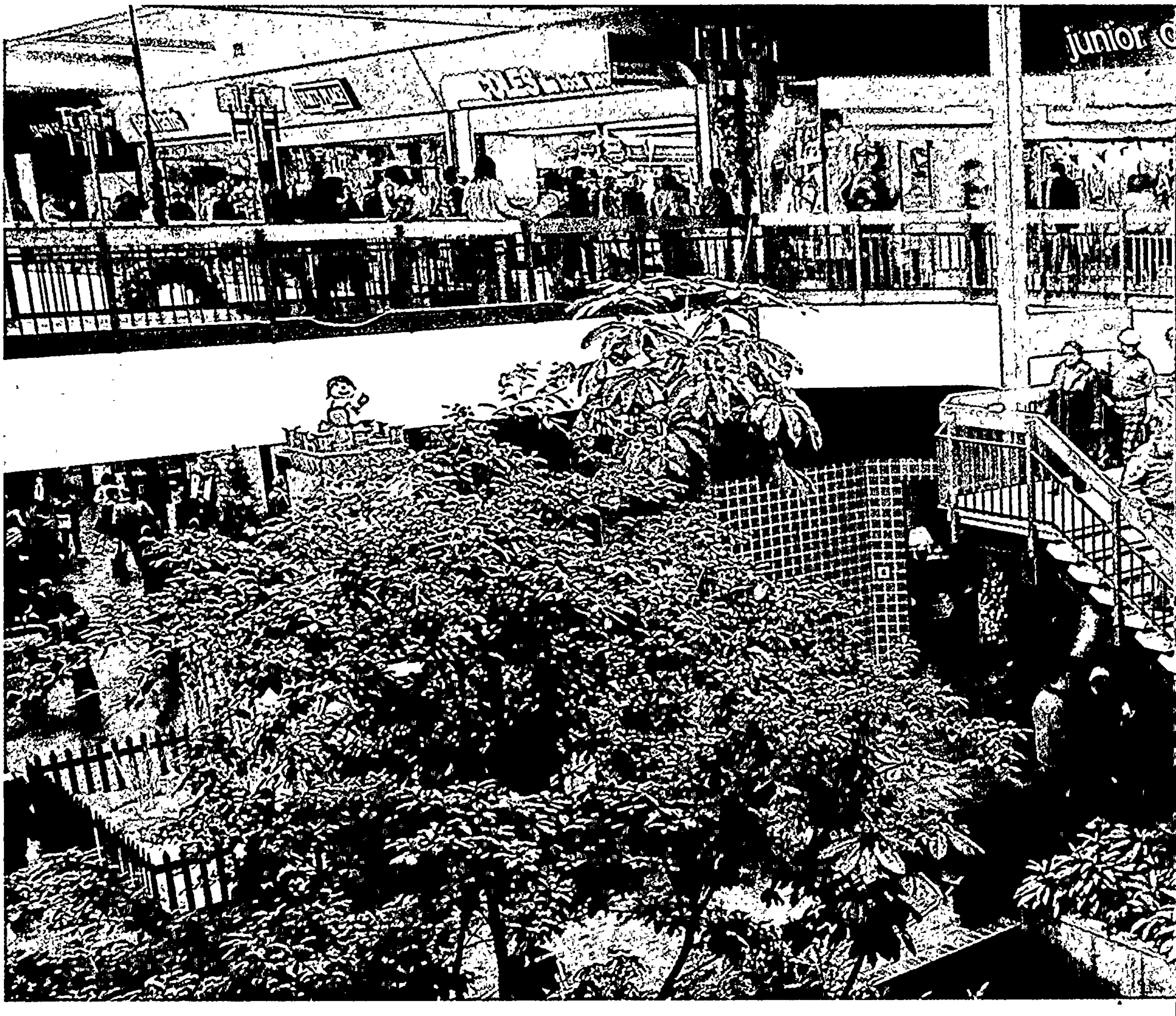
Prosper...

With good transportation—good workers—available industrial and commercial sites—and an attractive blend of city and country, and with an electric utility offering reliable, abundant electric energy at highly competitive rates, PP&L's service area is clearly poised for economic prosperity in the years to come. This truly is a great place to be. And for those not already located in Central Eastern Pennsylvania, PP&L extends an invitation—we wish you were here!

assistant to the president and the company's representative to those living in the area of the Susquehanna plant.

Saeger succeeded Charles E. Fuqua, who retired Aug. 1, 1983. Fuqua began his utility career in 1947 with a predecessor company, the Scranton Electric Co. Scranton Electric merged with PP&L in 1956 and Fuqua was named assistant to the Scranton District manager. He was transferred to Allentown in 1958 as staff engineer for the company's vice president-Operations.

In 1962, he was promoted to Susquehanna Division superin-



tendent and three years later, to division manager and vice president.

William F. Hecht, manager-System Planning, was appointed vice president-System Power on Sept. 1, 1983. He is responsible for the System Planning, System Operations, Power Production and Fossil Fuels departments.

Hecht joined PP&L in 1964 and worked in various engineering functions before becoming manager-Distribution Planning in 1975. A year later he was named executive director of the Corporate Energy Planning Council and in 1978 he became manager of System Planning.

Donald J. Trego retired as the company's assistant treasurer and manager-Taxes on July 1 after 28 years with PP&L. He joined the company as assistant to the comptroller. He was promoted to manager-Taxes and Research in 1958 and to his most recent position in 1966.

Board of Directors

Elizabeth E. Bailey, dean of the Graduate School of Industrial Administration at Carnegie-Mellon University, Pittsburgh, Pa., was elected to the board of directors on June 22, 1983.

Dr. Bailey joined Carnegie-Mellon in May 1983 after serving since 1977 on the Civil Aeronautics Board in Washington, D.C., most recently as vice chairman. Prior to that, she was supervisor of the Economic Analysis Group and research head of the Economics Research Department at Bell Laboratories at Holmdel, N.J.

She is the author of two economics texts and numerous economics articles in various educational and trade publications.

Review of the Company's Financial Condition and Results of Operations

This review provides a discussion of the Company's financial condition and results of operation. Additional information on these matters is set forth in the financial statements, schedules and notes on pages 30-42 and the selected financial and operating data on pages 28 and 29.

Results of Operations

Earnings per share of common stock were $3.06 in 1983, $3.35 in 1982 and $3.17 in 1981 (excluding in 1981 $0.23 applicable to a nonrecurring credit).

The decline in earnings per share in 1983 from 1982 was due primarily to: (i) the Pennsylvania Public Utility Commission's (PUC) August 1983 rate decision which disallowed a return on 12.6% of the Company's investment in generating facilities (see "1983 Rate Decision"), (ii) higher operating costs (exclusive of the decrease in the net cost of energy), (iii) the impact of the recession early in 1983 and (iv) a 9% increase in the average number of common shares outstanding. The higher per share earnings in 1982 over 1981 reflects additional revenues from a $73 million increase in base rates which became effective January 1, 1982.

1983 Rate Decision

In August 1983, the PUC issued a final order on the Company's request to increase rates to reflect the effect of placing Susquehanna Unit 1 in commercial operation and the recovery of other increased costs. The PUC granted the Company an increase in base rate revenues of approximately $203 million—some $90 million less than the amount requested.

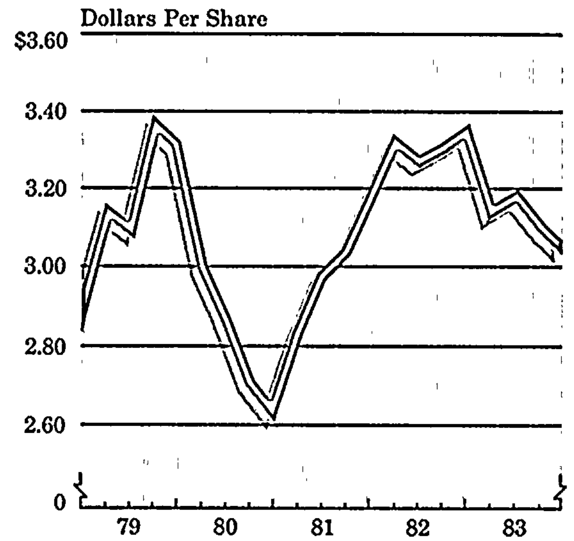
The additional revenues granted will improve the Company's cash flow and overall financial condition, and will increase the amount of mortgage bonds issuable under the earnings coverage test provision of the mortgage indenture. The return allowed on the Susquehanna Unit 1 plant investment included in rate base replaces the previously-recorded non-cash allowance for funds used during construction. Costs such as employee wages, materials and supplies and outside skilled labor incurred to operate and maintain the unit are being recovered currently in electric rates.

The rate decision, however, was not wholly favorable. The PUC did not permit the Company to earn a return on 12.6% of its net investment in total generating facilities. The PUC decided that 945,000 kilowatts (12.6%) of the Company's total generating capacity was excess and this reduced the amount of revenues requested by about $59 million. The impact of this change will be reflected as lower earnings available for common shareowners.

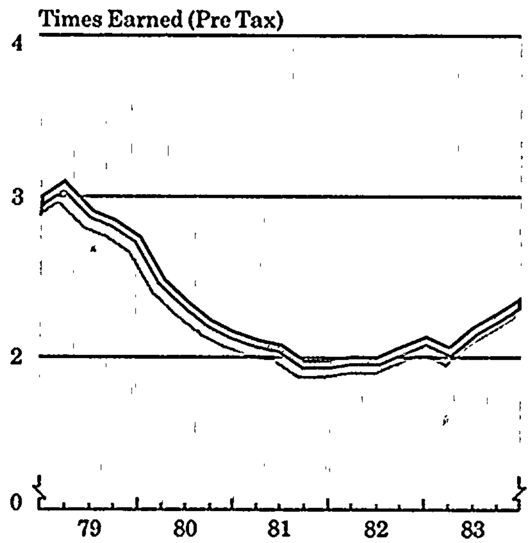
1984 Rate Filing Planned

The Company expects to file in the second quarter of 1984 for increased rates to reflect the effect of placing Susquehanna Unit 2 in service and to recover other increased costs of providing electric service. The Company is considering requesting a phase-in of the rate increase over several years in order to moderate its impact on customers. The excess capacity issue raised in the Susquehanna Unit 1 rate case may also be

Earnings Per Share
12 Months Ended Each Quarter



Times Interest Charges Earned
12 Months Ended Each Quarter



addressed in the Unit 2 proceeding, but the Company is unable to predict what action the PUC will take with respect to that issue.

Electric Sales and Operating Revenues

Electric energy sales increased 3.4% in 1983 from the prior year, reflecting improved economic conditions during the last half of 1983 and increased contractual sales to other utilities. Energy sales for 1982 were down 2.9% from 1981, reflecting the depressed economic conditions during 1982. When compared with 1982, residential sales for 1983 were up 93 million kwh or 1.2%, commercial sales increased 173 million kwh or 2.9% and industrial sales were higher by 299 million kwh or 4.1%.

The changes from the prior year in total operating revenues were attributable to the following (millions of dollars):

	1983	1982	1981
Electric			
Base rate increases	$ 141.1	$81.6	$ 84.6
Recovery of fuel and energy costs	(151.9)	3.1	142.2
Contractual sales to other utilities	16.9	3.1	8.0
Change in customer usage and mix of customers	14.8	(8.1)	3.2
Other	9.5	7.5	7.8
Total electric	30.4	87.2	245.8
Steam heat	(1.6)	(0.9)	2.0
Total	$ 28.8	$86.3	$247.8

Base rate increases went into effect January 1981, January 1982 and August 1983. A decline in the net cost of energy, as discussed below, resulted in the lower revenues applicable to recovery of such costs in 1983. Contractual sales to other utilities include the amounts received from Atlantic City Electric Company for the purchase by Atlantic of about 6% of the capacity and energy of Susquehanna Unit 1 since the unit began commercial operation in early June 1983.

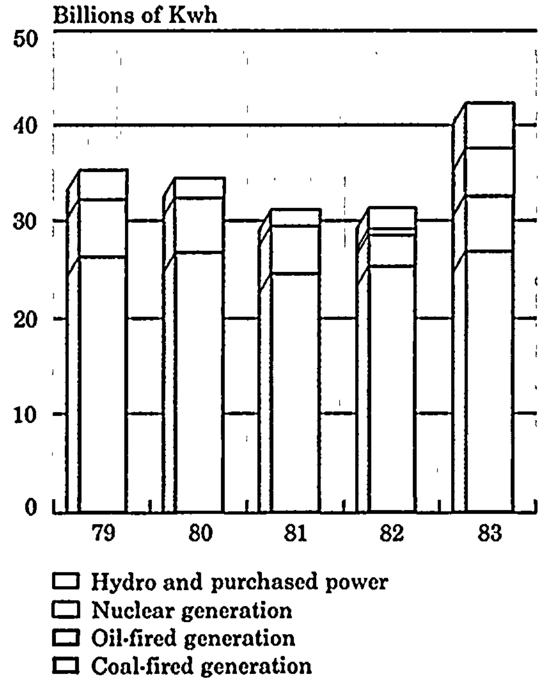
Sales to ultimate customers accounted for approximately 97% of the Company's revenues from electric sales over the past three years. Such revenues are under the jurisdiction of the PUC. The remaining 3% of revenues relate to sales to others for resale which are regulated by the Federal Energy Regulatory Commission (FERC) as are interchange power sales, which are classified as a credit to operating expenses.

Net Cost of Energy

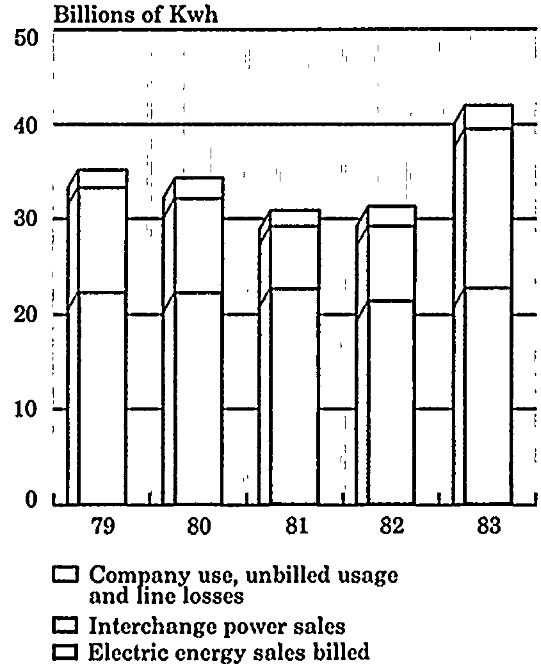
The net cost of energy decreased dramatically from the amount recorded in 1982 due to three major factors.

- Susquehanna Unit 1 was placed in commercial operation on June 8, 1983 and generated 3.2 billion kilowatt-hours of electricity from that date through the end of the year. The electricity generated by the low-cost nuclear fuel unit was delivered to customers. This made possible the sale to other utilities of electricity generated from the Company's coal-fired units which is generally lower priced than other sources of electricity

Sources of Energy



Disposition of Energy



available to these utilities. The Company's nuclear unit and coal units ran with minimal problems throughout the year.

- Starting late in 1982 and continuing throughout 1983, the Company was able to make favorably priced power purchases directly from companies other than those in the PJM Interconnection. Most of this power was sold to other utilities at some markup.
- Various outages of generating units of other utilities placed them in the market for more power in 1983. In fact, the Company's oil-fired units, which have the highest fuel cost of any Company units, generated 76% more electricity than in 1982, most of which was sold to other utilities.

Wages and Benefits, Other Operating Costs and Depreciation

Wages and benefits and other operating costs increased in both 1983 and 1982 due to inflation. In 1983, the increase also reflects the costs related to the operation of Susquehanna Unit 1. Increases in depreciation reflect additions to plant in service, including Susquehanna Unit 1 in 1983. The provision for depreciation, as a percent of average depreciable property, declined from 3.3% in 1982 to 2.7% in 1983 due to the use of a modified sinking fund method of depreciation for the Susquehanna plant.

Income Taxes

In 1982 and 1983, the Company had losses for income tax purposes. The large amount of interest expense incurred to finance construction expenditures and the depreciation for income tax purposes of Susquehanna Unit 1 were major factors causing the tax losses. At December 31, 1983, the Company had a $157 million state income tax loss carryforward and a $116 million federal income tax loss carryforward.

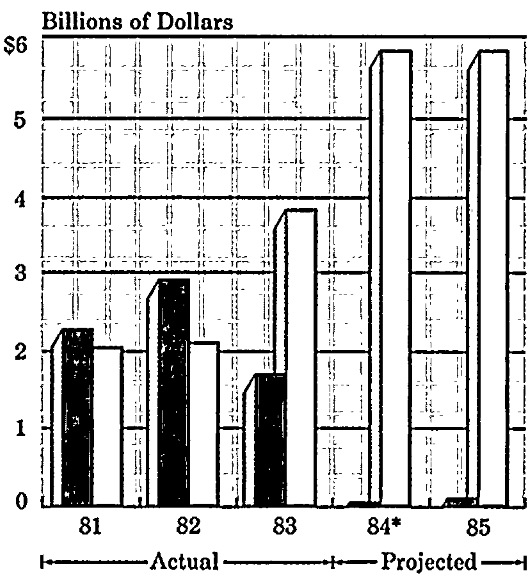
The Company's construction expenditures have enabled it to qualify for substantial investment tax credits. At the end of 1983, an estimated $242 million of investment tax credits was available in excess of the amount used to reduce federal income tax payments. These unused investment tax credits may be used to reduce future federal income tax liabilities.

For additional information concerning income taxes, see the Schedule of Taxes on page 31 and Note 4 to Financial Statements.

Allowance for Funds Used During Construction (AFUDC)

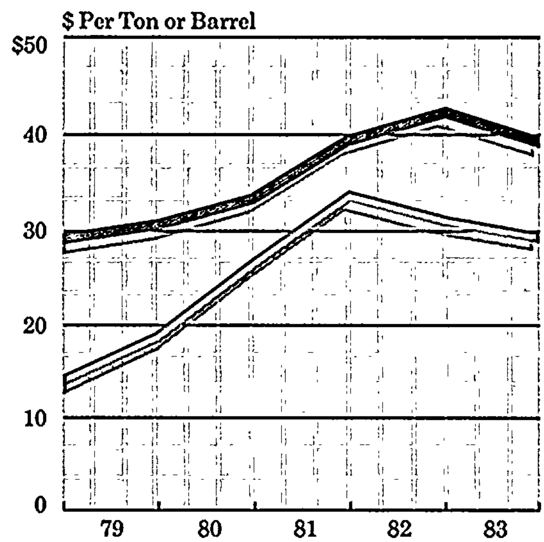
The amount of AFUDC has increased steadily over the past several years due primarily to the increasing level of construction work in progress related to the two Susquehanna units. Construction of the Susquehanna units accounted for about $662 million of the total $692 million of AFUDC recorded during the three years 1981-1983. With the commercial operation of Susquehanna Unit 1, the Company stopped recording AFUDC on its $1.8 billion investment in that facility. After the completion of Unit 2, scheduled for the fourth quarter of 1984, the amount of AFUDC recorded will decrease substantially. See Note 5 to Financial Statements for additional information concerning the AFUDC.

Construction Work in Progress vs. Net Plant in Service



Construction work in progress
Net plant in service
* After Susquehanna Unit 2 in service

Cost of Fossil Fuel Received At Steam Stations



Cost of coal—per ton
Cost of residual oil—per barrel

Susquehanna Plant

The Company's construction program for the past decade has been dominated by the construction of the Susquehanna nuclear plant. The Susquehanna plant consists of two nuclear-fueled generating units. Allegheny Electric Cooperative, Inc. owns a 10% undivided interest in the plant and pays on a current basis its proportionate share of construction and nuclear fuel expenditures and operating expenses. Each Susquehanna unit has a net capability of 1,050,000 kilowatts and the Company's 90% share of each unit is 945,000 kilowatts.

Susquehanna Unit 1 was placed in commercial operation on June 8, 1983 and Susquehanna Unit 2, which is the only generating facility that the Company has under construction at this time, is scheduled to be placed in commercial operation during the fourth quarter of 1984. The Company currently estimates that its 90% share of the in-service cost of the two Susquehanna units, excluding nuclear fuel, will be about $3.7 billion.

Capital Expenditure Requirements

With completion of the Susquehanna plant, construction expenditures are expected to decline substantially. The schedule below shows actual construction and nuclear fuel expenditures for the years 1981-1983 and current projections for the years 1984-1986. Construction expenditures during the three years 1981-1983 totaled $2.0 billion and are expected to be about $0.9 billion during the three years 1984-1986, a decline of approximately $1.1 billion from the prior three years.

Improved Financial Condition

Not unlike the pattern experienced by other electric utilities in similar circumstances, the extended construction period of the Susquehanna plant—with its heavy financing demands—has adversely affected the Company's financial condition over a period of time as evidenced by such trends as: a decline in interest coverage; an increase in the portion of net income represented by the allowance for funds used during construction; and restrictions on financing capabilities due to earnings coverage test limitations.

The rate relief granted by the PUC in August 1983 reflecting the commercial operation of Susquehanna Unit 1 has helped improve the Company's financial condition. The Company's times interest charges earned ratio increased from 2.08 times in 1982 to 2.34 times in 1983, the first notable increase in this key financial indicator in the past five years. Funds from operations in 1983, as detailed on page 37, increased $75 million over 1982, and the Company's ability to issue mortgage bonds under the earnings coverage test of the mortgage indenture has improved substantially from the end of 1982.

At December 31, 1983, the Company would have been able to issue approximately $420 million of additional first mortgage bonds under the mortgage indenture earnings test.

If the PUC grants adequate rate relief to reflect the net effect of placing Susquehanna Unit 2 in service, such rate relief, together with that granted in August 1983 and the large decline in construction expenditures, should result in a substantial improvement in the Company's financial condition over the next several years.

Construction and Nuclear Fuel Expenditures
(Millions of Dollars)

	Actual			Projected		
	1981	1982	1983	1984	1985	1986
Construction expenditures (a)						
Susquehanna plant	$495	$638	$540	$269	$ (14)(b)	$ —
Transmission and distribution facilities	76	69	62	81	104	113
Environmental	31	19	4	10	13	10
Other	21	32	43	114	111	131
	623	758	649	474	214	254
Nuclear fuel requirements (c)	67	53	77	66	46	51
Total	$690	$811	$726	$540	$260	$305
Allowance for funds used during construction (which is included in the above amounts)	$194	$246	$252	$153	$ (33)(b)	$ 13

(a) Construction plans are revised from time to time to reflect changes in conditions. Actual construction costs for projects may vary from those projected because of changes in plans, cost fluctuations, environmental regulations and other factors.

(b) The Susquehanna station construction expenditures are estimated to be $31 million in 1985. Those expenditures and AFUDC have been reduced by the estimated tax reduction applicable to construction interest included in the tax carryforward loss expected to be used in 1985.

(c) Substantially all nuclear fuel requirements through 1986 are expected to be financed through sale and leaseback arrangements.

Financing

The financing of its construction program requires the Company to engage in frequent sales of securities, including debt and preferred, preference and common stocks. Interim financing is obtained principally from bank borrowings and the sale of commercial paper notes.

Outside financing totaled $2.0 billion during the three years 1981-1983. In addition to securities sales, the Company sold and leased back $287 million of nuclear fuel during the two years 1982 and 1983. Details of the amount of securities sold and other information on sources and uses of funds during 1981-1983 are set forth in the Statement of Changes in Financial Position on page 37.

The Company presently estimates that outside financing during the three years 1984-1986 will be approximately $0.5 billion, or about $1.5 billion less than required during the prior three years. Funds from these securities sales together with funds generated from operations will be used to finance construction expenditures, repay $454 million of long-term debt obligations and meet $137 million of preferred and preference stock sinking fund requirements.

Funds generated from operations are expected to provide about 60% of total funds requirements in 1984-1986 compared with 17% of total funds requirements generated from operations in 1981-1983.

Tentative Plans for Securities Sales

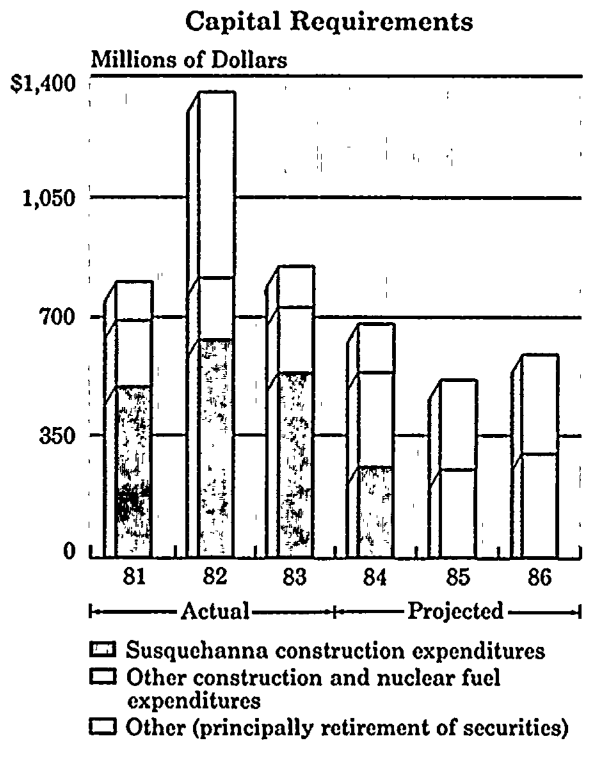
The Company tentatively plans to issue approximately $425 million of securities in 1984. This plan does not contemplate any public sale of common stock. Because of a reduced need for equity capital, the Company intends to modify its dividend reinvestment plan by the end of 1984 to eliminate the 5% discount and provide for the common stock to be obtained through market purchases rather than the issuance of new shares. The exact amount, nature and timing of sales of securities in 1984 and subsequent years will be determined in the light of market conditions, the Company's ability to meet legal restrictions on the issuance of certain securities and other factors, including the granting of timely and adequate rate relief.

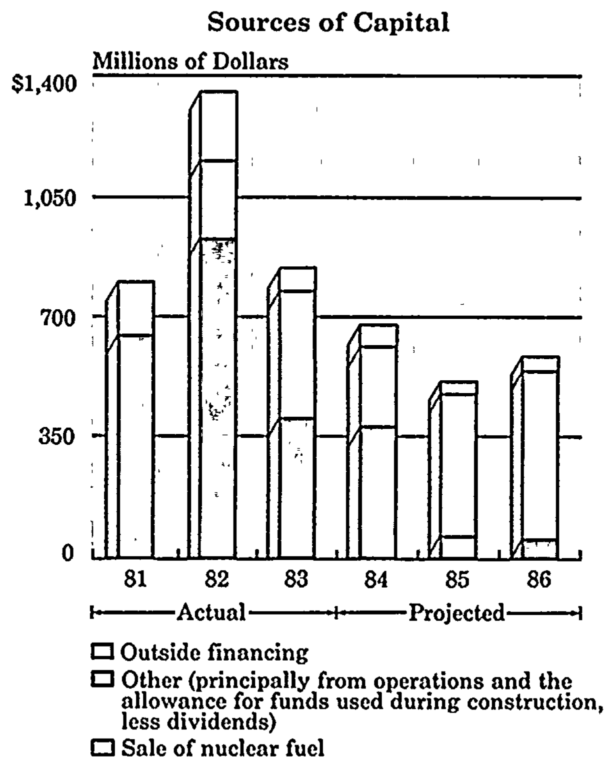
Interest Charges and Preferred/Preference Stock Dividends

During the 1981-1983 period, the Company's outstanding long-term debt increased $576 million and outstanding preferred and preference stock increased $204 million. The annual interest requirements on long-term debt increased from $191 million at the beginning of 1981 to $260 million at the end of 1983 and the annual dividend requirements on preferred and preference stock increased from $62 million to $89 million during the same time period. This represents a $96 million or 38% increase in the annual cost of such securities over the three-year period.

Impacts of Inflation

Certain effects of inflation on the operations of the Company have been estimated on the basis prescribed by the Financial Accounting Standards Board and are set forth on pages 43-45.





Management's Report on the Financial Statements

The management of Pennsylvania Power & Light Company is responsible for the preparation, integrity and objectivity of the financial statements and other sections of this annual report. The financial statements have been prepared in conformity with generally accepted accounting principles and the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. In preparing the financial statements, management makes informed estimates and judgments of the expected effects of events and transactions based upon currently available facts and circumstances.

The Company maintains a system of internal accounting controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions and events are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of a system of internal accounting controls should not exceed the benefits derived and that there are inherent limitations in the effectiveness of any system of internal accounting controls. Fundamental to the control system is the selection and training of qualified personnel, an organizational structure that provides appropriate segregation of duties and the utilization of written policies and procedures. In addition, the Company maintains an internal auditing program to evaluate the adequacy, application and compliance with the Company's internal accounting controls, policies and procedures.

Deloitte Haskins & Sells, independent certified public accountants, is engaged to examine and to render an opinion as to whether the financial statements, considered in their entirety, present fairly the Company's financial position, operating results and changes in financial position, in conformity with generally accepted accounting principles. Their examination is conducted in accordance with generally accepted auditing standards and includes such procedures believed by them to be sufficient to provide reasonable assurance that the financial statements are not materially misleading and do not contain material errors.

The Board of Directors, acting through its Audit Committee, oversees management's responsibilities in the preparation of the financial statements. In performing this function, the Audit Committee, which is composed of directors who are not employees of the Company, meets periodically with management, the internal auditors and the independent certified public accountants to review the work of each. Deloitte Haskins & Sells and the internal auditors have free access to the Audit Committee and to the Board of Directors, without management present, to discuss internal accounting control, auditing and financial reporting matters.

Index of Financial Data

Selected Financial and Operating Data

	1983	1982	1981	1980	1979
Income Items—thousands					
Operating revenues	$1,248,397	$1,219,548	$1,133,278	$ 885,451	$ 860,498
Operating income	289,930	223,083	211,050	168,659	182,823
Allowance for funds used during construction	251,548	246,423	193,861	141,241	105,205
Net income (a)	296,011	278,886	244,077	179,759	182,198
Earnings applicable to common stock (a)	210,173	210,572	183,182	120,384	133,532
Balance Sheet Items—thousands (b)					
Net utility plant in service	$3,847,301	$2,112,169	$2,054,039	$1,954,762	$1,885,978
Construction work in progress	1,730,228	2,923,841	2,312,292	1,874,397	1,473,220
Total assets	6,049,181	5,530,939	5,037,986	4,300,080	3,782,228
Long-term debt	2,387,249	2,323,318	2,165,381	1,811,692	1,557,158
Preferred and preference stock					
With sinking fund requirements	714,830	621,634	544,231	510,800	441,400
Without sinking fund requirements	231,375	231,375	231,375	231,375	231,375
Common equity	1,767,949	1,643,695	1,435,437	1,250,717	1,113,441
Short-term debt	190,000	160,545	175,489	56,324	30,775
Total capital provided by investors	5,291,403	4,980,567	4,551,913	3,860,908	3,374,149
Financial Ratios					
Return on average common equity—% (a)	12.29	13.60	12.74	10.38	12.91
Embedded cost rates (b)					
Long-term debt—%	10.98	10.81	10.80	10.60	9.02
Preferred and preference stock—%	9.66	9.41	8.93	8.49	8.43
Times interest earned before income taxes (a)	2.34	2.08	1.94	2.10	2.72
Ratio of earnings to fixed charges—total enterprise basis (a) (c)	2.17	1.92	1.78	1.90	2.40
Depreciation as % of average depreciable property	2.7	3.3	3.2	3.2	3.2
Common Stock Data					
Number of shares outstanding—thousands					
Year-end	70,335	66,461	58,447	50,627	43,497
Average	68,642	62,809	53,912	45,598	40,231
Earnings per share (a)	$ 3.06	$ 3.35	$ 3.17	$ 2.64	$ 3.32
Dividends declared per share	$ 2.40	$ 2.32	$ 2.24	$ 2.12	$ 2.04
Taxability of dividend income—% (d)	0	0	0	0	39
Book value per share (b)	$25.12	$24.71	$24.52	$24.68	$25.57
Market price per share (b)	$ 20⅝	$ 21	$ 17⅛	$ 15⅝	$ 17¾
Dividend payout rate—% (a)	79	70	72	82	62
Dividend yield—% (d) (e)	10.48	11.95	13.34	12.01	10.38
Price earnings ratio (a) (e)	7.48	5.79	5.30	6.68	5.92
Fuel Cost Data					
Cost per kwh generated—cents					
Coal-fired steam stations	1.68	1.77	1.64	1.40	1.30
Nuclear steam station (g)	0.66				
Oil-fired steam station	5.23	5.62	5.75	4.55	3.20
Combustion turbines and diesels (oil)	10.21	10.74	10.51	7.89	4.68
Average	2.15	2.20	2.30	1.96	1.65
Cost of fossil fuel received at steam stations					
Coal—per ton	$39.37	$42.32	$39.59	$33.78	$30.70
Residual oil—per bbl.	$29.79	$30.94	$33.47	$26.44	$18.81
Employees (b)	8,160	8,208	7,999	7,702	7,590

(a) 1981 net income and earnings applicable to common stock include a nonrecurring credit related to an accounting change, while indicated financial ratios and common stock data for that year are computed excluding the nonrecurring credit from earnings.
(b) Year-end.
(c) Fixed charges consist of interest on short- and long-term debt, other interest charges and the estimated interest component of rentals.
(d) Based on holding one share of common stock for the entire year.
(e) Based on average of month-end market prices.
(f) The winter peaks shown were reached early in the subsequent year.
(g) The Company's first nuclear unit was placed in commercial operation June 8, 1983.

	1983	1982	1981	1980	1979
Sales Data					
Electric customers (b)	1,026,144	1,013,623	1,006,570	999,525	987,005
Average annual residential kwh use	9,051	9,039	9,157	9,205	9,353
Electric energy sales billed—millions of kwh					
Residential	8,138	8,045	8,088	8,056	8,066
Commercial	6,119	5,946	5,893	5,743	5,554
Industrial	7,623	7,324	7,968	7,910	8,135
Other	699	675	696	742	758
Total sales to customers	22,579	21,990	22,645	22,451	22,513
Contractual sales to other utilities	478	307	309	42	42
Total electric energy sales billed	23,057	22,297	22,954	22,493	22,555
Sources of energy sold—millions of kwh					
Generated					
Coal-fired steam stations	26,885	25,477	24,841	26,596	26,487
Nuclear steam station (g)	4,509	293			
Oil-fired steam station	5,581	3,186	4,705	5,692	5,777
Combustion turbines and diesels (oil)	45	13	32	33	37
Hydroelectric stations	700	612	622	533	799
	37,720	29,581	30,200	32,854	33,100
Power purchases	3,880	1,414	744	1,415	2,124
Interchange power sales	(16,405)	(6,900)	(6,274)	(9,798)	(11,089)
Company use, unbilled usage and line losses	(2,138)	(1,798)	(1,716)	(1,978)	(1,580)
Total electric energy sales billed	23,057	22,297	22,954	22,493	22,555
Electric Revenue Data					
By class of service—thousands					
Residential	$ 529,911	$ 503,557	$ 411,668	$349,714	$341,987
Commercial	386,617	363,233	292,984	246,024	232,610
Industrial	367,950	347,726	295,006	245,513	244,265
Other energy sales	36,367	35,232	30,098	27,080	26,154
Total sales to customers	1,320,845	1,249,748	1,029,756	868,331	845,016
Contractual sales to other utilities	29,402	12,499	9,386	1,400	1,510
Total from energy sales billed	1,350,247	1,262,247	1,039,142	869,731	846,526
Unbilled revenues, net	(119,539)	(61,652)	76,884		
Other operating revenues	12,972	12,708	10,142	10,595	9,941
Total electric operating revenues	$1,243,680	$1,213,303	$1,126,168	$880,326	$856,467
Average price per kwh billed—cents					
Residential	6.51	6.26	5.09	4.34	4.24
Commercial	6.32	6.11	4.97	4.28	4.19
Industrial	4.83	4.75	3.70	3.10	3.00
Total for ultimate customers	5.91	5.74	4.59	3.90	3.79
Total for all customers	5.86	5.66	4.53	3.87	3.75
Generation Data					
Generating capability—thousands of kw (b)	7,494	6,546	6,546	6,546	6,546
Winter peak demand—thousands of kw (f)	4,869	4,489	5,207	4,945	4,427
Generation by fuel source—%					
Coal	71.3	86.1	82.2	81.0	80.0
Nuclear (g)	11.9	1.0			
Oil	14.9	10.8	15.7	17.4	17.6
Hydroelectric	1.9	2.1	2.1	1.6	2.4
Steam station availability—%					
Coal-fired	78.8	79.1	74.7	78.7	76.6
Nuclear (g)	67.7				
Oil-fired	75.8	80.4	73.4	79.6	80.0
Steam station utilization—%					
Coal-fired	74.0	70.2	68.4	73.0	73.1
Nuclear (g)	67.5				
Oil-fired	38.8	22.2	32.8	39.5	40.2

Statement of Income (Thousands of Dollars)

	1983	1982	1981
Operating Revenues (Notes 2 and 3)	$1,248,397	$1,219,548	$1,133,278
Operating Expenses			
Net cost of energy			
Fuel	768,583	633,694	684,636
Power purchases	186,955	59,571	28,743
Interchange power sales	(740,964)	(302,149)	(320,240)
	214,574	391,116	393,139
Wages and employee benefits	211,752	171,182	148,317
Other operating costs	166,839	142,788	129,587
Depreciation	107,885	92,222	85,513
Income taxes (Note 4)	112,055	87,489	59,402
Taxes, other than income	125,470	111,668	106,270
Deferred Susquehanna operating costs and energy savings—net (Note 3)	19,892		
	958,467	996,465	922,228
Operating Income	289,930	223,083	211,050
Other Income and (Deductions)			
Allowance for equity funds used during construction (Note 5)	131,362	90,295	75,218
Deferred Susquehanna capital costs (Note 3)	29,935		
Income tax credits (Note 4)	21,976	77,744	65,612
Other—net	(9,518)	(588)	2,086
	173,755	167,451	142,916
Income Before Interest Charges	463,685	390,534	353,966
Interest Charges			
Long-term debt	258,629	239,769	210,549
Short-term debt and other	29,231	28,007	30,364
Allowance for borrowed funds used during construction	(120,186)	(156,128)	(118,643)
	167,674	111,648	122,270
Income Before Nonrecurring Credit	296,011	278,886	231,696
Nonrecurring Credit Related to Accounting Change, Net of Income Taxes ($13,236) (Note 2)			12,381
Net Income—Before Dividends on Preferred and Preference Stock	296,011	278,886	244,077
Dividends on Preferred and Preference Stock	85,838	68,314	60,895
Earnings Applicable to Common Stock	$ 210,173	$ 210,572	$ 183,182
Earnings Per Share of Common Stock (a)			
Before Nonrecurring Credit	$ 3.06	$ 3.35	$ 3.17
Nonrecurring Credit (Note 2)			.23
	$ 3.06	$ 3.35	$ 3.40
Average Number of Shares Outstanding (thousands)	68,642	62,809	53,912
Dividends Declared Per Share of Common Stock	$ 2.40	$ 2.32	$ 2.24

(a) Based on average number of shares outstanding.

See accompanying Schedules and Notes to Financial Statements.

Schedule of Taxes (Thousands of Dollars)

	1983	1982	1981
Income Tax Expense (Note 4)			
Included in operating expenses			
Provision—Federal	$ 15,823	$ 55,109	$ 54,971
State	6,787	9,762	18,030
	22,610	64,871	73,001
Deferred—Federal	94,689	55,351	(22,868)
State	(938)	(591)	(5,483)
	93,751	54,760	(28,351)
Investment tax credit, net—Federal	(4,306)	(32,142)	14,752
	$112,055	$ 87,489	$ 59,402
Included in other income and deductions			
Provision (credit)—Federal	$ (15,216)	$ (67,981)	$ (52,596)
State	(6,760)	(9,763)	(13,016)
	$ (21,976)	$ (77,744)	$ (65,612)
Included in nonrecurring credit			
Deferred—Federal			$ 10,546
State			2,690
			$ 13,236
Total income tax expense—Federal	$ 90,990	$ 10,337	$ 4,805
State	(911)	(592)	2,221
	$ 90,079	$ 9,745	$ 7,026
Detail of deferred taxes in operating expenses			
Tax depreciation	$101,728	$ 58,024	$ 513
Test operation of generating unit	(10,856)	(3,373)	(248)
Deferred Susquehanna operating costs and energy savings—net	(11,411)		
Unbilled revenues	11,266	2,213	1,057
Recoverable fuel and energy costs			(22,483)
State utility realty tax			(6,269)
Other	3,024	(2,104)	(921)
	$ 93,751	$ 54,760	$ (28,351)
Reconciliation of Federal Income Tax Expense			
Indicated federal income tax on pre-tax income at statutory tax rate (46%)	$177,601	$132,770	$115,507
Reduction due to:			
AFUDC, less unused construction interest deduction	65,088	110,827	89,176
Tax depreciation	221	4,922	10,758
Tax and pension cost	6,314	6,833	6,061
Deferred Susquehanna capital costs	13,770		
Other	2,129	443	2,486
	87,522	123,025	108,481
Total income tax expense	$ 90,079	$ 9,745	$ 7,026
Effective income tax rate	23.3%	3.4%	2.8%
Taxes, Other Than Income			
State gross receipts	$ 60,112	$ 56,515	$ 46,149
State capital stock	20,074	18,243	15,650
State utility realty	31,803	26,591	34,724
Social security and other	13,481	10,319	9,747
	$125,470	$111,668	$106,270

See accompanying Notes to Financial Statements.

Balance Sheet at December 31 (Thousands of Dollars)

Assets

	1983	1982
Utility Plant		
Plant in service—at original cost		
Electric	$4,761,151	$2,939,242
Steam heat	8,704	8,593
	4,769,855	2,947,835
Less accumulated depreciation	922,554	835,666
	3,847,301	2,112,169
Construction work in progress—at cost	1,730,228	2,923,841
Nuclear fuel in process—at cost (Note 8)	10,609	8,562
	5,588,138	5,044,572
Investments		
Associated companies—at equity	16,614	13,514
Receivable from litigation settlement	28,500	29,500
Nonutility property and other—at cost or less	8,410	7,017
	53,524	50,031
Current Assets		
Cash	6,753	6,562
Accounts receivable (less reserve: 1983, $5,020; 1982, $4,732)		
Customers	109,934	85,924
Interchange power sales	39,510	39,233
Other	6,205	22,603
Unbilled revenues	56,744	82,887
Fuel (coal and oil)—at average cost	127,090	157,082
Materials and supplies—at average cost	21,400	22,435
Other	15,743	10,256
	383,379	426,982
Deferred Debits	24,140	9,354
	$6,049,181	$5,530,939

See accompanying Schedules and Notes to Financial Statements.

Liabilities

	1983	1982
Capitalization		
Common equity		
Common stock	$1,223,064	$1,141,649
Capital stock expense	(15,973)	(14,116)
Earnings reinvested	560,858	516,162
	1,767,949	1,643,695
Preferred and preference stock		
With sinking fund requirements	714,830	621,634
Without sinking fund requirements	231,375	231,375
Long-term debt	2,307,073	2,264,238
	5,021,227	4,760,942
Current Liabilities		
Long-term debt due within one year	80,176	59,080
Commercial paper and other notes	190,000	160,545
Accounts payable	92,563	83,487
Taxes accrued	27,063	28,762
Interest accrued	64,578	57,695
Dividends payable	64,428	55,875
Deferred income taxes	27,773	16,507
Energy revenues to be refunded	93,396	
Other	32,815	33,125
	672,792	495,076
Deferred and Other Credits		
Deferred investment tax credits	111,038	110,466
Deferred income taxes	205,916	123,862
Other	38,208	40,593
	355,162	274,921
Commitments and Contingent Liabilities (Notes 8 and 11)		
	$6,049,181	$5,530,939

See accompanying Schedules and Notes to Financial Statements.

Schedule of Capital Stock at December 31

	Shares Authorized	Shares Outstanding 1983	Outstanding Thousands of Dollars 1983	Outstanding Thousands of Dollars 1982
Preferred Stock—$100 par, cumulative (a)				
4½%	629,936	530,189	$ 53,019	$ 53,019
Series	10,000,000	5,191,766	519,176	470,212
			$ 572,195	$ 523,231
Preference Stock—no par, cumulative (a)	5,000,000	3,740,097	$ 374,010	$ 329,778
Common Stock—no par (a)	85,000,000	70,334,870	$1,222,393	$1,140,550
Dividend reinvestment installments received			671	1,099
			$1,223,064	$1,141,649

Details of Preferred and Preference Stock (b)

	Sinking Fund Provisions(c) Shares to be Redeemed Annually	Sinking Fund Provisions(c) Redemption Period	Optional Redemption Price Per Share 1983	Shares Outstanding 1983	Outstanding Thousands of Dollars 1983	Outstanding Thousands of Dollars 1982
With Sinking Fund Requirements						
Series Preferred						
7.40%	16,000	1984-2003	$104.44	320,000	$ 32,000	$ 33,600
7.50%	150,000	1985	112.00	150,000	15,000	15,000
7.75%	120,000	1984-1988	103.45	600,000	60,000	60,000
8.00%	25,000	1984-2002	112.00	475,000	47,500	50,000
8.00%, Second	20,000	1985-1989	112.00	100,000	10,000	10,000
8.25%	100,000	1985-1989	112.00	500,000	50,000	50,000
8.75%	30,000(d)	1985-2004	115.00	600,000	60,000	60,000
9.24%	30,000(d)	1984-2005	115.00	648,210	64,821	67,756
10.75% (e)	53,000(d)	1986-1990	115.00	265,000	26,500	26,500
11.00%, Adjustable (e) (f)	30,000	1989-1993	125.00	150,000	15,000	
11.00% (e)	260,000	1988	125.00	260,000	26,000	
11.25% (e)	15,000	1989-1998	125.00	150,000	15,000	
14.00% (e)	(g)	(g)	124.00	340,000	34,000	34,000
Preference						
$8.625 (e)	102,000	1986-1990	None	510,000	51,000	51,000
$11.00	25,000(d)	1984-2000	106.60(h)	408,200	40,820	44,088
$11.60 (i)	25,000(d)	1989-2008	114.00	500,000	50,000	
$13.00	12,500(d)	1984-1998	107.15(h)	171,897	17,189	19,690
$13.00, Second (i)	25,000(d)	1989-2008	114.00	500,000	50,000	50,000
$15.00 (i)	25,000(d)	1988-2007	120.00	500,000	50,000	50,000
					$714,830	$621,634
Without Sinking Fund Requirements						
4½% Preferred			110.00	530,189	$ 53,019	$ 53,019
Series Preferred						
3.35%			103.50	41,783	4,178	4,178
4.40%			102.00	228,773	22,878	22,878
4.60%			103.00	63,000	6,300	6,300
8.60%			107.00	222,370	22,237	22,237
9.00%			107.00	77,630	7,763	7,763
Preference						
$8.00			103.00	350,000	35,000	35,000
$8.40			104.00	400,000	40,000	40,000
$8.70			103.00	400,000	40,000	40,000
					$231,375	$231,375

See accompanying Notes to Financial Statements.

Increases (Decreases) in Capital Stock (shares and amount in thousands)

	1983		1982		1981	
	Shares	Amount	Shares	Amount	Shares	Amount
Common Stock						
Public offering			4,000	$77,124	4,000	$65,440
Dividend reinvestment plan	3,874	$81,843	3,971	69,930	3,657	55,989
Employee stock ownership plan			43	702	163	2,676
Series Preferred Stock (j)						
7.40%	(16)	(1,600)	(16)	(1,600)	(16)	(1,600)
8.00%	(25)	(2,500)				
9.24%	(29)	(2,935)	(17)	(1,667)	(56)	(5,577)
11.00%, Adjustable (f)	150	15,000				
11.00%	260	26,000				
11.25%	150	15,000				
14.00%			340	34,000		
Preference Stock (j)						
$9.25					(40)	(4,000)
$11.00	(33)	(3,268)	(18)	(1,771)	(41)	(4,141)
$11.60	500	50,000				
$13.00	(25)	(2,500)	(16)	(1,559)	(13)	(1,251)
$13.00, Second			500	50,000		
$15.00					500	50,000

(a) Each share of preferred, preference and common stock entitles the holder to one vote on any question presented to any share-owners' meeting.

(b) Liquidation prices per share of preferred stock (payable in preference over the preference stock) and preference stock are as follows (plus in each case any unpaid dividends):

Class	Involuntary Liquidation	Voluntary Liquidation
4½% Preferred	$100	$100
Series Preferred	$100	Redemption price in effect.
Preference	$100	Redemption price in effect, except for the $8.625 Series which is $100.

(c) The aggregate amount of sinking fund redemption requirements through 1988 are (thousands of dollars): 1984, $22,850; 1985, $52,850; 1986, $61,850; 1987, $61,850; 1988, $86,950.

(d) On certain sinking fund redemption dates the Company may redeem additional shares up to the number of shares of these series required to be redeemed annually.

(e) In the event there is a loss of certain federal income tax benefits to corporate holders of these stocks, the Company would be required to make indemnity payments to the owners upon the sale or redemption of the stocks to provide an agreed upon effective yield after federal income taxes. The Company estimates that as of December 31, 1983 it could be required to make such indemnity payments in the future not in excess of $4.5 million.

(f) Effective April 1, 1988, the dividend rate is subject to a one-time adjustment pursuant to a formula based on the then current prime rate.

(g) The 14.00% Preferred Stock has a sinking fund provision which requires redemption of the following number of shares annually at $100 per share: October 1, 1986-1987, 85,000; 1988-1989, 51,000; 1990, 68,000.

(h) The $11.00 and $13.00 Preference Stocks may not be refunded through certain refunding operations prior to July 1, 1985 and October 1, 1984, respectively.

(i) Ownership of the $11.60, $13.00, Second Series and $15.00 Preference Stocks may be evidenced by holding Depositary Preference Shares, each representing ¼ share of Preference Stock.

(j) Decreases in Preferred and Preference Stocks represent: (i) the redemption of stock pursuant to sinking fund requirements, or (ii) shares reacquired through market purchases which have been cancelled. The reacquired and cancelled shares are used to meet sinking fund requirements.

See accompanying Notes to Financial Statements.

Schedule of Long-Term Debt at December 31

First Mortgage Bonds (a)	Maturity Date (b)	Outstanding Thousands of Dollars 1983	1982
3½%	March 1, 1983		$ 25,000
9⅞%	June 1, 1983		33,342
15%	February 1, 1984	$ 16,665	16,665
9⅞%	June 1, 1984	33,329	33,329
11¾%	December 15, 1984	30,000	30,000
15%	February 1, 1985	16,665	16,665
9⅞%	June 1, 1985	33,329	33,329
3⅜%	August 1, 1985	25,000	25,000
15%	February 1, 1986	16,670	16,670
16½%	August 1, 1986	30,900	30,900
14¾%	December 12, 1986	50,000	50,000
16½%	August 1, 1987	36,000	36,000
16½%	September 1, 1987	10,400	10,400
16½%	August 1, 1988	10,100	10,100
16½%	September 1, 1988	10,400	10,400
4⅝% to 16½%	1989-1993	351,700	301,700
4⅝% to 6¾%	1994-1998	90,000	90,000
7% to 9%	1999-2003	345,000	345,000
8¼% to 9¾%	2004-2008	555,000	555,000
13⅛% to 15⅝%	2009-2013	325,000	200,000
Pollution control			
4⅞% to 5⅝% Series A	(c)	23,500	25,000
7⅞% to 8⅛% Series C	(c)	20,000	20,000
11¼% to 11½% Series D	(c)	70,000	70,000
		2,099,658	1,984,500
Other Long-Term Debt (Note 6)			
Secured term notes (a)(d)	March 31, 1991	300,000	300,000
Nuclear fuel trust (d)	February 1, 1987		50,000
Miscellaneous promissory notes	1984-1989	796	924
		2,400,454	2,335,424
Unamortized (discount) and premium—net		(13,205)	(12,106)
		2,387,249	2,323,318
Less amount due within one year		80,176	59,080
		$2,307,073	$2,264,238

(a) Substantially all utility plant is subject to the lien of the Company's first mortgage and certain utility plant is also subject to the lien of a second mortgage.

(b) Aggregate long-term debt maturities through 1988 are (thousands of dollars): 1984, $80,176; 1985, $75,964; 1986, $98,599; 1987, $47,429; 1988, $21,511. Maximum sinking fund requirements aggregate $32.8 million through 1988 and may be met with property additions or bonds.

(c) Pollution control bonds mature annually as follows (thousands of dollars): (i) Series A on May 1, 1985, $800; 1986-2002, $900; 2003, $7,400 (ii) Series C on April 1, 2000, $4,000; 2006-2009, $2,000; 2010, $8,000 (iii) Series D on November 1, 2002, $15,000; 2012, $55,000.

(d) Variable interest rate.

See accompanying Notes to Financial Statements.

Statement of Changes in Financial Position (Thousands of Dollars)

	1983	1982	1981
Source of Funds			
Funds from operations			
Net income (1981 includes $12,381 nonrecurring credit)	$ 296,011	$ 278,886	$244,077
Charges (credits) to income not involving working capital			
Depreciation	107,885	92,222	85,513
Noncurrent deferred income taxes and investment tax credits—net	78,178	20,404	7,830
Deferred Susquehanna costs—net	(10,043)		
Allowance for funds used during construction	(251,548)	(246,423)	(193,861)
Other	694	1,208	(42)
	221,177	146,297	143,517
Outside financing			
Common stock	81,415	147,475	124,729
Preferred and preference stock	106,000	84,000	50,000
First mortgage bonds	175,000	365,674	179,071
Long-term bank loans—net increase			175,000
Secured term notes		300,000	
Nuclear fuel trust notes—net increase		50,000	
Short-term debt—net increase (decrease)	29,455	(14,944)	119,165
	391,870	932,205	647,965
Working capital (excluding debt)—decrease (a)	170,768	54,862	
Sale of nuclear fuel	74,319	215,897	
	$ 858,134	$1,349,261	$791,482
Application of Funds			
Construction expenditures	$ 648,661	$ 757,878	$623,594
Nuclear fuel expenditures	77,267	53,299	66,704
Allowance for funds used during construction	(251,548)	(246,423)	(193,861)
	474,380	564,754	496,437
Securities retired			
Preferred and preference stock	12,804	6,597	16,569
First mortgage bonds	59,842	178,000	500
Long-term bank loans—net decrease		375,000	
Nuclear fuel trust notes—net decrease	50,000		
	122,646	559,597	17,069
Dividends on preferred, preference and common stock	251,182	216,601	183,886
Working capital (excluding debt)—increase (a)			112,561
Other—net	9,926	8,309	(18,471)
	$ 858,134	$1,349,261	$791,482

(a) Changes in components of working capital (excluding debt)	1983	1982	1981
Cash	$ 191	$ 827	$ (419)
Accounts receivable	7,889	60,894	(17,363)
Unbilled and refundable revenues, net of deferred taxes	(130,805)	(63,869)	130,249
Fuel (coal and oil)	(29,992)	(6,746)	36,951
Accounts payable and accrued taxes	(7,377)	(20,536)	(608)
Other—net	(10,674)	(25,432)	(36,249)
Increase (Decrease)	$(170,768)	$(54,862)	$112,561

See accompanying Schedules and Notes to Financial Statements.

Statement of Earnings Reinvested (Thousands of Dollars)

	1983	1982	1981
Balance, January 1	$516,162	$453,885	$393,708
Add Net Income (1981 includes $12,381 nonrecurring credit)	296,011	278,886	244,077
	812,173	732,771	637,785
Deduct			
Cash dividends declared			
Preferred stock—at required annual rates	47,268	38,730	38,513
Preference stock—at required annual rates	38,570	29,584	22,382
Common stock—per share: 1983, $2.40; 1982, $2.32; 1981, $2.24	165,344	148,287	122,991
Issuance cost of retired preferred and preference stock	133	8	14
	251,315	216,609	183,900
Balance, December 31	$560,858	$516,162	$453,885

Notes to Financial Statements

1. Summary of Accounting Policies

Accounting Records

Accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and adopted by the Pennsylvania Public Utility Commission (PUC).

Associated Companies

Investments in unconsolidated subsidiaries (all wholly owned) and in Safe Harbor Water Power Corporation (of which the Company owns one-third of the outstanding capital stock representing one-half of Safe Harbor's voting securities) are recorded using the equity method of accounting. Unconsolidated subsidiaries operate in the United States and are engaged in coal mining, holding coal reserves, oil pipeline operations and real estate investment.

The Company believes that its financial position and results of operations are best reflected without consolidation of these subsidiaries since they are not engaged in the business of generating or distributing electricity. All unconsolidated subsidiaries considered in the aggregate would not constitute a "significant subsidiary" as that term is defined by the Securities and Exchange Commission.

Utility Plant and Depreciation

Additions to utility plant and replacement of units of property are capitalized at cost. The cost of units of property retired or replaced is removed from utility plant accounts and charged to accumulated depreciation. Expenditures for maintenance and repairs of property and the cost of replacement of items determined to be less than units of property are charged to operating expenses.

The annual charge for depreciation is computed on a straight-line method for financial reporting purposes, using rates based on the estimated useful lives of property, with the exception of the Susquehanna nuclear plant which is depreciated on a modified sinking fund method in accordance with a PUC order. Provisions for depreciation, as a percent of average depreciable property, approximated 2.7% in 1983, 3.3% in 1982 and 3.2% in 1981.

Cost of Decommissioning Nuclear Plant

The estimated decommissioning costs of the Susquehanna nuclear plant allowed for ratemaking purposes are charged to operating expense. Such amounts, net of income taxes, are invested in securities kept in a segregated account which can be used only for future decommissioning costs.

Allowance for Funds Used During Construction (AFUDC)

As provided in the Uniform System of Accounts, the cost of funds used to finance construction projects is capitalized as part of construction cost. The components of AFUDC shown on the Statement of Income under other income and deductions and interest charges are non-cash items equal to the cost of funds capitalized during the period. The equity funds component is reduced by the tax savings realized due to the tax deductibility of construction-related interest. AFUDC serves to offset on the Statement of Income the interest charges on debt and dividends on preferred and preference stock incurred to finance construction. In addition, a return on common equity used to finance construction is imputed.

See Note 5 to Financial Statements for information concerning a limitation of the tax reduction reflected in AFUDC due to the Company's tax loss.

Revenues

Revenues are based on the amount of electricity delivered to customers to the end of each accounting period. As a result, the Company records unbilled revenues representing the amount customers will be billed for electricity delivered from the time meters were last read to the end of the respective period. The Company's PUC tariffs contain an energy cost rate under which customers are billed an estimated amount for fuel and other energy costs. Any difference between the actual and estimated amount for such costs is collected from or refunded to customers in a subsequent period. Revenues applicable to energy cost rate billings are recorded at the level of actual energy costs and the difference is recorded as payable to or receivable from customers.

Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return. Income taxes are allocated to the individual companies based on their respective taxable income or loss and investment tax credits.

Income taxes applicable to the Company are allocated to operating expenses and other income and deductions on the Statement of Income. Under other income and deductions, the income tax credits relate principally to the tax reductions associated with the interest expense which is offset by the borrowed funds component of the allowance for funds used during construction.

Deferred income taxes are recorded for timing differences between book and taxable income to the extent they are permitted in rate determinations by regulatory agencies. The two principal items for which deferred taxes are not currently recorded are (i) certain pension costs and employee-related taxes capitalized for book purposes but deducted currently for income taxes and (ii) a portion of tax depreciation in excess of book depreciation related to property placed in service prior to 1980.

Investment tax credits result in a reduction of federal income taxes payable. Such tax credits, other than credits resulting from contributions to the employee stock ownership plan (ESOP), are deferred and amortized over the average lives of the related property.

See Note 4 to Financial Statements for additional information concerning income taxes.

Nuclear Fuel

The Company leases nuclear fuel for use in the Susquehanna plant. Nuclear fuel rentals are charged to fuel expense based on the quantity of heat produced for electric generation. Under the Nuclear Waste Policy Act of 1982, the U.S. Department of Energy (DOE) is responsible for the permanent storage and disposal of spent nuclear fuel removed from nuclear reactors. The Company currently pays DOE a fee for future disposal services and recovers such costs in customer rates.

Retirement Plan

The Company has a noncontributory retirement plan covering substantially all employees. Company contributions to the plan include current service costs and all amounts required to amortize unfunded prior service costs over periods of not more than 20 years.

2. Change in Accounting for Revenues

To provide a better matching of costs and revenues, effective as of January 1, 1981, the Company adopted a policy of recording revenues collectible from customers based on electricity delivered to customers to the end of the month. Prior to 1981, revenues were recorded when bills were rendered to customers based on electricity used at the time of monthly cycle meter readings.

The Nonrecurring Credit of $12,381,000 (after related income tax of $13,236,000) shown on the Statement of Income for 1981 represents the cumulative effect prior to January 1, 1981 of the accounting change.

3. Rate Matters

In accordance with rate orders issued by the PUC, electric base rates for ultimate customers were increased by approximately $97 million annually in January 1981, $73 million annually in January 1982 and $203 million annually in August 1983.

The August 1983 increase resulted from the Company's filing which reflected the effect of placing Susquehanna Unit 1 in service. The PUC's order did not permit the Company to earn a return on 12.6% ($287 million) of its net investment in all generating facilities. This adjustment, which reduced requested revenues by about $59 million, resulted from a decision by the PUC that 945,000 kilowatts (12.6%) of

the Company's generating capacity was excess. The Company was permitted to recover depreciation, operation, maintenance and fuel costs associated with all its generating facilities.

The Company plans to file with the PUC in the second quarter of 1984 for an increase in electric rates to reflect the effect of placing Susquehanna Unit 2 in service and to recover other increased costs of providing electric service. A decision by the PUC on this filing would not be expected until early 1985.

In accordance with a declaratory order of the PUC, the Company has deferred $10.0 million of costs associated with Susquehanna Unit 1 and has recorded approximately $11.4 million of related deferred income taxes. The deferred costs were incurred principally from the date of commercial operation of the unit (June 8, 1983) until the new rates went into effect (August 22, 1983) and include all operating costs (fuel, wages, depreciation, etc.) and capital costs (interest and the carrying cost of equity securities), net of energy savings (reduced net cost of energy). The Company expects to seek recovery of such deferred costs after the PUC renders its decision on the rate request the Company plans to file in the second quarter of 1984.

The PUC has issued a declaratory order similar to that previously issued for Susquehanna Unit 1 which (i) authorizes the deferral of Susquehanna Unit 2 related costs in the event the unit goes into commercial operation before the end of the future test year and (ii) provides that in the event Unit 2 goes into commercial operation after the end of the future test year, the portion of the new rates reflecting the Unit 2 costs would go into effect shortly after the unit begins commercial operation. The PUC has granted a petition filed by the Pennsylvania Office of Consumer Advocate for reconsideration and clarification of certain aspects of the declaratory order. The Company is unable to predict what action the PUC may take with respect to this petition.

The FERC permitted a $2 million increase in rates for wholesale customers effective in August 1981 and a $3 million increase effective in July 1982. The Company and all involved parties have filed a settlement agreement with the FERC with respect to the Company's pending request for an increase in wholesale rates of approximately $4 million annually. If the agreement is accepted by the FERC, the rates, as filed, would go into effect in early March 1984.

4. Income Taxes

The Internal Revenue Service (IRS) has completed its examination of the Company's federal income tax returns for the years 1973-1978. Based on final settlement with respect to the years 1973-1976 and adjustments proposed for 1977 and 1978, the Company does not expect any material change in its income tax liability for these years.

The Company has tax loss carryforwards at December 31, 1983 of approximately $156.6 million for state income tax purposes and $115.9 million for federal income tax purposes. About $70.9 million of the state tax loss carryforward can be used to reduce state income tax liabilities in 1984 with the remainder usable through 1986. The carryforward period for the federal income tax loss expires in the years 1997 and 1998.

The Company has investment tax credits not yet utilized which aggregated approximately $242.1 million ($31.3 million applicable to ESOP) at December 31, 1983 and may be carried forward to reduce future federal income tax liabilities. The carryforward period for these credits expires in the years 1994 to 1998.

5. Allowance for Funds Used During Construction (AFUDC)

AFUDC is recorded on an after-tax basis with the equity component reduced by the income tax savings realized due to the tax deductibility of construction-related interest. Since 1982, the Company has been in a tax loss carryforward position, due in part to the large amount of construction interest incurred. As a result, the income tax reduction reflected in AFUDC has been limited to the tax applicable to construction interest determined to be usable as a tax deduction. The combined federal and state income tax effect of the construction interest that could not be used as a deduction was $6.3 million in 1982 and $55.5 million in 1983.

The Company expects that most of its carryforward tax losses will be used to offset taxable income in future periods. As such carryforwards are used, AFUDC recorded in future years will be reduced by an amount equal to the tax reduction applicable to the construction interest included in the carryforwards so used.

6. Credit Arrangements

The Company maintains lines of credit aggregating $120 million with various domestic banks. The arrangements require the maintenance of compensating balances (not material in amount) or the payment of commitment fees. Borrowings under these lines of credit are generally for one year at the prime interest rate and may be prepaid at any time without penalty.

The Company has a loan agreement with a group of domestic banks pursuant to which the banks commit to lend the Company up to $600 million on a revolving basis with loans to mature on February 27, 1987. At the option of the Company, the interest rate on borrowings would be based on the prime rate or interest rates applicable to certificates of deposit or Eurodollar deposits. At the time any borrowing matures on February 27, 1987, the agreement permits the Company to borrow up to $600 million, the principal amount of which would be repayable in semiannual installments over the following three years.

A revolving credit agreement with a group of foreign banks permits the Company to make short-term borrowings up to $100 million through June 15, 1984. Borrowings under this agreement would bear interest at rates based on the average rate at which certain participating banks accept Eurodollar deposits.

To the extent the full $350 million commitment under a nuclear fuel lease arrangement is not being utilized to finance nuclear fuel, the Company may borrow from a nuclear fuel trust for general corporate purposes. Borrowings bear interest at the average rate of the trust's outstanding debt, would mature on February 1, 1987 and may be prepaid at any time without penalty.

During 1983, the Company borrowed and repaid $150 million under terms of the loan agreement with domestic banks and also prepaid $50 million of borrowings which were outstanding at December 31, 1982 under the nuclear fuel lease borrowing arrangements. At December 31, 1983, there were no borrowings outstanding under any of the Company's credit arrangements.

All revolving credit agreements are maintained by the payment of commitment fees. Commitment fees incurred to maintain the Company's credit arrangements aggregated $2.6 million in 1983, $2.9 million in 1982 and $2.8 million in 1981.

7. Retirement Plan

The actuarial present value of accumulated plan benefits and net assets at the end of the plan's recent fiscal years are as follows (thousands of dollars):

	June 30 1983	June 30 1982
Actuarial present value of accumulated plan benefits: (a)		
Vested	$189,313	$169,318
Nonvested	10,501	10,452
	$199,814	$179,770
Net assets available for benefits	$257,315	$173,995

(a) Excludes accumulated plan benefits which are the obligation of four insurance companies under insurance contracts.

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6% for both 1983 and 1982.

Pension costs charged to expense for 1983, 1982 and 1981 were $27.5 million, $23.8 million and $19.7 million, respectively.

8. Leases

Certain of the Company's leases are capital leases in accordance with criteria established by the Financial Accounting Standards Board (FASB). An accounting standard issued by the FASB requires that the Company record such leases on its balance sheet by 1987. If such leases had been capitalized at December 31, 1983 and 1982, approximately $369.7 million and $298.3 million, respectively, would have been recorded as assets and as lease obligations. Recording capital leases would not affect income. Most of the capital leases obligate the Company to pay maintenance, insurance and other related costs.

The rental cost of capitalized leases amounted to $45.3 million in 1983, $18.7 million in 1982 and $16.1 million in 1981, the major portions of which were charged to operating expenses. Future minimum rentals on capitalizable leases to which the Company was committed at December 31, 1983, excluding leased nuclear fuel, are estimated as follows (millions of dollars): 1984, $13.8; 1985, $12.4; 1986, $11.3; 1987, $9.3; 1988, $7.9 and 1989 to expiration of the leases, $37.4.

Arrangements with a trust permit the Company to lease up to $350 million of nuclear fuel to be used at the Susquehanna plant. Nuclear fuel rentals cover the amortization of the cost of nuclear fuel based on the quantity of heat produced plus applicable financing charges. The unamortized cost of nuclear fuel under lease was $300 million at December 31, 1983. Upon completion of heat production, the Company will receive title to the nuclear fuel.

At December 31, 1983, minimum rental commitments under operating leases were not material with respect to the Company's financial position.

9. Joint Ownership of Generating Plants

At December 31, 1983, the Company owned undivided interests in three generating stations as follows (millions of dollars):

Generating Station	Plant Investment	% Ownership
Susquehanna	$3,435.7(a)	90.00%
Keystone	33.5	12.34
Conemaugh	34.2	11.39

(a) Includes $1,677.4 applicable to Unit 2 and common facilities under construction.

The Company receives a portion of the total station output equal to its percentage ownership. The Statement of Income reflects the Company's share of fuel and other operating costs associated with the stations. Each participant provides its own financing.

10. Associated Company Transactions

The Company purchases bituminous coal from associated companies at a price generally equal to the entire operating costs of those companies. Purchases of coal from associated companies were (millions of dollars): 1983, $263.8; 1982, $255.1; and 1981, $183.5. An oil pipeline subsidiary transports oil to one of the Company's generating stations. The oil transportation charges, which are based on a PUC approved tariff, were (millions of dollars): 1983, $15.1; 1982, $8.2; and 1981, $9.0.

The operations of associated companies resulted in after-tax charges against the Company's net income of $4.2 million in 1983, $0.3 million in 1982 and

$2.6 million in 1981. The increase in such charges in 1983 was due primarily to a subsidiary charging to expense certain interest costs and property taxes that in prior years were capitalized as part of the subsidiary's cost of coal reserves.

See Note 11 to Financial Statements for information concerning the Company's guarantee of certain obligations of associated companies.

11. Commitments and Contingent Liabilities

The Company's construction expenditures are estimated to aggregate $474 million in 1984, $214 million in 1985 and $254 million in 1986, including the allowance for funds used during construction. See the sections entitled "Susquehanna Plant" and "Capital Expenditure Requirements" on page 25 for additional information concerning the Company's planned construction expenditures.

The Company is a member of certain insurance programs which provide coverage for property damage to members' nuclear generating plants. Facilities at the Susquehanna plant are insured against property damage losses up to $1.0 billion under these programs. The Company is also a member of an insurance program which provides coverage for the cost of replacement power during prolonged outages of nuclear units caused by certain specified conditions. Under the property and replacement power insurance programs, the Company could be assessed retrospective premiums in the event the insurers' losses exceed their reserves. The maximum amount the Company could be assessed under these programs during the current policy year is $16.3 million.

In the event of a nuclear incident at any of the facilities covered by the federal government's third-party liability indemnification program, the Company could be assessed up to $5 million per incident, but not more than $10 million in a calendar year in the event more than one incident is experienced. These amounts will double when the Company receives an operating license for Susquehanna Unit 2.

At December 31, 1983, the Company had guaranteed capital and other obligations of other companies (principally subsidiary coal companies and a subsidiary pipeline company) totaling $256.1 million.

Auditors' Opinion

DELOITTE
HASKINS & SELLS
Certified Public Accountants

One World Trade Center
New York, New York 10048

To the Shareowners and Board of Directors of Pennsylvania Power & Light Company:

We have examined the balance sheets of Pennsylvania Power & Light Company as of December 31, 1983 and 1982 and the related statements of income, earnings reinvested, and changes in financial position for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Company at December 31, 1983 and 1982 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made as of January 1, 1981, in the method of accounting for unbilled revenues, as described in Note 2 to the financial statements.

Deloitte Haskins & Sells

February 3, 1984

Supplementary Information on Changing Prices (Unaudited)

The Financial Accounting Standards Board (FASB), an organization that establishes rules for accounting and financial reporting, has issued a statement that requires the presentation of certain information on the effects of general inflation and changes in the prices of certain specific types of assets. Customary financial reporting generally has not attempted to specifically reflect inflation. The FASB statement requires that certain aspects of inflation be computed in accordance with prescribed techniques and reported on an experimental basis.

The FASB recognizes, and the Company cautions users of this information, that there is no consensus on the general practical usefulness of this supplementary information. There are also unresolved implementation problems and conceptual differences regarding the manner in which the effects of changing prices should be measured.

The FASB statement attempts to measure the effects of changing prices in two different ways:

1. Constant dollars—In a period of inflation, the amount of goods and services one dollar will buy declines. Since financial data often involves dollars expended in different years, it is suggested that combining or comparing such dollars is misleading. The constant dollar method shows the effects of general inflation by adjusting data to dollars of the same purchasing power by application of the U.S. Government Consumer Price Index for All Urban Consumers (CPI-U).

   The constant dollar method simply restates amounts recorded on a company's books to the level of average dollars for the current year. For example, the average CPI-U was 217.5 in 1979 and 298.4 in 1983. The restatement of $1.00 of property acquired in 1979 to average 1983 dollars would be accomplished by multiplying the $1.00 by the ratio 298.4 : 217.5, resulting in $1.37 of property in terms of average 1983 dollars.
2. Current cost—In a period of inflation, prices of most goods and services increase but not necessarily all at the same rate. The current cost method shows the impact of inflation on a company by measuring the estimated change in prices of the specific goods and services used by that company.

The Company has elected to present the "Supplementary Statement of Income" data in accordance with the partial restatement provision of the FASB statement. Under this provision, utility plant, net of accumulated depreciation, and depreciation expense are the only items restated to reflect general inflation

(Constant Dollars) and specific price changes (Current Cost). Fuel inventories and the cost of fuel used in generation have not been restated from their historical cost since, under rate regulation, the recovery of the cost of fuel is limited to the actual cost of the fuel burned. Revenues, income taxes and expenses other than depreciation are presented at the amounts reported in the basic financial statements.

Set forth under "Other Impacts of Changing Prices" are the following:

1. Gain from decline in purchasing power of net amounts owed.

   Inflation also affects monetary assets, such as cash and receivables, which lose purchasing power during inflationary periods since these assets will in time purchase fewer goods or services. Conversely, holders of monetary liabilities benefit during such periods because less purchasing power will be required to satisfy these obligations. Monetary liabilities include preferred and preference stock issues with sinking fund requirements, long-term debt, current liabilities, deferred taxes and tax credits and other deferred credits. The Company is in a net monetary liability position.

2. Increase in the current cost of net utility plant as a result of specific price changes experienced.

   The increase in the current cost amount of net utility plant is shown before and after eliminating the effects of general inflation as measured by the CPI-U.

3. Adjustment of net utility plant to net recoverable amount.

   Under the ratemaking prescribed by regulatory commissions, only the historical cost of utility plant is recoverable in revenue as depreciation. Therefore, the difference between the amount of utility plant stated in terms of constant dollars and current cost (after deducting the effects of general inflation) and the historical cost is reflected as an adjustment to net recoverable amount.

   The adjustment in terms of constant dollars reflects only the effects of general inflation on the historical cost of utility plant and is a reduction in 1983. The adjustment in terms of current cost is computed after the general inflation effect is deducted from the increase in the specific price amount of net utility plant.

Supplementary Statement of Income for 1983 (Thousands of Dollars)	As Reported in Financial Statements (Historical Cost)	Adjusted on the Basis of General Inflation (Constant Dollar)	Adjusted on the Basis of Price Changes Experienced (Current Cost)
		(Stated in Average 1983 Dollars)	
Operating revenues	$1,248,397	$1,248,397	$1,248,397
Operating expenses			
Depreciation (a)	107,885	226,456	240,245
Other	850,582	850,582	850,582
	958,467	1,077,038	1,090,827
Interest expense	167,674	167,674	167,674
Other income and deductions—net	(173,755)	(173,755)	(173,755)
Dividends on preferred and preference stock	85,838	85,838	85,838
	1,038,224	1,156,795	1,170,584
Earnings applicable to common stock	$ 210,173	$ 91,602(b)	$ 77,813
Other Impacts of Changing Prices			
Gain from decline in purchasing power of net amounts owed		$ 125,670	$ 125,670
Increase in specific prices (current cost) of net utility plant during the year (c)			$ 447,957
Increase in current cost of net utility plant if change in general price level were applied			(337,391)
Excess of increase in specific prices over increase in general price level			$ 110,566
Adjustment of net utility plant to net recoverable amount— (reduction)		$ (76,282)	$ (173,059)

(a) Constant dollar utility plant was determined by applying the CPI-U index to the historical cost of surviving plant. The current cost of utility plant was determined by applying construction cost indices maintained by the Company to the historical cost. The respective adjusted provisions for depreciation were determined by applying the functional class depreciation accrual rates to the respective average year-end balances of depreciable plant adjusted for general inflation (constant dollar) and specific price changes (current cost).

(b) Including the reduction to net recoverable amount, earnings applicable to common stock on a constant dollar basis would have been $15,320 for 1983.

(c) At December 31, 1983, the current cost of net utility plant was $9.67 billion, while the historical cost or net amount recoverable through depreciation was $5.59 billion.

The following schedule presents a summary of selected data comparing items as they are normally reported in financial statements or other statistical summaries to items adjusted for changing prices.

Supplementary Comparison of Selected Data (Thousands of Dollars)

	1983	1982	1981	1980	1979
Income Items—Constant Dollar and Current Cost Amounts in Average 1983 Dollars					
Earnings Applicable to Common Stock					
As reported (a)	$ 210,173	$ 210,572	$ 170,801	$ 120,384	$ 133,532
Constant dollars	91,602	99,647	76,479	43,369	93,681
Current cost	77,813	90,889	74,513	33,765	72,289
Earnings Per Share of Common Stock					
As reported (a)	3.06	3.35	3.17	2.64	3.32
Constant dollars	1.33	1.59	1.41	0.95	2.33
Current cost	1.13	1.45	1.38	0.73	1.80
Amount by Which the Increase in General Price Level of Net Utility Plant is Greater Than or (Less Than) the Increase in Specific Prices of Net Utility Plant	(110,566)	(275,914)	(66,287)	398,206	253,240
Adjustment of Net Utility Plant to Net Recoverable Amount—write-up (reduction)					
Constant dollars	(76,282)	(63,987)	(274,196)	(403,826)	(471,669)
Current cost	(173,059)	(331,143)	(338,517)	3,984	(197,037)
Gain from Decline in Purchasing Power of Net Amounts Owed	125,670	116,374	245,821	318,436	346,606
Net Assets at Year-End (b)					
As reported	1,999,324	1,875,070	1,666,812	1,482,092	1,344,816
Constant dollars	1,965,727	1,913,546	1,766,880	1,711,518	1,734,948
Current cost	1,965,727	1,913,546	1,766,880	1,711,518	1,734,948
Other Supplementary Data (c)					
Operating Revenues					
As reported	$1,248,397	$1,219,548	$1,133,278	$ 885,451	$ 860,498
Average 1983 constant dollars	1,248,397	1,258,779	1,241,447	1,070,578	1,180,564
Cash Dividends Declared Per Common Share					
As reported	2.40	2.32	2.24	2.12	2.04
Average 1983 constant dollars	2.40	2.39	2.47	2.56	2.81
Market Price Per Common Share at Year-End					
As reported	20.62	21.00	17.12	15.62	17.75
Average 1983 constant dollars	20.28	21.43	18.15	18.04	23.04
Average Consumer Price Index (CPI-U)	298.4	289.1	272.4	246.8	217.5

(a) 1981 excludes a nonrecurring credit related to an accounting change.

(b) Net assets (shareowners' equity) for purposes of this supplementary disclosure include common equity and the preferred and preference stocks without sinking fund requirements. The preferred and preference stocks with sinking fund requirements have been excluded since they were treated as monetary items.

(c) Other Supplementary Data is a comparison of items as normally reported and as adjusted to average 1983 constant dollars by applying the CPI-U index.

Summary of Quarterly Results of Operations (Unaudited)

Quarter Ended	Operating Revenues	Operating Income	Net Income	Earnings Applicable to Common Stock	Earnings Per Share of Common Stock (a)
	Thousands of Dollars				
1983					
March	$305,088	$62,643	$79,823	$60,055	$0.89
June	270,909	55,956	69,332	47,868	0.70
September	285,151	73,373	68,902	46,523	0.67
December	387,249	97,958	77,954	55,727	0.80
1982					
March	$363,764	$72,802	$83,386	$66,486	$1.12
June	279,262	48,690	56,970	40,088	0.66
September	284,450	49,735	65,028	48,220	0.74
December	292,072	51,856	73,502	55,778	0.84

(a) Based on the average number of shares outstanding during the quarter. The total of the four quarterly earnings per share amounts may not equal earnings per share for the year due to changes in the number of common shares outstanding during the year and rounding.

Common Stock Price and Dividend Data

The principal trading market for the Company's common stock is the New York Stock Exchange. The stock is also listed on the Philadelphia Stock Exchange. The number of record holders of common stock was 169,142 as of December 9, 1983. The high and low sales prices of the Company's common stock on the Composite Tape for the past two years as reported by The Wall Street Journal were as follows:

Quarter Ended	High	Low
1983		
March	$24½	$20⅞
June	24½	20¾
September	23⅜	20⅝
December	24½	20
1982		
March	$19⅜	$16½
June	20⅛	17½
September	20¾	17⅛
December	21⅞	19⅝

The Company has paid quarterly cash dividends on its common stock in every year since 1946. The dividends paid per share in 1983 and 1982 were $2.38 and $2.30, respectively. The most recent regular quarterly dividend declared by the Company was 60 cents per share (equivalent to $2.40 per annum) paid January 1, 1984. Future dividends will be dependent upon future earnings, financial requirements and other factors.

The Company has estimated that all of its 1983 dividends paid on common stock and 19.16% of its dividends paid on preference stock will not be taxable for federal income tax purposes as dividend income, but will constitute a return of capital which reduces the tax cost basis of the shares on which the dividends were paid.

Fiscal Agents

TRANSFER AGENTS FOR PREFERRED, PREFERENCE AND COMMON STOCK

Industrial Valley Bank and Trust Company
634 Hamilton Mall
Allentown, Pennsylvania 18101

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10015

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

REGISTRARS FOR PREFERRED, PREFERENCE AND COMMON STOCK

The First National Bank of Allentown
Hamilton Mall at Seventh
Allentown, Pennsylvania 18101

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10015

DEPOSITARY FOR DEPOSITARY PREFERENCE SHARES

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10015

DIVIDEND DISBURSING OFFICE AND DIVIDEND REINVESTMENT PLAN AGENT

Vice President and Treasurer
Pennsylvania Power & Light Company
Two North Ninth Street
Allentown, Pennsylvania 18101

Securities Listed On Exchanges

NEW YORK STOCK EXCHANGE

4½% Preferred Stock (Code: PPLPRB)
4.40% Series Preferred Stock (Code: PPLPRA)
8.60% Series Preferred Stock (Code: PPLPRG)
9.24% Series Preferred Stock (Code: PPLPRM)
Preference Stock, $8.00 Series (Code: PPLPRJ)
Preference Stock, $8.40 Series (Code: PPLPRH)
Preference Stock, $8.70 Series (Code: PPLPRI)
Preference Stock, $11.00 Series (Code: PPLPRL)
Preference Stock, $13.00 Series (Code: PPLPRK)
Depositary Preference Shares Representing:
  Preference Stock, $11.60 Series (Code: PPLPRP)
  Preference Stock, $13.00 Second Series (Code: PPLPRO)
  Preference Stock, $15.00 Series (Code:PPLPRN)
Common Stock (Code: PPL)

PHILADELPHIA STOCK EXCHANGE

4½% Preferred Stock
3.35% Series Preferred Stock
4.40% Series Preferred Stock
4.60% Series Preferred Stock
8.60% Series Preferred Stock
9% Series Preferred Stock
9.24% Series Preferred Stock
Preference Stock, $8.00 Series
Preference Stock, $8.40 Series
Preference Stock, $8.70 Series
Preference Stock, $11.00 Series
Preference Stock, $13.00 Series
Depositary Preference Shares Representing:
  Preference Stock, $11.60 Series
  Preference Stock, $13.00 Second Series
  Preference Stock, $15.00 Series
Common Stock

Officers

ROBERT K. CAMPBELL, *President and Chief Executive Officer*

ROBERT R. FORTUNE, *Executive Vice President-Financial*

JOHN T. KAUFFMAN, *Executive Vice President-Operations*

JACK R. CALHOUN, *Senior Vice President-Nuclear*

MERLIN F. HERTZOG, *Senior Vice President-Human Resource & Development*

LEON L. NONEMAKER, *Senior Vice President-Division Operations*

JOHN R. BIGGAR, *Assistant Treasurer*

GENNARO D. CALIENDO, *Vice President and Chief Counsel-Regulatory Affairs*

NORMAN W. CURTIS, *Vice President-Engineering & Construction-Nuclear*

CHARLES J. GREEN, *Vice President-Harrisburg Division*

WILLIAM F. HECHT, *Vice President-System Power*

BRUCE D. KENYON, *Vice President-Nuclear Operations*

JOHN P. KIERZKOWSKI, *Assistant Treasurer*

CARL R. MAIO, *Vice President-Lehigh Division*

GRAYSON E. McNAIR, *Vice President-Marketing & Customer Services*

EDWARD M. NAGEL, *Vice President, General Counsel and Secretary*

HERBERT D. NASH JR., *Vice President-Central Division*

JOHN E. ROTH, *Vice President-Northern Division*

CHARLES E. RUSSOLI, *Vice President and Treasurer*

JOHN H. SAEGER, *Vice President-Susquehanna Division*

EDWIN H. SEIDLER, *Vice President-Engineering & Construction-System Power & Engineering*

BRENT S. SHUNK, *Vice President-Lancaster Division*

JEAN A. SMOLICK, *Assistant Secretary*

GEORGE F. VANDERSLICE, *Vice President and Comptroller*

PAULINE L. VETOVITZ, *Assistant Secretary*

HELEN J. WOLFER, *Assistant Secretary*

Corporate Management Committee: Robert K. Campbell, chairman; Robert R. Fortune, John T. Kauffman, Jack R. Calhoun, Merlin F. Hertzog, Leon L. Nonemaker and Edward F. Reis, Director-Corporate Planning, serving as the committee's executive secretary.

Directors

CLIFFORD L. ALEXANDER JR., Washington, D.C.
President, Alexander & Associates Inc. Consultants to business, government & industry

ELIZABETH E. BAILEY, Pittsburgh
Dean, Graduate School of Industrial Administration, Carnegie-Mellon University

ROSWELL BRAYTON SR., Woolrich
President and Chief Executive Officer, Woolrich Woolen Mills Inc. Manufacturer of garments for outdoor activities

JEFFREY J. BURDGE, Camp Hill
Chairman of the Board and Chief Executive Officer, Harsco Corporation. Manufacturer of processed and fabricated metals

ROBERT K. CAMPBELL, Allentown
President and Chief Executive Officer

EDGAR L. DESSEN, Hazleton
Physician-Radiologist

EDWARD DONLEY, Allentown
Chairman of the Board and Chief Executive Officer, Air Products and Chemicals Inc. Manufacturer of industrial and commercial gases and chemicals

ROBERT R. FORTUNE, Allentown
Executive Vice President-Financial

FRANCES R. HESSELBEIN, New York City
National Executive Director, Girl Scouts of the U.S.A.

HARRY A. JENSEN, Lancaster
Director and former Chief Executive Officer, Armstrong World Industries Inc. Manufacturer of interior furnishings and specialty products

JOHN T. KAUFFMAN, Allentown
Executive Vice President-Operations

W. DEMING LEWIS, Bethlehem
President Emeritus, Lehigh University

HAROLD S. MOHLER, Hershey
Former Chairman of the Board, Hershey Foods Corporation. Diversified manufacturer of food products

RALPH W. RICHARDSON JR., State College
Consultant, agricultural and environmental sciences

NORMAN ROBERTSON, Pittsburgh
Senior Vice President and Chief Economist, Mellon Bank, N.A.

DAVID L. TRESSLER, Scranton
Chairman of the Board and Chief Executive Officer, Northeastern Bancorp, Inc.

Executive Committee: Robert K. Campbell, chairman; Edgar L. Dessen, Harry A. Jensen, W. Deming Lewis and Norman Robertson.

Audit Committee: Harold S. Mohler, chairman; Clifford L. Alexander Jr., Elizabeth E. Bailey, Roswell Brayton Sr., Ralph W. Richardson Jr. and David L. Tressler.

Corporate Responsibility Committee: Edgar L. Dessen, chairman; Jeffrey J. Burdge, Frances R. Hesselbein, Harold S. Mohler and David L. Tressler.

Management Development and Compensation Committee: Roswell Brayton Sr., chairman; Clifford L. Alexander Jr., Elizabeth E. Bailey, Edward Donley, W. Deming Lewis and Norman Robertson.

Nominating Committee: Ralph W. Richardson Jr., chairman; Jeffrey J. Burdge, Edward Donley, Frances R. Hesselbein and Harry A. Jensen.

The Company's annual report filed with the Securities and Exchange Commission on Form 10-K will be available mid-March. A shareowner may obtain a copy, at no cost, by writing to Pennsylvania Power & Light Company, Two North Ninth Street, Allentown, Pa. 18101, attention: Mr. George I. Kline, Investor Services Manager.

Board of Directors

Alexander

Bailey

Brayton

Burdge

Dessen

Donley

Hesselbein

Jensen

Lewis

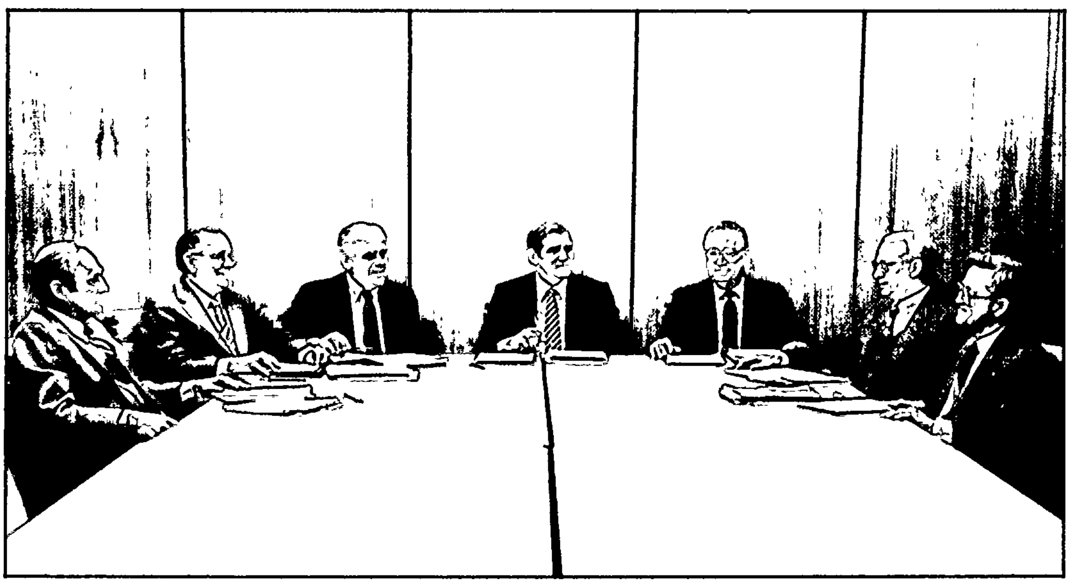
Mohler

Richardson

Robertson

Tressler

Corporate Management Committee

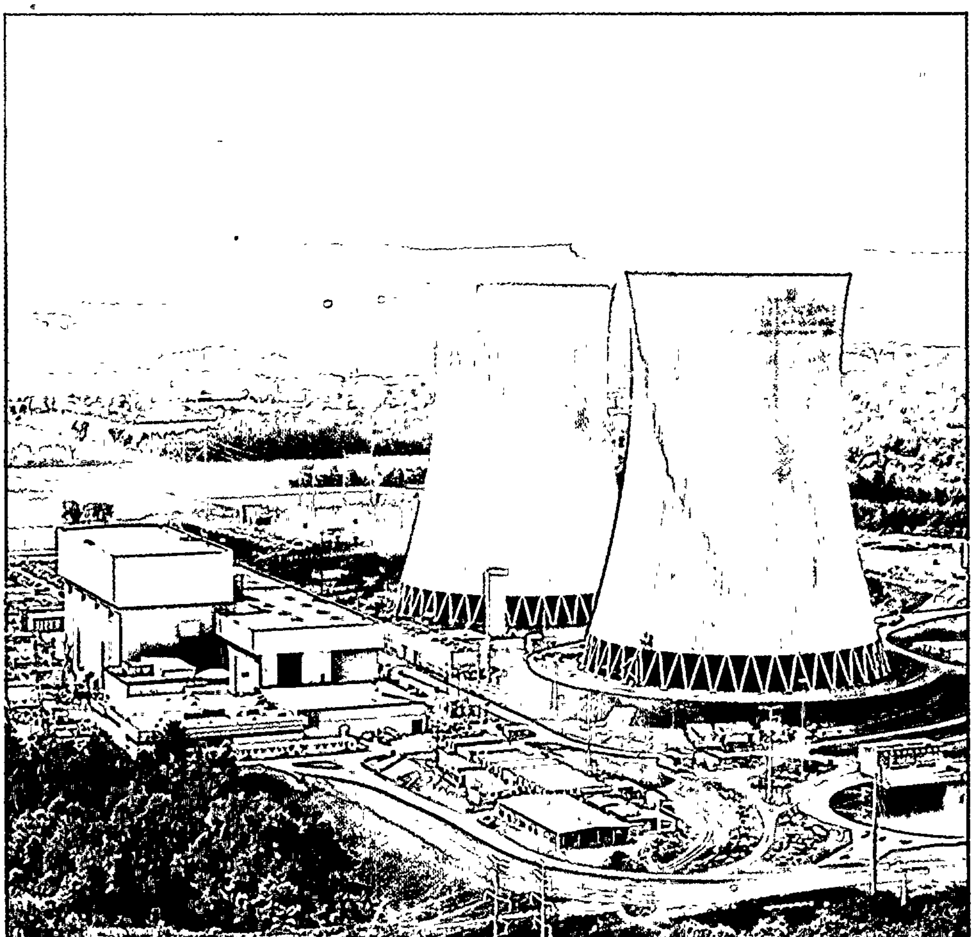


Reis Nonemaker Kauffman Campbell Fortune Hertzog Calhoun

PP&L Pennsylvania Power & Light Company
Two North Ninth Street • Allentown, PA 18101 • 215 / 770-5151

BULK RATE
U. S. POSTAGE
PAID
Allentown, Pa.
Permit No. 104

Susquehanna Unit 1—Commercial Operation June 8, 1983



Unit 1 at PP&L's Susquehanna nuclear plant was placed in commercial operation on June 8, 1983. Susquehanna, along with our excellent fossil-fueled generating plants, will provide abundant, competitively priced electric energy to power the jobs, the lifestyles, and the futures of those living in Central Eastern Pennsylvania—from now into the 21st century.

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